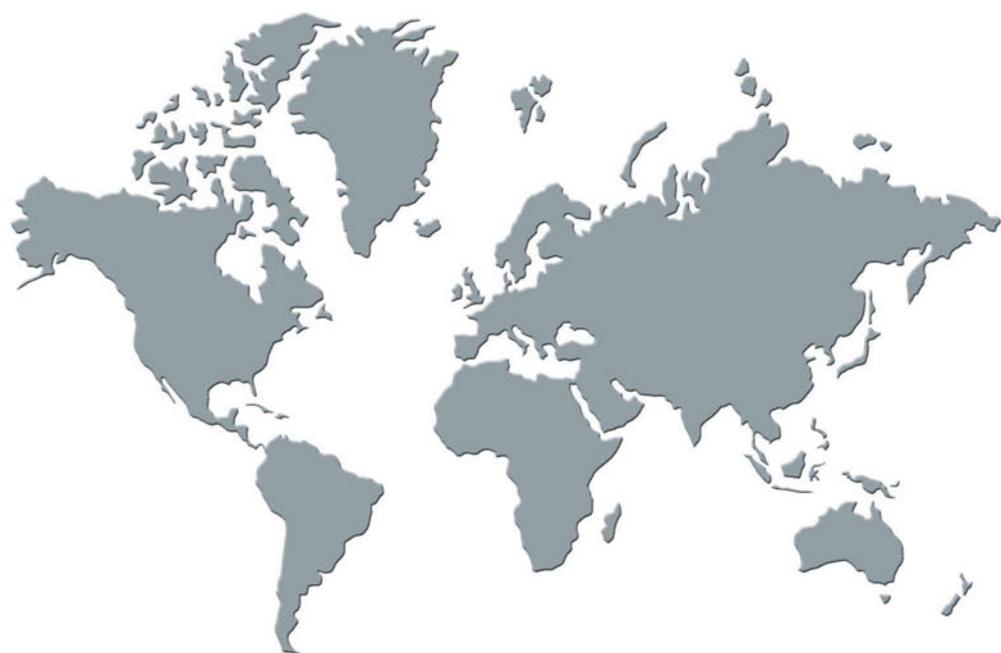


JOHANNES BÄHR CHRISTOPHER KOPPER

MUNICH RE

THE COMPANY HISTORY

1880 - 1980



C.H.BECK

Johannes Bähr, Christopher Kopper

MUNICH RE

The Company History

1880–1980

Translated into English by

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With 38 illustrations, 2 diagrams, and 11 tables

1st edition. 2016

© Verlag C.H.Beck oHG, Munich 2016

Cover Jacket Design: Kunst oder Reklame, Munich

Cover Jacket Illustration: Peter Palm, Berlin

ISBN print 978-3-406-69822-4

ISBN e-book 978-3-406-69823-1

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Contents

1. Introduction	7
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Part I: The Company's Rise, Acid Tests, and Setbacks (1880–1932)

(Johannes Bähr)

2. The Beginnings of Reinsurance: The Long Path to Equality . . .	15
3. Founding and Beginnings of Munich Re	24
<i>Carl Thieme and the Founding of Munich Re</i>	24
<i>The Rise of a New Kind of Reinsurer</i>	35
<i>“The Founding of a Casualty Firm along with Our Reinsurance Company”: How Allianz Versicherungs-AG Came into Being</i>	44
4. Conquering the World Market and the Earthquake of San Francisco	55
<i>Business Dealings and Investments in Russia, Great Britain, and the U.S.</i>	55
<i>The Earthquake of San Francisco and Other Major Losses</i>	64
5. Munich Re before the First World War	78
<i>Employees and Management</i>	78
<i>Business Development, Capital Investments, and New Insurance Segments</i>	89
6. The First World War and the Restructuring of the World Market	95
7. Banned from the World Market: The Development of the Corporation in Central Europe during the Inflation Period . . .	103
8. “Insurance Has Its Own Economy”: Munich Re in the Great Depression	125

Part II: Munich Re during the National Socialist Regime (1933–1945)

(Christopher Kopper [Chs. 9/10], Johannes Bähr [Chs. 11/12])

9. The National Socialist Takeover and Munich Re: Business Development, Political Ties, and Management	147
10. Munich Re in the Economy of the Third Reich: Business Policy, Foreign Currency Restrictions, and Participation in Financing Armaments	176

11. Foreign Business, Foreign Investments, and the Expectation of War	191
<i>Relations to Swiss Re under the Conditions of Foreign Exchange Control</i>	191
<i>The Phönix Scandal and Its Consequences</i>	196
<i>Disguises and Expectations of War</i>	206
12. Occupation Rule and the War Economy: Munich Re in the Europe of the Third Reich	211
<i>“Prudent Cooperation”? The Company’s Involvement in Vienna, Prague, and Southeastern Europe</i>	211
<i>The Group Companies in Occupied Poland</i>	221
<i>The Subsidiaries in the West and the Association for the Coverage of Major Risks</i>	229
<i>The Hub of Masked Business and Window to the World: Union Rück in Zurich</i>	237

Part III: Back to the Top of the World Market (1945–1980)

(Christopher Kopper)

13. Starting Anew under the American Occupation: The Consequences of War and Denazification	247
14. Finding a Way Back into the International Reinsurance Market	262
15. Rebuilding the Capital Basis: Munich Re and the Consequences of the Currency Reform	270
16. New Challenges in the International Reinsurance Business	279
17. Continuity and Change in the “Alzheimer Era” (1950–1968)	304
18. The Progress of Globalization in the Reinsurance Business	313
19. The Crises of the 1970s and the Challenges of Modern Risk Management	350
20. Conclusion	362

Appendix

Notes	373
List of Tables and Diagrams, Picture Credits	438
List of Abbreviations	439
List of Primary Sources and Bibliography	441
Index of Persons	453
Index of Companies	457

1. Introduction

For over 100 years, they have played a major role in the insurance industry, but they are less familiar than the large general insurers. What we are talking about here are reinsurance companies. Founded in 1880, the Münchener Rückversicherungs-Gesellschaft AG (Münchener Rück) was the largest reinsurance firm in the world up to 1914, during the 1930s, and from the late 1960s, but the broader public seldom took notice of it. This was due, first of all, to its reserved press and public relations work, which the company limited for more than a century to the reporting of figures from its balance sheets. Secondly, lack of familiarity with the company derived from the nature of its business: reinsurers only enter into insurance contracts with the primary or direct insurers and insurance brokers. In contrast to direct insurers, they do not appear in the public eye through mass advertising and a visible sales network. Only against this backdrop does it make sense that Münchener Rück has been so silent in dealing with its own, significant history. This book, whose original German edition was published 135 years after the company's founding, constitutes the first comprehensive company history of Münchener Rück, which has been called Munich Re worldwide since 2009 and thus will be referred to as such hereafter.

The economic function of reinsurers is not well known, either. Without sharing risks with reinsurers, countless direct insurers would not have survived the economic consequences of natural catastrophes like earthquakes and hurricanes and would have been forced into insolvency by the burden of their payment obligations. Reinsurance against events resulting in catastrophic damages made a concentration of high values in the form of residential and commercial buildings, machines and infrastructure possible in many states and in regions that tend to be hit regularly but unpredictably by natural catastrophes. Even in less spectacular business segments such as fire and motor insurance, the reinsurers evened out claims management for direct insurers and simplified the calculation of insurance premiums. This book will also address the question of whether and how reinsurers made insurance for specific risks possible in the first place.

This does not mean that the existence of independent reinsurance companies was functionally required and thus brooked no alternative. In Great Britain and the U.S., the task of sharing risk was not primarily handled by reinsurers but rather by cooperation among direct insurers in the form of joint insurance policies and insurance syndicates. The Lloyd's insurance syndicate in London is the best-known example of this. At the same time, the information gap between the direct insurer and the reinsurer generated the latent danger of bad risks being transferred to the reinsurer. For this reason, this study looks into the means Munich Re used to reduce this information deficit and how it attempted to prevent one-sided risk transfers to its detriment in the way it formulated the policies. It shall investigate how the relationship between reinsurers and direct insurers was changed by shifts in economic performance, new risk-assessment techniques, and new forms of cooperation.

Particular attention will be paid to the evolution of scientific risk assessment. Whereas the assessment of insurance risks was based on experiential knowledge into the 1960s and risks were quantified by means of comparatively simple statistical (actuarial) methods, Munich Re shifted to forward-looking and scientifically-based risk assessment earlier than many competitors. Above all, it grounded the assessment of georisks like earthquakes and storms in natural science, and in the 1970s, it introduced mathematical models for risk assessment in the property insurance segment.

For various reasons, hardly any reinsurance company is more suited to a long-term study than Munich Re. Munich Re founded Allianz Versicherungs-AG in 1890 and enabled this company, with a high rate of reinsurance, to become by far the largest direct insurer of Germany. Yet the relationship between the two companies was by no means static. Through its increasing size and financial strength, Allianz was able to adjust its relationship to Munich Re and reinsure smaller portions of its business. Still, Munich Re's close tie to the largest German direct insurer generated a considerable volume of premiums, which promoted its growth. The close cooperation between Munich Re and Allianz was regulated by means of an association agreement and was also created through mutual capital holdings (crossholdings). Each insurance company had representatives on the supervisory board of the other, generating a close intertwining of personnel that lasted until the association agreement was dissolved in 2003.

