

BY MARK FRITZ

The traditional image of the insurance agent made perfect cover. Who would ever suspect that boring drone of a bureaucrat was a spy?

UNDER COVER

YOU HAVE THE INSPECTION REPORTS OF EVERY SPIKE, EVERY SWITCH, EVERY SWERVE of every train track in China. You have the blueprints of a gas company in Manila. You know the flammability of a zinc factory in Hamburg, the burn rate of a candy concern in Bergdorf. You are privy to the exact contents of a cargo ship setting sail from Argentina. You even have a good idea about the structural soundness of, say, that new bridge being built on the Kwai River.

This is pretty important data if you're assessing risk and pegging premiums. It's even handier if you need to bomb, sabotage, or just plain incinerate a big piece of the world. When it comes to waging war, insurance records and the people who amass them can be both lethal weapons and treacherous liabilities.

As one French intelligence report noted dourly during World War I: "Germany does not need a mysterious organization of spies in order to be informed of our plans and to learn their resources and their production; she has only to consult (reports) which the insurance and reinsurance companies pile up in their offices through their brokers."

And what do those reports contain? "The output of our factories, their machinery, the turnover, the rural production, what our vessels transport and to where they transport it."

The importance of global insurance traffic as both a resource and a weak spot was a lesson learned by trial and terror during the second World War, when Hitler used Ger-

many's giant international insurance industry to both bankroll the war effort and provide intelligence, thanks in large part to the fact that insurance companies in the United States and other Allied nations were continuing to do business with their Axis counterparts well after the war began.

Just how widespread a role the industry played in the war was revealed only last year, when the CIA declassified nearly half a million documents about secret wartime intelligence operations, including details of the virtually unknown Insurance Intelligence Unit of the Office of Secret Services (OSS), the predecessor of the CIA.

The unit was set up not only to figure out what the enemy was learning about the Allies but to gather information that would be instrumental in carrying out the bombing campaigns in both Europe and the Pacific. The operation was not only a success; it gave some of the more enterprising insurance men a foothold into the future.

"This story is incredible because the unit begins as part of

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THE SECRET LIVES OF INSURANCE AGENTS IN WORLD WAR II



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the desire of American interests to contribute to the war effort and exploit it for future economic gain," says Timothy Naftali, a consultant to the Nazi War Criminals Interagency Working Group created by Congress to disseminate the newly declassified records.

The men behind the insurance unit were Cornelius V. Starr and OSS head William "Wild Bill" Donovan, who had mutually beneficial motives, according to Naftali. Starr started out selling insurance to the Chinese in Shanghai in 1919 and built an international business acting as a broker for other insurance companies doing business abroad. When Japan invaded China, he moved his operation to New York, the headquarters of Home Insurance chief executive Harold V. Smith, a member of the rival American Foreign Insurance Association.

The creation of an OSS unit composed of insurance men was the outcome of a competition between the two magnates to provide intelligence and, particularly in Starr's case, to gain market position, Naftali says. The unit was formed in early 1943 after it became clear how crucial insurance was to the Nazis themselves. The unit's reports show that Germany had 45 percent of the wholesale insurance industry before the war began and managed to actually expand its business as it conquered continental Europe.

Though German-owned companies were blacklisted initially, the Nazis did business through supposedly neutral countries such as Switzerland, and laundered the transactions through South American affiliates, particularly in Argentina. "The blacklist is of no good use because the firms not blacklisted are full of Germans," one of the Insurance Intelligence Unit's reports complained in 1943.

Nazi insurance brokers, in fact, traveled with combat units so they could quickly exploit insurance assets both strategically and economically. And there were no shortage of collaborators.

Among the many "personalities" profiled by the Insurance Unit is Carl Theodore Endemann, a naturalized American from Germany who was assigned by the American Foreign Insurance Association to Paris in the early 1930s as a fire insurance underwriter. When war broke out, Endemann rooted for the Nazis and when France capitulated, the files say he contacted the Germans

and gave them data they would use in the war in North Africa. His British-born wife refused to cooperate and was "interned from time to time," the report notes. The couple's 7-year-old son was with this seriously dysfunctional family through it all.

And when the Allied forces began pushing the Nazis out of North Africa, the Americans noted with alarm that their British counterparts "have gotten a considerable jump" on the post-war insurance business.