Using the examples of subsidiaries MR held in common with Allianz and its own capital stocks in direct insurers, this book pursues the question

of the means MR used to secure long-term ties. In addition to its capital assets, its well-endowed reserves, and its reputation as a competent and productive insurer, Munich Re's capital investments in direct insurers served as an instrument of customer loyalty that is worthy of systematic analysis. In this context, this study is dedicated to the question of whether Munich Re as a (co-)owner of other companies aimed to improve short-term yields or whether it concentrated on a longer-term ownership strategy as a typical stockholder in the economic order of "Rhenish Capitalism" (Michel Albert).

Reinsurers differentiated themselves from direct insurers early on with their much higher proportion of foreign business. The spatial distribution of the reinsurance business across more than one continent was not primarily due to the fact that even a large, national insurance market like Germany quickly became too small for an expansive business strategy. The transcontinental spatial distribution of insured risks served, above all, as a means of balancing regional risks and as protection against a possible spatial accumulation of risks. There were few barriers to internationalization. In contrast to the direct insurance industry, a reinsurer did not need authorization from the national regulatory body for insurance nor a costly sales network. Thus, Munich Re managed even before 1900 to extend its business from its core area of continental Europe (above all, the German Reich and Austria-Hungary) across the Atlantic to North America, the largest growth market of this era.

With the great earthquake of San Francisco in 1906, Munich Re was confronted, for the first time, with great risks that did not exist in its European business. Consequently, the history of Munich Re is almost a textbook history of globalization up to the beginning of the First World War (1914). The forced disintegration of the world market resulted from this war. With the military expansion of the Third Reich, Munich Re came to dominate the European reinsurance industry, but this ended when all of its foreign assets were seized and Munich Re was prohibited from engaging in foreign business. In the 1950s, Munich Re managed to internationalize once again. Since the Asian and North American markets became increasingly important, this could rightly be called globalization. By the end of the 1970s, Munich Re had established business relations with insurers in almost all the countries of the world. The globalization of the reinsurance business compelled the company early on to push the limits of what was insurable. Munich Re had initially treated earthquake and flood losses as incalculable and thus uninsurable risks. After Munich Re entered the U.S. and Japanese markets, it

had to adapt to the conventions of these insurance markets and reinsure these risks. This proved to be a catalyst for the scientific understanding and assessment of risks.

The First and Second World Wars resulted in the loss of a considerable portion or even all of the company's foreign assets and pushed Munich Re back to the area of the German Reich, its allies, and neutral states. The shift in the political regime from the Weimar Republic to National Socialist rule was associated with the transition to a rigid autark policy. The extensive chapter on Munich Re during the National Socialist era deals, among other things, with the question of to extent to which National Socialist economic policy restricted options in the international reinsurance business and confronted insurers with plans for the nationalization of the insurance industry. This context raises the issue of how Munich Re responded to the conflicting politics of competing actors in the Nazi regime, and how the primacy of financing arms and the war restricted its investment options. This is tied to the question of how Munich Re's leadership utilized the chances and risks of National Socialist politics and what means it used – also on the symbolic level – to shape its connections to the political elite.

One of the specific risks of business behavior under National Socialism was the challenge presented by its racist politics, above all the step-by-step expropriation of Jewish property. In this context, the study examines whether Munich Re consciously exploited the business opportunities associated with these practices, such as the distressed sales of Jewish-owned life insurance policies and real estate, even if these opportunities would have been regarded as morally problematic, unethical, and damaging to the firm's reputation under ordinary circumstances. A similar challenge arose in the course of the German occupation of Western and East-Central Europe through the sharply asymmetrical power relation, which favored German companies.

Aside from the risks it had insured and the risks of war and dictatorship, Munich Re was also confronted with macroeconomic risks. Among the significant macroeconomic shocks to the insurance industry that have not yet received much scholarly attention is the hyperinflation of 1923, which ended with the complete devaluation of financial assets. The consequences for (re-) insurers of the world economic crisis that began in 1929 have not been studied much, nor have the effects of the collapse between 1971 and 1973 of the system of fixed exchange rates (the Bretton Woods system). This book shall clarify which strategies Munich Re employed to try to protect itself from external shocks like inflation, restrictions on the circulation of money and

movement of capital, and currency fluctuations. Particular attention is paid to the firm's investment strategy, which involved investing in fixed-interest securities in crises of deflation and covered payment obligations in fluctuating foreign currencies through monetary investments in the same currencies.

As research into the history of reinsurers is not yet well developed, this study is based primarily on our own studies in the files of the Historical Archive at Munich Re. To complement these, files in the archive of the current subsidiary ERGO, in the Swiss Re Company Archives and in state archives were analyzed. The present book, which adheres to scholarly standards, is the most comprehensive study on the business history of a reinsurance company to date. Earlier studies concentrated on actuarial practices and insurance markets but pursued historical questions only to a limited extent. This is also true of the multiple volumes of the unpublished documentation written by Martin Herzog in the 1980s on the history of Munich Re. The authors of this book were able to gather a wealth of information from this documentation. The 2014 study on the history of Swiss Re provided some important indications of the long history of relations between the two largest competitors in the worldwide reinsurance industry and imparted methodological suggestions on the history of risk. For the history of the insurance industry and state insurance policies under National Socialism, Gerald D. Feldman's comprehensive history of Allianz from 2001 continues to be fundamental and exemplary.

There are some problems with the source material on the history of Munich Re. Some of the files from the period before the First World War were destroyed in the winter of 1946/47 when Munich Re's main building at Königinstraße 107 was seized by the American military government, requiring the clearing of the attic. After Herzog, a former member of the Allianz board of management, had completed his voluminous manuscript on the history of Munich Re by the end of the 1970s, the board considered the investigation of the company's history to be finished and had the greater part of the historical files destroyed. A company archive was not formed until the year 2000, combined with the collection of more recent files.

This book begins in 1880 with the founding of Munich Re and ends with its centennial in 1980. It would not have been possible to write about the restructuring of the company in the 1990s because the necessary temporal distance and access to company files still in use are lacking.

The authors wish to thank a number of people for the support they pro-

vided during the various stages of the project. Particular thanks are due to the long-term manager of Munich Re's Historical Archive, Lic. Phil. Zoran Andric, who helped to launch the project and supported it all along the way. Markus Holmer, M. A., the director of the ERGO Archive, deserves thanks for his cooperation and important tips. The archival research conducted by Michael Bermejo-Wenzel, M. A., Ramona Bräu, M. A., and Mathias Irlinger, M. A., both in Germany and abroad was of valuable assistance. Dr. Patricia C. Sutcliffe did an outstanding job with the translation of the manuscript. The authors are also very grateful to Dr. Tanja Roos for editing the translation with amazing diligence and to Laura Pöhler, M. A., for the excellent supervision.

Part I:

**The Company's Rise, Acid Tests, and Setbacks
(1880–1932)**

2. The Beginnings of Reinsurance: The Long Path to Equality

It is known that insurance contracts are not a modern invention. Even in ancient times there were contracts to provide in case of emergency and also to cover the risks of seafaring. Mostly, these involved the allocation of loans that did not have to be repaid in the event of loss or damage.¹ Not until much, much later, in 14th-century Italy, did premium insurance contracts come into being. They were the prerequisite for the emergence of the reinsurance principle, in which an insurer transfers a portion of the assumed insurance risk to another insurer, giving this insurer a corresponding share of the premium. The first known reinsurance contract was taken out on 12 July 1370 in Genoa for the freight of a ship sailing from there to Bruges.² Since insurance companies did not yet exist, the parties to the contract were individual merchants and ship owners. In the Genoese reinsurance contract of 1370, the merchant Guilano Grillo assumed the risk for the ship's passage through the Mediterranean and transferred the risk for the further passage from Cadiz to the two first reinsurers, the merchants Goffredo Benaira and Martino Sacco. These sorts of contracts can only be found in the following centuries in the field of marine insurance, which, to a certain extent, formed the starting point of reinsurance. Reinsurance contracts, however, were by no means the rule in this area. The risk was mostly shared in the form of a coinsurance agreement in which the insurer took on other merchants – often a large number of them – as further direct insurers along with the customer.³ Reinsurance contracts were almost only arranged if an insurer expected loss or damage to occur or retrospectively regretted having made the contract for other reasons.⁴

This illuminates a fundamental problem that plagued reinsurance for a long time and explains why it took about another 500 years after the Genoese contract of 1370 for this form of insurance to become firmly established. No other insurance segment had such a long and difficult start-up period. On account of the specific character of reinsurance as insurance for insurers, the initiative in this case always came from the direct insurer (the ceding com-

pany), which usually had an information advantage over the reinsurer because, after all, he knew the customer or his products or the transport conditions. The reinsurer took on the greater peril, for which he was compensated with a sizeable premium.

For example, it was often the case that a merchant who had insured a ship's freight would reinsure this risk if he did not receive any news about a plan for the course of the trip. Even greater was a direct insurer's readiness to reinsure if he found out that storms were brewing in the respective area or pirates had been spotted. In such cases, the reinsurer was taking over a bad risk. Already in the Genoese contract, the risk was very unevenly distributed. The direct insurer reserved the passage across the Mediterranean Sea for himself and reinsured the more dangerous part of the passage, the stretch across the Atlantic. It took a certain daring to take on a bad or even a totally unknown risk for the prospect of a premium. So it is not surprising that reinsurance attracted speculators and gamblers. Little of this changed when the focal point of European marine trade shifted – along with maritime insurance as well – from Genoa and Venice to the Netherlands and Great Britain.