Naftali, a historian at the University of Virginia's Miller Center of Public Affairs and an authority on U.S. intelligence, came across the first evidence of the insurance unit when the CIA released its first batch of OSS files in the 1980s. He interviewed some of the members—all now believed dead—for his 1993 doctoral dissertation on the elite counter-intelligence branch, X-2, of which the insurance unit was a part.

It's hard to discern how diligently members of the insurance unit investigated their own companies—most of them went back to the insurance industry after the war—but they clearly exposed questionable ties. One report showed that an Argentine company owned by the American Foreign Insurance Association—a main source of intelligence—had a known Nazi collaborator on its board.

The documents also say that two New York insurance executives, Cecil Stewart and Stewart Hopps, made money selling war insurance in the early years of the war—triggering an inquiry by New York state insurance regulators—and resold some of the risk to Latin American affiliates with ties to Nazi insurers. The men also had ties to a steamship company that even chartered tankers for Royal Dutch Shell, which collaborated with the Nazis and used slave laborers the SS supplied to the company.

Stewart and Hopps—whose financial interests included William Penn and Rhode Island Insurance—were part of the original OSS committee that designed the Insurance Intelligence Unit, Naftali says. Yet intercepted message traffic between Rhode Island Insurance, Cuban and South American partners, and Swiss and French insurers in bed with the Nazis indicated that "it's very possible that details of American insurance properties could reach the enemy via this sequence of reinsurance transactions." Those properties included shipyards, munitions plants, and coastal urban centers, including Washington, D.C.

Such convoluted business dealings were traced mostly by Ernest Stiefel, a member of the intelligence unit who diagrammed the way insurance companies pooled their risks, invested in and insured each other, and, as a result, intentionally or accidentally shared vital data about nations at war.

"Stiefel mapped the entire international insurance system," says Naftali. "Each time I take a piece of your risk, you've got to give me information. I am not going to reinsure your company unless you give me all the documents. That's great intelligence information, particularly if you're going to war with somebody."

Though a whiz with records, the unit had its problems in the field. The files are filled with information that sometimes arrived months after it was requested, particularly from the Far

East and North Africa, in places such as Singapore and Morocco, where expatriates of all types mingled uneasily while the war crept closer. One operative, a Starr insurance man named Bob Smith, traveled throughout China and appeared in several local newspaper accounts as a high-powered insurance executive come to town to assess the economic situation, at one point visiting a leper colony run by a priest.

But the cables he sent back reveal a man who was under heavy suspicion, often anxious to leave his post and uncertain of how to deliver his information. At one point, after finding himself just yards away from Japanese positions in South China, he speculated that he wasn't shot because snipers were too busy laughing at his pratfall-plagued attempts to flee on his bicycle.

Yet it's also clear that an enormous amount of material was used strategically. "Our thanks . . . for the gradient profile of the Chinese section of the Canton/Kowloon Railway," chirped the relentlessly chatty OSS newsletter ("Extra! Extra! It's twins for Al Booth!").

"Thank you for the Tokyo Water Supply data! We appreciate it very much," raved yet another edition.

A huge portion of the intelligence came from Robert Rushin, a Home Insurance Co. executive who rose to the rank of major and held a top counter-intelligence post by the end of the war. Rushin was sent to London in late 1943 after it became clear that the OSS and British intelligence had failed to tap London-based insurers for information about the Pacific theater. In fact, Rushin found that a U.S. Embassy official assigned to deal with such data had set up shop at Swiss Re, an insurance wholesaler still in business with the Nazis, and had come up with little of value.

Using his insurance contacts and expertise, Rushin unearthed material that was eventually in demand even by the British Air Ministry. The thousands of documents and detailed indexes of insurance records ranged from Chinese railway inspection reports to photos of the inside of the Mitsukoshi Department store in downtown Tokyo.

"I was worried about him. He was there during the blitz," says Claire Rushin of New Jersey, whose husband died seven years ago.

During Rushin's visit, in fact, his colleagues did express jovial concern that he avoid the "robots," a reference to the pilotless V-1 jet bombs that Germany sent buzzing into London like hordes of blind hornets.

But Rushin's biggest obstacles appeared to be the bureaucracy of the war itself. "I don't have but two legs, no one to help and the job of reproducing is terrific," he complained in March 1944. "I have material now which has been in the hands of reproduction for six weeks."

Still, he was, by all accounts, extremely successful. "Within a few days, a conference on the burning possibilities of some important cities will be held," Rushin wrote a colleague in February 1944, when the Allies were ratcheting up their air attacks on Japanese and German cities. "I have reproductions of ap-

proximately 150 plans covering Jap plants about ready to ride."