Well into the 18th century, insurance contracts were generally only to be found in trade, and particularly in maritime trade. For the most part, people relied upon assistance in emergencies from family members and charitable support from church institutions. In the Reformation period, the first fire guilds were formed in German-speaking Europe; these were rural cooperatives whose members mutually supported one another if loss occurred. Fires were no longer regarded as God's punishment – and thus as an unpredictable danger – but rather as a manipulable risk.⁵ The reinsurance concept was not relevant in this case because this form of assurance was not based on contractual relations. The first German insurance companies, too, which emerged in the Enlightenment era, had managed without reinsurance. These companies under public law were fire insurance funds established by cities or feudal lords, such as the Hamburger Feuerkasse founded in 1676 – the self-declared oldest insurance company in the world – and the Feuersozietät Berlin established in 1718, later known as Berlin-Brandenburgische Feuersozietät.⁶ These companies insuring buildings against fire did not need to fear expensive losses because they had solid support from their municipal or state carriers. But private fire insurance companies, the first of which emerged in England after the Great Fire of London in 1666 as joint-stock companies or mutual companies, did not take out any reinsurance either. They protected themselves by classifying the risk and setting the premium accordingly.⁷

With the rise of overseas trade, the importance of shipping and transit insurance in Great Britain also grew. Almost all international insurance transactions transpired in London, particularly in the coffee house of Edward Lloyd, first mentioned in 1688, where shipowners and wealthy merchants met to negotiate insurance contracts carried out in the form of coinsurance contracts.⁸ Reinsurance contracts were not primarily a means to share risks in England in this era but rather were increasingly used for dealing in speculative premium differences. Direct insurers tried to conclude insurance contracts with high premiums in order to then completely reinsure the risk for a lower premium. Reinsurers entered into these agreements in the speculative expectation of finding an insurer to whom they could transfer the entire risk in retrocession for an even lower premium.⁹ Often, English merchants had business associates on the continent conclude insurance contracts in order to reinsure these in London for a lower premium.¹⁰

The first half of the 18th century was a time of heavy speculation in Great Britain, as in France and the Netherlands. Thus, the London stock exchange experienced one of the first big speculative bubbles of the early modern era in 1720 on account of the dirty stock trading of the South Sea Company. After the resulting crash, the British government felt obliged to prohibit trade with stocks,¹¹ which probably drove speculation in marine insurance and reinsurance contracts. Ships now were frequently overinsured by several speculators together as a bet on their sinking. Among other things, these sorts of overinsured ships set sail without any freight at all.¹² Since these practices came to threaten overseas trade, the British government felt obliged to prohibit reinsurance contracts in the Marine Insurance Act of 1746. The law did allow for some exceptions, to be sure – in the case of the death of the direct insurer, for example – and only applied to marine insurance, yet it actually amounted to a prohibition on reinsurance in Great Britain, the leading insurance market in the world at the time. Lloyd's, above all, profited from this, because in this highly capitalized market even larger risks could be shared among members in the form of coinsurance. The prohibition lasted for 118 years and was not lifted until 1864 by Queen Victoria.¹³

In Hamburg, the Senate prevented the planned founding of a stock-based insurance company in 1720 in order not to encourage speculation. Only 45 years later did the first private insurance company in the German-speaking world come into being, a marine transportation insurer in the British mold. In 1779 a private fire insurance company was also founded in Hamburg.¹⁴ After the Napoleonic Wars, large transregional companies of

this type emerged, such as the Gothaer Feuerversicherungsbank (founded in 1820) and the Aachener Feuer-Versicherungs-Gesellschaft (founded in 1825). For the first time, risks were also reinsured in the fire insurance sector. In 1825 the Vaterländische Feuer-Versicherungs-AG in Elberfeld took out the first reinsurance of a fire insurance policy in the world with the Compagnie Royale d'Assurance Contre l'Incendie in Paris.¹⁵ Reinsurance was now no longer an object for speculative transactions but became an instrument for fire insurers to share risk with one another.

In contrast to previous reinsurance contracts or to coinsurance, reinsurance contracts between direct insurers could be detrimental to the cedent if the two companies were competitors. The policy gave the reinsurer insight into the direct insurer's business – knowledge the reinsurer could use for its own direct insurance business. As a result, German fire insurers preferred to take out reinsurance policies with companies that operated in other markets, increasingly choosing foreign ones.¹⁶ In this way, reinsurance policies contributed early on to an intertwining of insurers within Europe, but in an asymmetrical form: German direct insurers reinsured a significant share of their policies in France and Belgium, whereas French insurers hardly transferred any policies to German companies. British fire insurers had a relatively strong presence in the German states but took out no fire insurance policies there, instead sharing risk by means of coinsurance.

The outflow of a considerable portion of German insurers' profits to foreign economies burdened the trade balance of the states in the German federation. Moreover, it was also a disadvantage for the customers that they could get practically no information about the reserves and business conduct of the foreign insurers. Consequently, Prussia passed a law about personal property and fire insurance providers in May 1837 that subjected foreign companies to rather strict controls and implemented a licensing requirement. Nonetheless, this actually augmented the outflow of premiums abroad because several British and French insurance companies that did not receive a license for direct insurance in Prussia then operated as reinsurers in this market for domestic companies.¹⁷

The founding of the Költnische Rückversicherungs-Gesellschaft (Költnische Rück) should be viewed in this context. The initiative came in December 1842 from several influential Rhenish bankers, merchants and industrialists, including Gustav Mevissen (from 1884: von Mevissen) and Simon Oppenheim (from 1867: von Oppenheim). The great fire of May 1842 in Hamburg may have encouraged the project because the claims settlement process

demonstrated how important reinsurance policies were. However, in contrast to a common view, the Hamburg fire was not the decisive factor.¹⁸ The founders of Kölnische Rück rather wished, above all, with their appeal on 22 December 1842 to ensure that “the profit of the German insurance industry be kept” in Germany.¹⁹ Previously, an insurance company in Wesel in the Lower Rhine region had already created a reinsurance association out of its stockholders after negotiations with a French insurer had failed to secure a reinsurance policy.²⁰

The founders of Kölnische Rück at first debated whether the company should be an independent enterprise that was not part of a direct insurance company or a subsidiary of the Cologne-based fire insurance company Colonia. In the following decades, the issue of which form was more advantageous for a reinsurer remained debatable. In the case of Kölnische Rück, Mevissen, as an entrepreneur and politician, prevailed with the argument that primary insurers would prefer a reinsurer not affiliated with a competitor.²¹ The license was granted in April 1846, but Kölnische Rück was unable to do anything at first because of conflicts concerning its capital resources, the economic crisis of 1847/48, and the revolution of 1848 and its consequences. Not until 1 July 1852 was Kölnische Rück able to launch operations as the first reinsurance company in the world. The Rothschild bank in Paris had traded the company’s capital free-floating shares, largely to French investors.²² Then, as early as 1853, another reinsurer was founded on a different model in Aachen – not as an independent company but as a subsidiary of Aachener und Münchener Feuer-Versicherungs-Gesellschaft.²³ By 1870, a total of 12 professional or pure reinsurance companies had been founded in Germany, Austria-Hungary and Switzerland.²⁴ These differed from other reinsurers in that, like Kölnische Rück, they engaged exclusively in the reinsurance business.

The Schweizerische Rückversicherungs-Gesellschaft AG (hereafter: Swiss Re; the company, formerly typically referred to as Schweizer Rück, has gone exclusively by the English version of its name since 1999), which came into being in 1863 likewise as a professional reinsurance company, became one of the most important competitors of market leader Kölnische Rück. Moritz Grossmann, the director of Helvetia Feuerversicherung, had founded this enterprise in December 1863 with the support of the Swiss Credit Institute (Credit Suisse). Helvetia, Credit Suisse and the Basler Handelsbank each took over one-third of the capital stock and later sold these shares largely to corporate customers.²⁵ A great fire is also often seen as the cause of Helvetia’s

founding, the fire in Glarus in 1861. However, the new study on the history of Swiss Re shows that this is no more true than in the case of Kölnische Rück. Swiss Re also primarily resulted from a desire to keep reinsurance policies at home rather than allowing them to continue to flow abroad.²⁶

The founding of Swiss Re marked the arrival of the professional reinsurance company as a specialty of the Central European insurance industry. When the first professional reinsurance company in Great Britain was founded in 1867, the Reinsurance Company, Ltd., the German Federation already had five such enterprises, Austria-Hungary had two, and Belgium and Switzerland each had one.²⁷ The lag in Great Britain is especially conspicuous because it was, as before, the leading insurance nation in the world. The reason for this was not the prohibition on reinsuring marine transit insurance policies in effect until 1842, but rather because coinsurance had proven to be an effective form of sharing risk in the United Kingdom and, extending from there, in the United States. Economic historian Robert Pearson lists other reasons beyond “underwriting traditions” for British insurers’ weak involvement in the European reinsurance market: opportunity costs, low profit margins, and obstacles relating to state regulation.²⁸ But the fact that the banks in the German states, in Austria-Hungary, and in Switzerland had entered the insurance industry early on was also decisive. Unlike in Great Britain, the joint-stock banks and some private banks in Central Europe were important financiers of industrialization. They also invested in insurance companies and had no interest in capital flowing abroad by means of reinsurance premiums – capital that was abundantly needed at home. The Sal. Oppenheim bank was among the founders of Kölnische Rück; and the Schweizerische Kreditanstalt was among those of Swiss Re. Of course, it was by no means certain that these would turn out to be good investments for the banks or whether the Central European model of companies engaging exclusively in reinsurance would last.

Although reinsurance policies meanwhile had come to be regarded as indispensable in the insurance industry because the size of damages for fire and transit insurance had grown ever larger with industrialization, the first professional reinsurance companies found themselves in a difficult position. After a good start, Kölnische Rück discovered that German direct insurers were continuing to choose foreign companies for their reinsurance needs. Other direct insurers themselves acted as reinsurers or shared risks via coinsurance policies. Kölnische Rück had to give up its hail and life insurance segments after just a few years.²⁹ In the 1860s, when claims for fire

insurance rose, some at Kölnische Rück briefly contemplated withdrawing the company from this segment and transforming it into a direct insurer.³⁰ Swiss Re was having no more luck than the German market leader; five years after it was founded, a crisis generated by heavy losses for fire insurance abroad threatened its very existence. At Swiss Re, too, some considered giving up the fire insurance segment and making it a direct insurance company. In the end, however, company officials decided to restrict it to a smaller and qualitatively better portfolio.³¹

On 25/26 November 1868 representatives of seven independent European reinsurers – that is, those that were not also direct insurers – came together in Munich to discuss the critical situation in their branch. They were not interested in setting prices but in talking about the fundamental relationship between direct insurers and reinsurers. They complained bitterly and quite justifiably about direct insurers, who, like their predecessors in the 14th century, tended now, too, to share only bad risks with reinsurers and not good ones, and to exploit their information advantage over the reinsurer when they did. The direct insurer's assessment of the risk could usually be seen in the portion of the risk he kept for himself, although most direct insurers kept reinsurers in the dark about this so they could more easily dispatch their bad risks. They perceived reinsurers "as a welcome depot for disagreeable risks," Friedrich Wallmann, the editor of one of the leading trade journals (*Wallmann's Versicherungs-Zeitschrift*), stated in 1874.³² Austrian insurance expert Adolf Ehrenzweig characterized reinsurance policies at that time as "leonine," referring to the figure of speech "societas leoninis" that had been introduced by Ancient Roman lawyers alluding to the well-known animal fable by the Greek writer Aesop. In a "societas leoninis," one party to a contract receives all the profit (the "lion's share"). The lion in this metaphor was the direct insurer, while the reinsurer was the sheep that the lion could treat however he wished.³³ The emergence of independent professional reinsurance companies in the 1850s and 1860s in no way overcame the asymmetry in the relationship between direct insurers and reinsurers that had existed from the beginning. Enterprises, like Kölnische Rück and Swiss Re, in order to balance their risks, depended on rapidly issuing a large number of reinsurance policies because they operated exclusively within this segment. Thus, at first, they could not afford to refuse to take on bad risks.

Direct insurers' interest in "leonine policies" may also have been the reason that most of them continued to transfer their policies to foreign reinsurers. They were not particularly concerned that it was in the national interest

to keep reinsurance premiums within the domestic economy because the outflow of premiums deprived the capital market of means and burdened the trade balance. The direct insurers, rather, focused on their business interest, and it was easier, after all, to unload their bad risks on foreign reinsurers than domestic ones. An insurance company in Paris, Brussels, or London had less precise information about the risks taken on by a German fire or transportation insurer than *Kölnische Rück* or *Aachener Rück* did. This circumstance presented an especially big problem for Swiss Re because it conducted the greater part of its business with foreign insurers on account of its small domestic market. As the history of Swiss Re written by Tobias Straumann demonstrates, this enterprise's heavy losses in the 1860s derived without exception from policies with foreign insurers.³⁴

The outcome of the aforementioned Munich meeting of 1868 was a catalog of wishes for direct insurers. These included that direct insurers and reinsurers should not henceforth compete with one another, that reinsurance premiums should be raised for risks that were especially great, and that reinsurers should always be informed of how great the portion of the risk was that they were taking on. Reinsurers were no longer to take on sums that were higher than those the direct insurers retained for themselves. Conference participants even considered it “not doable” to pay commissions for direct insurers.³⁵ The Munich conference likewise failed to solve the 500-year-old problem of reinsurers overreaching. Although direct insurers had long since acknowledged the necessity of reinsurance, they were not particularly impressed by the resolutions put forward in Munich and could not be forced to change their behavior toward reinsurers.

In the economic upswing after 1870, the so-called founding boom, Germany's reinsurers experienced a certain rise, also because French reinsurers had temporarily lost some market share due to the Franco-Prussian War. But, meanwhile, the prohibition on reinsurance in England had been abolished, and there were numerous new companies being founded in Germany. In 1871/72 alone, a total of 13 reinsurance companies were founded in Germany, Switzerland, and Austria-Hungary – more than had previously existed in the market. Most of these newly founded companies did not last, but the heightened competition among reinsurers pushed down premiums and reduced profit margins. Ten years after the reinsurance conference in Munich, German reinsurers were consistently making a profit, but the loss ratio for reinsurers, according to a survey of the Prussian Statistical Office, was significantly higher (68 %) than for direct insurers (57.5 %).³⁶ The model

of an independent insurance company exemplified by Kölnische Rück, after the experiences of the 1860s, was regarded as flawed. Many experts recommended a return to coinsurance.³⁷ As before, the majority of German reinsurance business went to foreign companies.³⁸ And reinsurance companies still lacked a secure foundation in the form of generally accepted rules that would have made it possible for them to be equal business partners with direct insurers.

3. Founding and Beginnings of Munich Re

Carl Thieme and the Founding of Munich Re

The Münchener Rückversicherungs-Gesellschaft AG (hereafter MR) was founded on 15 March 1880. On this day the Royal Bavarian State Ministry of the Interior granted the banking house Merck, Finck & Co. and lawyer Hermann Pemsel a concession to establish a joint-stock company “which has the aim of providing reinsurance on the fire, life, transportation and hail insurance policies taken out on associations, corporations, companies and individual persons.”¹ Anyone who has much to do with the history of MR will quickly determine that the two recipients of the concession are hardly remembered as the founders of the company anymore. Instead, this achievement is mostly attributed to an insurance agent from that time, Carl Thieme (from 1914: von Thieme), and major industrialist Theodor Freiherr von Cramer-Klett. Thieme had suggested the foundation of a reinsurance company, but he did not possess the necessary capital, nor would he, in all likelihood, have been able to apply for the concession without giving up his position as the Munich representative of the Thuringia Versicherungs-AG. The founding was only made possible because Freiherr von Cramer-Klett, probably the richest man in Bavaria at that time, supported the project and was prepared to contribute enough capital into the new reinsurance company. His financial holding company, Klett & Co., and two banks close to him, the Merck, Finck & Co. bank and the Bank für Handel und Industrie, together came up with more than 80 % of the capital stock with a nominal value of 3 million marks.² Cramer-Klett did not deal directly with applying for the concession himself but left this to chief representative Hermann Pemsel and his financial advisor Wilhelm Finck (from 1905: von Finck), the controlling partner of Merck, Finck & Co.

Although Cramer-Klett's, Pemsel's, and Finck's participation can hardly be overstated, Thieme deserves the top billing among the founders of MR. Not only did the idea come from him, but he was the only founder familiar with the insurance industry. He took over the management of the new company

and built it up according to his own conceptions. Whereas Thieme was operating out of a pioneering entrepreneurial spirit, Cramer-Klett was concerned with diversifying his already very considerable ownership of companies. At that time, he understood just as little about reinsurance as Pemsel, who came at it from a legal perspective, and Finck, who managed the firm's capital.³

Thieme's motives become clear from a glance at his background. Born on 30 March 1844 in Erfurt, Thieme practically grew up in the insurance industry because his father Julius worked for Thuringia Insurance from 1853.⁴ Carl Thieme knew early on that, professionally, he wanted to follow in his father's footsteps. After completing his schooling and military service, he began working for Thuringia Insurance, where he worked his way up from apprentice to inspector in Breslau and Hanover, and finally to general agent in Munich.