Frequently, the unit came across startling intelligence that had nothing to do with insurance. It passed on news, for example, that with German cities under constant bombardment, the Nazis had banned the "mourning ribbons" worn by families of the dead. It also came across a German newspaper obituary of "a collaborator" killed in a "cowardly" attempt by some of Hitler's men to blow up *der Fuehrer*.

Stiefel noted in late 1943 that life insurance—for the first time in history—was being "rationed" in Germany, with restrictions placed on how much coverage young and single people could get.

Though war damage was exempt from fire coverage, Swiss Re complained that it was being forced to make payments for sabotage in occupied countries. It balked at paying out a claim for a factory that blew up in Belgium. The Swiss insisted it was sabotage and that the Germans were making munitions there, while the Germans claimed it was an accidental fire at a fertilizer factory. Swiss Re grudgingly paid what it said was its biggest single claim since the 1906 San Francisco fire.

When the war was no longer profitable, in fact, the insurance companies seemed to be pleading for peace. A source in Stockholm revealed in late 1943 that insurers advised Hitler's people that "ruin threatens all life and fire insurance companies

in Germany.” According to one analysis, Nazis had been so greedy for premiums to finance the war effort—much of the insurance industry was in the hands of the brother of propaganda minister Joseph Goebbels—that they were providing vast amounts of coverage on the big industries that would become the most important targets of Allied bombers.

As loss of life grew, the government prohibited insurance companies from soliciting new business among Germans—prompting even the newspapers to grumble. Life insurance and the interest it earned had been viewed as stable investments for Germans who still remembered the hunger and hyperinflation that followed the First World War. Yet as war progressed, the interest dividends were slashed.

As the Axis defeat seemed imminent in Europe, intelligence officials focused greater attention on ways the Nazis would try to use insurance to hide and launder their assets and use them to rebuild key industries and become, once again, a military threat. Though the Treasury Department wanted to keep harsh economic restrictions on the defeated Axis powers, the State Department—already waging an ideological war with the Soviet Union—let the German and Japanese insurance industries resume operations.

Today, for example, Munich Re and Swiss Re are, once again, the two biggest insurance wholesalers in the world. Rushin was

promoted to the X-2 branch in Washington after his successful London mission and then returned to Home Insurance after the war. He retired from the company, which eventually was crushed by asbestos claims from cancer victims in the 1970s. In the end, Home itself didn’t have enough insurance to cover its losses.

Starr ran his American International Group until shortly before his death in 1968 and focused most heavily on Asia, which remains the backbone of its business. The intelligence unit was housed in the same Manhattan building that today is AIG’s world headquarters. It was the first company to return to Communist China after Nixon normalized relations. In fact, the company’s reluctance to loosen its hammerlock on the Malaysian insurance market almost derailed the World Trade Organization pact of 1997.

Most recently, AIG was instrumental in the resignation of California’s Charles Quackenbush, who has feuded with the company for years. Quackenbush was a key figure among state insurance commissioners seeking to hold insurance companies accountable for Holocaust claims, and he was sued by industry trade groups to block his efforts to examine their records. One of the companies filing suit, ironically enough, was American Reinsurance Co., which is owned by Munich Re.

Though the OSS files shed enormous light on a little-known operation, there is no good way to fully read the moods and motivations of the men and women who were part of it. Claire Rushin and Naftali, who spoke with Rushin just before his death, said he was proud of his service during the war.

“He was delighted to talk about this,” Naftali says. “He was in his 80s. I was lucky. This latest release (of documents) comes too late. These people are no longer alive.”

The files, which are available for public inspection at the National Archives office in College Park, Md., were among the latest U.S. intelligence documents declassified under an executive order issued by then-President Clinton last year to speed the identification of Nazi assets and where they may have wound up.

Historians and reporters have flocked to dossiers detailing the whereabouts of looted Nazi gold and art treasures. Yet the role that insurance played—the war killed 45 million people and destroyed tens of thousands of homes and businesses—“is bigger than all the other (Nazi) assets combined,” says historian Greg Bradsher, a National Archives expert on the Nazi espionage era.

“I don’t think anybody really knew there was this OSS unit,” says Bradsher. “It makes you wonder if a German insurer insuring an American ship went to the German military and said: ‘Don’t bomb this ship!’”

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