Although Thuringia Insurance was not a predecessor of MR, the latter's foundation and beginnings were significantly influenced by Thieme's actions in this insurance company. Thieme's experiences as an agent at Thuringia played an important role in his later behavior on the board of management at MR. Karl Ferdinand Wehle, a head clerk of the Thuringian Railway Company, founded Thuringia Insurance as the "Railway and General Reinsurance Company" in 1853. It soon expanded its business to include fire and life insurance, but in the 1860s, it suffered losses like many other insurers. At that time, Wehle tried in vain to offset the losses by expanding the business to Russia and France.⁵ In 1866 Thuringia completely gave up on reinsurance because this segment – as the *Festschrift* for the 100th anniversary of the company put it – "had generated losses over the course of time."⁶

As an inspector for Thuringia, Carl Thieme had followed the downfall of its reinsurance from close up. A few years later, one of the most difficult missions that the board of management had to dole out was entrusted to him: At the turn of the year from 1869/70, he was transferred to Munich to the general agency in charge of all of Bavaria. Thuringia had had to pay high claims in the fire branch there because the number of fires in Bavaria had climbed with the increase in fire insurance policies.⁷ It was obvious that many cases involved arson, but this could seldom be proved. The director of the Munich general agency, Gustav Knote, was apparently rather helpless in dealing with this development, so the board of management in Erfurt felt compelled to transfer responsibility for the Bavarian fire and transit insurance segments to 27-year-old Carl Thieme. Later, it was said that the management had thus "sent its best horse out of the stall."⁸

Thieme rapidly surprised general agent Knote not only with his business

skills. In February 1870 he was associating with Knoté's sister-in-law Marie von der Nahmer, whom he had met on an outing to the Kleinhesseloher Lake. Only a few months later, on 10 Mai 1870, the two were married.⁹ In February 1871 the first child was born to Carl and Marie Thieme, a son Friedrich (Fritz), followed by six siblings over the next twelve years. Already in 1863, at 19 years of age and out of wedlock, Carl Thieme had fathered his son Oskar, who grew up with his mother in Werneuchen near Berlin.¹⁰

The economic boom in Germany that followed the founding of the Reich in 1871 was also beneficial to Thieme's business dealings. Like many of his contemporaries, the young family man allowed himself to be seduced by the extremely optimistic mood of the "founding boom" into speculating with his private money on the stock market. When the boom ended in a market crash in the fall of 1873, he lost a considerable fortune.¹¹ By contrast, Thieme's involvement in relatively risky fields turned out to be quite successful. For example, he introduced Thuringia fire insurance in Lower Bavaria, as well, which most competitors had avoided because of the numerous cases of arson.¹² As early as spring 1873, in addition, he had taken over the representation for the *Österreichische Hagelversicherung* [Austrian Hail Insurance Company] in Bavaria. To be sure, he was less successful with this, but this also demonstrated his high risk tolerance as Bavaria was considered to be an area particularly susceptible to hail.¹³ Thieme's successes in the fire insurance business prompted the Munich general agency to develop into Thuringia's largest branch office. In Bavaria, there were soon entire villages exclusively insured by Thuringia.¹⁴ The management rewarded Thieme by transferring leadership of the general agency to him in 1874. His counterpart Knoté had already left the company a few years before.¹⁵

At the end of the decade, Thieme, who was only 35 years old, had achieved a great deal. He had a certain amount of wealth and enjoyed a high status because of his professional accomplishments. Yet the success came at a price. Thieme's health was poor; he suffered from inflammation of the vocal cords and had to stay at a health spa in Bad Ems in the early summer of 1879.¹⁶ At that time, he was already thinking about founding a new insurance company. It is no longer possible to determine exactly what prompted him to do so. Perhaps the successful general agent felt compelled to manage a company himself. At Thuringia he could not hope to be appointed to the board of management because his father was a member of this body and the supervisory board would probably not wish to have two Thieme's in the management. In addition, Carl von Waldow, at that time the head of Thuringia, had

a rather strained relationship with both Thiemes. He envied Carl Thieme's successes and believed – as Julius Thieme wrote to his son in May 1879 – “the general agents were sometimes far better off than he.”¹⁷

Against this backdrop, it made sense for Carl Thieme to seek other opportunities. As the manager of one of the largest insurance agencies in Bavaria, he had a variety of contacts, including lawyer Hermann Pemsel, who had only recently begun to work in Munich.¹⁸ Through Pemsel and banker Wilhelm Finck, Thieme found out that people in the circle around the major industrialist Cramer-Klett were thinking about founding an insurance company. Cramer-Klett and his advisers viewed this step as a sensible complement to the two banks they had built up in Munich: the private bank Merck, Finck & Co. (originally Merck, Christian & Co.) founded in 1870 by Cramer-Klett's chief representative of many years, Hermann Merck, and the Süddeutsche Bodencreditbank [Southern German Mortgage Credit Bank] that came into being one year later.¹⁹

It is no longer possible to reconstruct what happened between Thieme, Pemsel, Finck and Cramer-Klett in the months before MR's founding. The reports that have survived stem entirely from a later period and are contradictory in some ways. Hermann Pemsel's son Wilhelm writes in his memoirs that his father, at Cramer-Klett's behest, approached Thieme at that time: “In 1879 or at the start of 1880, Herr v. Cramer-Klett had mentioned to my father that he wished to use a large sum for the foundation of a fire insurance company. My father discussed this project with Thieme, who, however, said that fire insurance was not a nice business and that he would suggest that Herr v. Cramer should rather found a reinsurance company.”²⁰ A different narrative can be found in Bernhard Hoffmann's biography of Finck. Hoffmann refers to a no longer extant letter from 1917 according to which Thieme submitted the suggestion to Finck for the founding of a reinsurance company in Munich in the winter of 1879/80.²¹ Cramer-Klett's biographer Johannes Biensfeldt, in turn, reports that Thieme approached Cramer-Klett with a suggestion to found a company for hail insurance, which Cramer-Klett supposedly rejected. When the two met up again in the summer of 1879 while staying at a health spa,²² Cramer-Klett apparently asked Thieme for figures because Friedrich von Schauss, the director of the Süddeutsche Bodencreditbank, had suggested that he found a personal property and fire insurance company. The data Thieme presented discouraged Cramer-Klett from pursuing this project. In the winter of 1879/80, Thieme had then suggested founding a reinsurance company to Cramer-Klett and had been able to persuade him that

Germany had a gap in this area because German insurers, for the most part, as before transferred their policies to French and British reinsurance companies.²³ According to later statements by Hermann Pemsel, Thieme claimed at that time that a single Berlin agency annually transferred premium revenues of 20 to 25 million marks to British reinsurers.²⁴ If these statements are true, then Thieme was exaggerating in order to impress Cramer-Klett.²⁵ Nonetheless, the argument that founding a new reinsurance company would reduce the outflow of premiums abroad must have been just as decisive in this case as it had been for the founding of *Kölnische Rück* and *Swiss Re*.

Theodor von Cramer-Klett had moved from Nuremberg to Munich in 1878 and had brought along Pemsel, his proxy with general power of attorney, to the Bavarian capital. His entrepreneurial rise had begun more than thirty years before with a marriage to Emilie Klett, the sole heir of Nuremberg industrialist Johann Friedrich Klett. Prior to this marriage, the son of a textile salesman was known as Theodor Cramer. He had sold books but also had completed a training program at a bank. Cramer-Klett built up the iron foundry and engineering factory that his father-in-law had founded, *Klett & Comp.*, into the largest company in Bavaria. The king of Bavaria then raised him to the peerage for the construction of the glass palace in Munich. As his wealth increased, Cramer-Klett grew less and less interested in the inherited company, which was now called *Maschinenbau-Actien-Gesellschaft Nürnberg* and later became *MAN*. He purchased shares in railway companies and worked closely with the *Bank für Handel und Industrie in Darmstadt* through his financial holding company *Klett & Co*. This bank was one of the first German joint-stock banks, whose founders (Gustav von Mevissen, Simon and Abraham von Oppenheim) had already played a major role in the founding of *Kölnische Rück*. In Munich, Cramer-Klett was significantly involved in the founding of the *Merck, Finck & Co.* bank and of the *Süddeutsche Bodencreditbank*. In 1878 he was granted a hereditary seat on the Imperial Bavarian Council.²⁶ This prince of industry and bank founder possessed what Thieme lacked: capital and high-ranking connections.

The reports that have survived of the discussions among Cramer-Klett, Pemsel, Finck, von Schauss and Thieme in the year before the founding of *MR* suggest that these men at first were in no way set upon founding a reinsurance company. Cramer-Klett and von Schauss were clearly leaning toward a fire insurance company; Thieme, according to Biensfeldt's statements, at first preferred the idea of a hail insurance company. Wilhelm Kißkalt, Thieme's successor, also recalled this later.²⁷ Deciding to set up a reinsurance

company seems to have been a sort of common denominator that all the participants could agree upon.

Thieme was not as free to decide as Cramer-Klett, Pemsel, and Finck, however, on account of his job. Practically speaking, he could only consider a reinsurance or hail insurance company since fire, transportation, or casualty insurers would have presented competition to his employer, Thuringia, which would hardly have allowed its general agent to do this. Thieme was not willing to give up his lucrative position as a general agent of Thuringia in Munich in order to found a new insurance company. After all, one could not predict whether this project would be a success, nor how long 62-year-old Cramer-Klett, who was in poor health, would be able to exert control over it. Consequently, Thieme continued to manage Thuringia's general agency for another six years after the founding of MR. As was typical for general agents at that time, his family lived in an apartment in the same building as the office, on Glückstraße. Since Thuringia had stopped selling reinsurance in 1866 already, Thieme was able to manage a reinsurance agency also as a general agent for Thuringia without a conflict of interest.

Reports about the first contacts between Thieme, Pemsel and Finck indicate that Cramer-Klett's circle was entirely dependent on the expertise of Thuringia's general agent for insurance questions and trusted his judgment. Hermann Pemsel was a capable lawyer who had specialized in trade law. As Cramer-Klett's proxy with a general power of attorney, the educated, social upper middle class citizen was a member of several supervisory boards.²⁸ But he had never had anything to do with reinsurance before; it was an entirely new field for him. Nonetheless, he familiarized himself with the material very quickly. His son Wilhelm commented on this in his memoirs: "My father, who later enjoyed being an authority on reinsurance questions ..., did not know at that time what this word meant and arranged for Thieme to come up with a proposal."²⁹

Banker Wilhelm Finck – at age 32 the youngest of MR's founders – was the financial expert in the group. After absolving an apprenticeship in a bank in Frankfurt and a job at an import firm in London, Finck had joined the Munich bank Merck, Christian & Co. as an authorized representative with power of attorney in 1870, later becoming a partner and gaining so much influence that the bank changed its name to Merck, Finck & Co. in 1879. He had won Cramer-Klett's trust through his support in the founding of the Süddeutsche Bodencreditbank and in the transformation of the early enterprise Klett & Comp. into a stock corporation. For this, Cramer-Klett had granted him a

loan that enabled the young banker to purchase partnership shares in Merck, Christian & Co. Finck was known for his conservative business principles. He was considered the “archetype of solidity.”³⁰ During the founding boom of 1871/72, he had not succumbed to the temptation to engage in speculative transactions, which paid off after the following stock market crash and contributed to the renown of the young banking company.³¹

Alongside Cramer-Klett, Thieme, Pemsel and Finck, Friedrich von Schauss, the director of the Süddeutsche Bodencreditbank, and Philipp Nicolaus Schmidt-Polex were also members of MR's founders' circle. Von Schauss was simultaneously a representative in the Reichstag. Belonging to the National Liberal faction, he temporarily fell out with his party because he supported Bismarck's policy of protective tariffs. Von Schauss had first-class connections in Munich and also, through his relatives, to the industrial magnate Hugo von Maffei. For his part, Schmidt-Polex, a retired private banker from Frankfurt, represented the Bank für Handel und Industrie, where he was deputy chairman of the supervisory board. Also, as a co-owner of the Philipp Nicolaus Schmidt bank, he had once been Finck's supervisor during his apprenticeship.³²

Thus, MR's formation was due to Thieme's and Cramer-Klett's common – though variously motivated – interest in founding an insurance company. That the enterprise emerged in Munich had to do with Cramer-Klett having cofounded two banks there, to which an insurance company was now to be added. Unlike the case of Kölnische Rück, this location did not yet have an insurance company founded by merchants, industrialists, or bankers. The most important companies in this sector had been founded in the leading economic regions of the Reich, in the Rhineland, in Saxony, Thuringia, and Berlin. Munich had lacked the private capital for this. The Bavarian capital had become a site for insurance companies through initiatives of the monarch that had led to the founding of the public Allgemeine Brandversicherungsanstalt (1811), today's Bayerische Landesbrandversicherung, and the Bayerische Hypotheken- und Wechselbank [Bavarian Mortgage and Exchange Bank] (1834) including its insurance business, later known as the Bayerische Versicherungsbank.³³ Not until the period of the Reich's founding was there enough capital available in Munich for founding private banks on the basis of joint stocks. Now three joint-stock banks emerged, the Bayerische Vereinsbank (1868), the Bayerische Handelsbank (1869), and the Süddeutsche Bodencreditbank (1871). In addition, there were the Merck, Finck & Co. bank (1870) that ran the Bank für Handel und

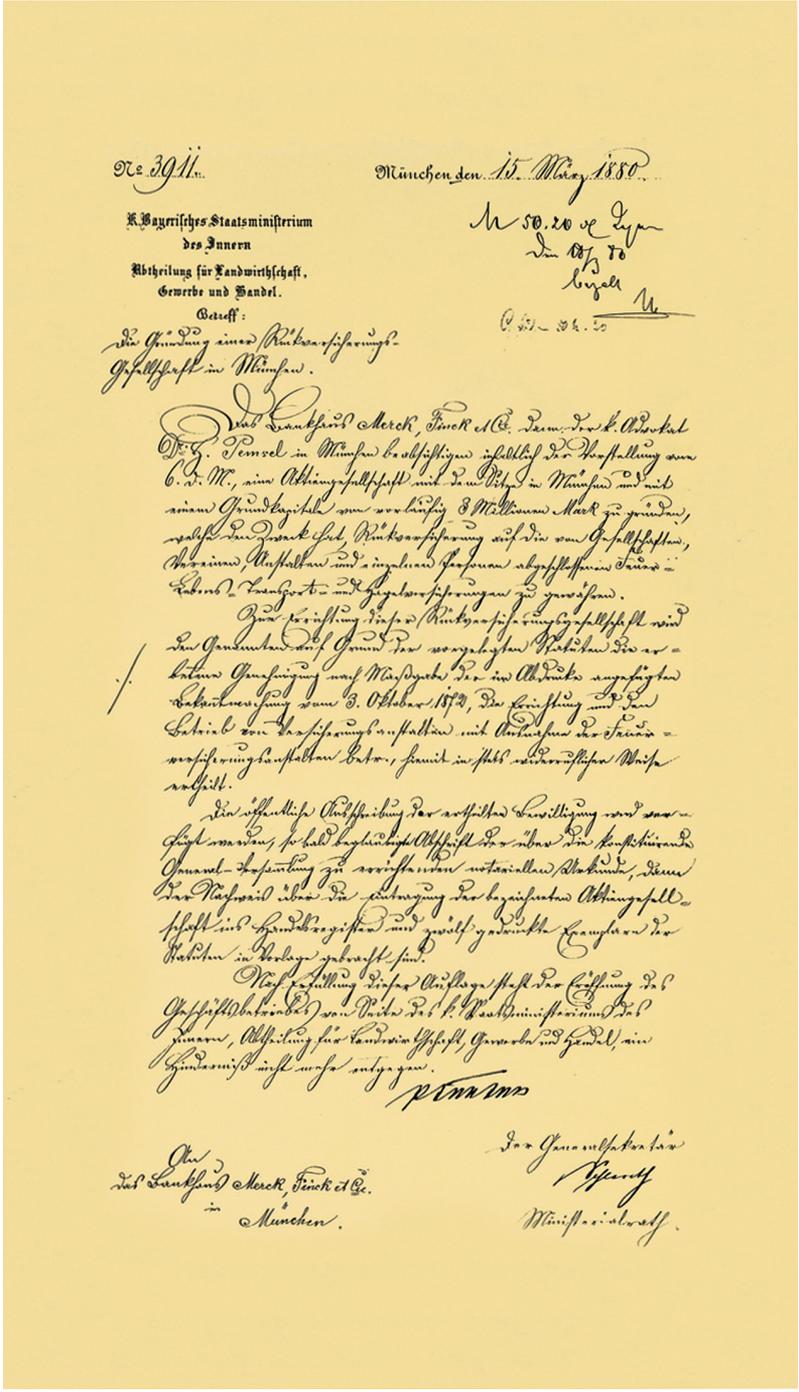


Figure 1 The letter of 1880 granting the concession for Munich Re

Industrie as well as several private banks, including Aufhäuser & Scharlach (1870).³⁴ MR emerged several years later as a direct consequence of this as the first insurance company in Munich founded on private initiative.

On 3 April 1880 the official constitutive act of MR took place in the office space of the Merck, Finck & Co. bank. The enterprise was provided with nominal share capital of 3 million marks, 40 % of which its founders put in (1.2 million). Unlike at Thuringia or Kölnische Rück, MR shares at first continued to be wholly owned by the founders. Cramer-Klett's financial holding company Klett & Co. and the Bank für Handel und Industrie each took on a third of the share capital, and Merck, Finck & Co. took on a sixth. The remaining sixth went in equal parts to Wilhelm Finck, Hermann Pemsel, Friedrich von Schauss, Philipp Schmidt-Polex and Carl Thieme. Not until eight years later were MR shares offered publicly.

Table 1 Founding shareholders of Munich Re in 1880³⁵

<i>Shareholder</i>	<i>Nominal investment in marks</i>	<i>Number of shares</i>
Freiherr Theodor von Cramer-Klett für Firma Klett & Co.	1,000,000	1,000
Bank für Handel und Industrie	1,000,000	1,000
Merck, Finck & Co.	500,000	500
Wilhelm Finck	100,000	100
Dr. Hermann Pemsel	100,000	100
Dr. Friedrich von Schauss	100,000	100
Philipp Schmidt-Polex	100,000	100
Carl Thieme	100,000	100
Total share capital	3,000,000	3,000

From the beginning, it was clear that Thieme would take over the management of the new reinsurance company. Clearly no one saw his ongoing position as a general agent for Thuringia as a problem. Rather, his close tie to this direct insurer was more likely regarded as an advantage because it secured MR its first serious cedent, just as Colonia had been for Kölnische Rück and Helvetia for Swiss Re. Yet the founders did not wish for this tie to be too close lest doubts arise about its being an independent pure reinsurance company that was not controlled by a direct insurer and did not engage in its own

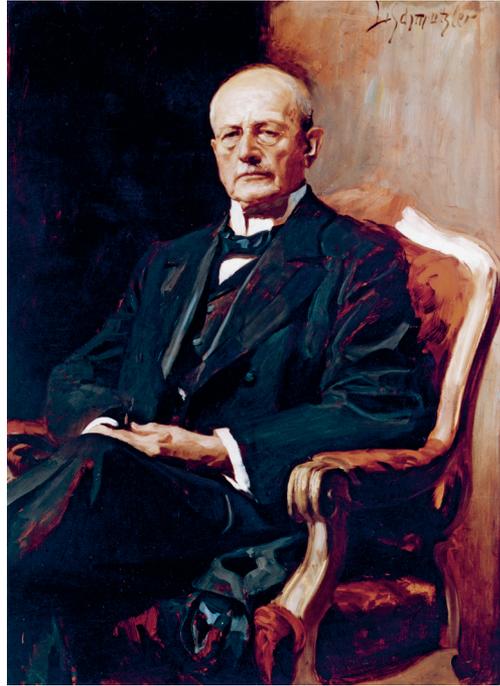


Figure 2 Carl Thieme (von Thieme from 1914), cofounder of Munich Re and chairman of the board of management from 1880 to 1921

direct insurance business. Thieme, Finck and Pemsel assumed that direct insurers would be more likely to transfer their policies to a reinsurer that did not belong to another direct insurer. This argument had already proved decisive in Kölnische Rück's founding as an independent reinsurance company.³⁶ Yet Cramer-Klett, Pemsel, Finck and Thieme had other reasons for choosing to create an independent reinsurer, even though this company form seemed to be a closeout model. Cramer-Klett would hardly have invested his capital in an insurance company that was essentially under the influence of another insurer and for which Thuringia would have had more say with the management than his close associates Finck and Pemsel. Even Thieme could not have been very interested in Thuringia having too great an influence because then his development opportunities would not have been much greater than at the general agency. Seen in this way, MR's founders hardly had a choice in betting on an independent reinsurance company.

Naturally, Thieme found it convenient for Thuringia to be closely associated with MR, which is not surprising because he was set on both running MR and the Munich general agency by himself. Apparently, there were also

plans at first for Thuringia to contribute to MR's capital with shareholdings. As can be discerned from Julius Thieme's letters to his son Carl, the administrative board of Thuringia had to make a decision about the founding of a reinsurance company on 10 April 1880 – a few weeks after MR was granted a concession. The administrative board decided against this project because its members, according to Julius Thieme, did not see “any use for the shareholders” in this,³⁷ but rather feared it was too high a risk for them. By contrast, close business ties to MR were regarded as advantageous (“affiliation with Munich Re”) because Thuringia's reinsurance abroad up to that point had “its dubious aspects” and MR offered an opportunity for profitable shareholdings.³⁸ In Julius Thieme's letters, the suggestion at that time called for the founding of a reinsurance company as a subsidiary with capital stock worth 300,000 marks.³⁹ This sum by far would have failed to meet the capital requirements for a new reinsurance company because it amounted to only 10 % of the nominal and 25 % of the share capital raised for MR. Thus, one can assume that this suggestion had to do with purchasing MR shares – a view that the presentation in the *Festschrift* for Thuringia's 100th anniversary also supports. That account explains that Carl Thieme wished for “his old company to purchase shares of his enterprise.”⁴⁰

Directly before the administrative board made its decision in Erfurt, there were reports in the press that MR was to be transformed into a subsidiary of Thuringia.⁴¹ Carl Thieme reacted with a strong disclaimer that appeared in the three leading German-language trade journals. He explained “that ‘Thuringia’ has nothing to do with the founding of the mentioned reinsurance company. This same company, rather, will set itself in no subsidiary relationships to a direct [insurance] company but will be prepared to enter into a reinsurance relationship to any solid German enterprise.”⁴² This disclaimer was later interpreted as Thieme's programmatic declaration. Martin Herzog regards it as a testament to Thieme's determination “to develop and lead Munich Re as an independent enterprise not dependent on any other.”⁴³ Thieme, Finck and Pemsel aimed to resolve all doubt about MR's independence, which soon came to be a trademark of the company. Thieme's disclaimer, however, did not contradict the cooperation with Thuringia already underway. The independence he emphasized related to the fact that no other insurance company possessed majority shares (“subsidiary relationships”), which was undoubtedly the case and was never up for negotiation. Yet it would have been possible for Thuringia to own minority shares without violating this principle. Moreover, Thieme was not incorrect in stating in his

disclaimer that Thuringia was not involved in the founding of MR. Whether Thuringia would purchase shares or just take out a reinsurance policy with MR would only be decided a few weeks later, after MR had been founded. Thieme vehemently repudiated accusations that the independence of the new reinsurance company had not been maintained because its chairman of the board of management continued to operate as a general agent for Thuringia. Only a “rogue,” he wrote, would abuse such a dual position and use MR information about its customers to advance Thuringia’s business interests.⁴⁴

From the beginning, MR was conceived of as an autonomous reinsurer, but not as a fully independent and solitary unit. After all, a reinsurer could not really be too independent since it needed at least one larger cedent to establish itself on the market. It had not been any different at first for Kölnische Rück and Swiss Re, either. MR worked closely with Thuringia from the start and was able to conclude its first reinsurance policy with this company; the policy was approved by the supervisory board at the meeting in which it was first established, on 23 April 1880. At the same meeting, this body co-opted the chair of Thuringia’s administrative board, private banker Hermann Stürcke of Erfurt.⁴⁵ From Thuringia’s point of view, Carl Thieme was a successor in the tradition of its founder Wehle, because he “recognized more clearly than Wehle had in his day that nothing is more conducive to the reinsurance business than close relations with a strong direct insurer.”⁴⁶ However, this did not lead to overdependence because MR was tied into Cramer-Klett’s business group through its major shareholders and the chairman of the supervisory board.

Wilhelm Finck took over the chairmanship of MR’s supervisory board and retained this position for more than forty years, until he died. Hermann Pemsel became the deputy chair. Other members of the first supervisory board were Franz Dülberg, who was on the board of management of the Bank für Handel und Industrie, Hugo von Maffei, Friedrich von Schauss, Philipp Schmidt-Polex, and Hermann Stürcke.⁴⁷

The Rise of a New Kind of Reinsurer

In April 1880 Carl Thieme took up the business operations of MR starting with four colleagues.⁴⁸ A few weeks later, Carl Schreiner joined the staff as office manager. Alongside Thieme, he was, at that time, the only employee of the new firm who had already worked in the insurance industry. Schreiner



Figure 3 The “Börsenbazar” Maffeistraße 1, the first business headquarters of Munich Re (1880–1913)

had been employed since 1874 at the Rheinisch-Westfälische Rückversicherung in his hometown of Mönchengladbach. His skills were in such high demand that he was offered the position of managing the Badische Rück- und Mitversicherung in Mannheim, where he was the general director for four years.⁴⁹ MR’s first office space consisted of two rooms in the building at Maffeistraße 1, a building originally known in the city by the name of “Birnbäum-Bräu.” Along Maffeistraße, which had been extended shortly before this, there were prestigious new office buildings housing the central offices of the Bayerische Vereinsbank and the Bayerische Handelsbank. The block containing “Birnbäum-Bräu” and the buildings at Theatinerstraße 3 and Maffeistraße 1 and 3 came to be known as the “Börsenbazar,” or “stock exchange bazaar.”⁵⁰

Not far from the “Börsenbazar,” at Pfandhausstraße (now Pacellistraße) 16, was the head office of Merck, Finck & Co. From there, supervisory board chairman Finck could keep a close eye on MR operations. Finck and deputy chairman of the supervisory board Pemsel did not restrict themselves to controlling the board of management but also retained the right to make the final decision in matters of business policy. MR’s articles of incorporation – probably written by Pemsel – arranged for the supervisory board to determine the guidelines for business policy and to decide on how available monies should be used.⁵¹ The board was to authorize all policies with foreign insurers. Thieme’s employment contract, signed on 13 June 1880, contained

similar provisions.⁵² As the minutes of the meetings show, Thieme at first presented all policies to the supervisory board. Martin Herzog interprets these extensive supervisory board powers as indicating “that the founders were aware of the risk associated with this company.”⁵³ In fact, such practices were quite widespread at that time. The General German Trade Law Book only contained provisions for the appointment and controlling function of the supervisory board. It did not prescribe a strict division between the competencies of the board of management and the supervisory board of a joint-stock corporation. This was not fundamentally changed by the stock law amendment of 1884. It remained possible to transfer powers of company management to the supervisory board per statute.⁵⁴

In the case of MR, another factor was that the chairman of the supervisory board pursued a different business style than the risk-taking Thieme. Finck was regarded as a decidedly cautious and conservative banker, and with the statute, he probably wished – as Herzog suggests – to prevent the board of management from taking on overly large risks. Despite their varying temperaments, the chairman of the supervisory board and the member of the board of management worked quite well together. For the company, the combination of different business styles proved to be advantageous. “Thieme’s style of rushing forward and Finck’s cool sobriety” – this is how one insider described it in retrospect – “produced a felicitous mix ...”⁵⁵

At first, it was entirely uncertain how MR would develop. Although there was a backlog of demand for reinsurance in Germany, the experiences of independent reinsurance companies up to then were not encouraging. MR’s founders nonetheless had ambitious expectations. They figured that annual premium revenues would be around 2 million marks within a few years and would rise to about 5 million marks thereafter.⁵⁶ Under the conditions at that time, this expectation was downright optimistic. Premium revenues for all German reinsurance companies together amounted to 19.67 million marks in 1880.⁵⁷

The gross premium revenues then rose much, much faster than the company founders had expected. Already in the third year of business (1882/83), MR, with premium revenues of 2.8 million marks, became the leading German reinsurance company, ahead of Kölnische Rück. In 1884 it overtook Swiss Re, too, becoming the market leader among reinsurance companies.⁵⁸ Its market share in Germany by this time was about 20 %.⁵⁹ By the end of the 1880s, MR already brought in 10.5 million marks in premiums, which comprised about 25 % of all the reinsurance premiums recorded in Germany.⁶⁰

One factor contributing to the rapid rise in premium revenues was that MR was founded at a favorable time. The German insurance industry was experiencing a boom in the 1880s. As the period of heavy industrialization began, the need for making provisions for the risks associated with it increased. Many companies and private households were now more likely in a position to take out insurance policies, and the capital market was once again performing well enough for the primary insurance policies to be refinanced easily. The gross premium revenues of German insurers climbed between 1880 and 1890 by about 60 % and those of reinsurers even by almost 140 %.⁶¹

Of course, this does not explain why MR grew more rapidly than all the other German reinsurance companies in its first decade and its market share almost continually rose, even though the number of competitors increased. The business strategy Thieme pursued, with which he ultimately founded a new type of reinsurer, was the decisive factor in this. From the beginning, Thieme aimed to raise premium revenues quickly by means of concluding policies with as many cedents as possible in order to spread the risk thus assumed broadly. Already in the first year of business, he was able to conclude no fewer than 33 policies.⁶² Most reinsurers at that time pursued a different strategy, preferring after the setbacks of the 1860s to focus on highly creditworthy business partners.⁶³ Thieme, by contrast, trusted in the balancing effect of quantity, probably also on account of his experiences with fire insurance in Bavaria at Thuringia. At that time, he had already had many clients with a bad risk. Fire insurers often had to pay for damages resulting from arson although this could not be proved. Yet the large number of insured buildings balanced this out. It was too improbable that several insured houses would be set on fire in one village at the same time.

At first, Thieme certainly had difficulty finding significant contractual partners. His father wrote him on 16 May 1880: "I thought from the beginning that it would be difficult for you to connect to the individual companies; your reports about the discussions that took place in Frankfurt relating to this were, thus, not unexpected to me."⁶⁴ Yet this changed quickly because Carl Thieme was also prepared to conclude policies with direct insurers who had a high rate of claims. These included, for example, the Gladbacher Feuerversicherung, which had suffered considerable losses from its business ties to the Westfalian farmers' associations on account of numerous cases of arson in this region.⁶⁵ Other reinsurers would hardly have scrambled to reinsure such policies. Thieme, in contrast, kept the premium revenues in mind and was certain that policies with a bad risk could be balanced out by other policies.

This strategy paid off also because MR did not reinsure individual policies but made global policies with fixed rates obligatory. This solved the old reinsurance problem that direct insurers unloaded their bad risks on them. With obligatory global policies, this was no longer possible because it required direct insurers to transfer entire segments, such as their fire or transit insurance policies, to the reinsurer, who thus had to cover correspondingly high sums. The risk and the premium were divided between the two parties to the policy according to a fixed rate. In most cases, MR insisted that the share it assumed, the excess, could not be higher than the portion the direct insurer retained.⁶⁶ Thieme had not introduced the principle of global policies, but certainly no reinsurer up to that point had applied it as consistently as MR. The rate system and excess and retention regulation were not new, either. The reinsurance companies at the Munich conference of 1868 had already advocated this sort of procedure but had not been able to implement it then. Thieme knew how to make it clear to the direct insurers that global policies with a rate system were also in their interest because they could, in this way, reinsure a much greater risk than with individual policies. The implementation of the new procedure was surely fostered by the fact that the insured sums increased significantly at this time. Despite his talent in sales, however, Thieme was only able to persuade a few contractual partners to grant MR the privileged status of being their sole reinsurance company.⁶⁷

Another reason MR was able to gain market share so rapidly was because it offered direct insurers a share of the profits – mostly 10 %. Like the global policies, this proved to be an effective tool for changing direct insurers' attitude toward reinsurers. At their Munich conference in 1868, reinsurers had still threatened to stop reimbursing them for commissions, but without success. Thieme, by contrast, with the profit-sharing, was betting on incentives. Direct insurers should no longer hope to profit at reinsurers' expense but contribute instead to the latter's profitability out of their own interest. In his view, direct insurers and reinsurers should be equal business partners with an interest in the economic success of their counterparts.

Thieme knew that his business strategy would prove successful only in an international framework, particularly since most German direct insurers remained unwilling to transfer their policies to German reinsurers. The older reinsurance companies, too, had expanded to foreign markets early on to increase the volume of their business and mix the assumed risks. Yet a reinsurer was usually less informed about the risks of foreign direct insurers than about those of cedents in its domestic market. Kölnische Rück, Swiss Re and the

reinsurance segment of Thuringia, therefore, had suffered bitter setbacks with their foreign business.⁶⁸ Thieme, on the other hand, was prepared to take on bad or intransparent risks abroad to a certain extent in order to expand MR's business. He did not regard this as a gamble but as an opportunity bet on the hope that the risks would be balanced out by regional dispersion.

Within the reinsurance sector, Thieme's strategy at first met with skepticism. In 1896 the *Deutsche Versicherungs-Zeitung* recalled: "It was not long ago that one watched with concern, indeed, with bleak prophecies, the growth of a still young reinsurance company that made connections not only in Germany but almost everywhere abroad in order to achieve premium revenues never before present in Germany. Those who sat on the long bench of mockers in the insurance branch derided this business method by applying the phrase known from jumble sales to it: 'The mass must make it happen.'"⁶⁹ In fact, in MR's first years of business, it was not certain that the company would succeed in the long run with this principle. Although premium revenues increased rapidly, some of the business relations were obviously problematic. The growth Thieme pursued was too dramatic as he aimed to give the company a broad basis for business as quickly as possible. Walther Meuschel remarked on this in his history of MR: "In the first four years, not only did production increase, but there were also already serious problems to be solved." Production had "obviously rather gotten away from the management."⁷⁰

MR's financial figures reveal that matters consolidated somewhat after the stormy growth of the first years (see Table 2). Yet the further development of the company proved that Thieme's strategy was right. Its broad business foundation put MR in a position, unlike many other reinsurance companies, to survive the intermittent crises of the sector unharmed.⁷¹ Thieme's business principles came to be generally accepted and applied with the rise of MR by the turn of the century. They came to be regarded as the basis of the modern reinsurance business and were later recorded in the history of the sector as the "scheme in a new style" (L. Arps) and the "world model of the professional reinsurance business" (P. Koch).⁷²

Not least, the way the company was financed promoted MR's rise; for that time, it was rather unusual and had the mark of supervisory board chairman Finck on it. Because its capital stock remained in the hands of the company founders, MR did not have to pay such high dividends in the first years of business as, for example, Kölnische Rück, whose shares were free floating.⁷³ Thus, the young company could use more of its profits to build up reserves, which at first it could only invest in consolidated stock and other

government bonds. Investing in stock was not allowed until fiscal year 1896/97.⁷⁴

MR's first business clients, in addition to Thuringia, included Gladbacher Feuerversicherung and the Vaterländische Feuer-Versicherungs-AG in Elberfeld. Already in the first year of business, MR concluded a policy with a foreign insurance company, the Allgemeine Versicherungs-Gesellschaft Phönix in Vienna, later called the Elementar-Phönix for short.⁷⁵ It was the beginning of one of MR's closest and longest-lasting business ties. MR got at least indirectly involved in the U.S. business by means of a policy concluded at the end of 1880 with the Transatlantische Feuer-Versicherungs-Aktiengesellschaft in Hamburg, which had a general agency in New York. In 1881 it entered the Russian insurance market with a policy with Nadeschda in St. Petersburg. The same year, MR was able to conclude policies with, among others, the London and Lancashire Fire Insurance Company and the Assicurazioni Generali, Trieste.⁷⁶ The proportion of premium revenues derived from foreign insurance grew quite considerable merely a few years after the company's founding. In the fire segment, it was already almost 50 % by the end of fiscal year 1884/85.⁷⁷ Nevertheless, there was not yet much regional dispersion. At first, Thieme built up a basis for business in the markets of the neighboring countries, which had similar structures and were relatively transparent – of the first ten foreign contractual partners, eight were in Switzerland, Austria-Hungary, or in Scandinavia.⁷⁸ In contrast, MR's first attempts to establish itself in the British and Russian markets were not successful. By 1883 already, it withdrew once again from the UK – like other foreign insurers – because there had been a number of large claims, and business suffered from strong competition in the British market.⁷⁹ The policy with the Russian firm Nadeschda was also soon dissolved because the ratio of claims comprised 200 % of premium revenues. At that time, the supervisory board decided to give up the Russian business for the time being.⁸⁰

The first MR agencies came into being in 1881 in Vienna and Hamburg, with the agency in Hamburg also managing the Scandinavian business.⁸¹ Five years later, an agency was also set up in Paris, led by Paul von der Nahmer, a nephew of Thieme's wife. Von der Nahmer, who had previously worked at a private French bank for a long time, represented the company from Paris in Belgium and Spain as well.⁸²

The surviving documents do not reveal how well or poorly MR was informed about conditions among its foreign contractual partners. Thieme worked hard to maintain business contacts and to get information firsthand

by traveling frequently. But, of course, he was only able to visit the most important foreign partners abroad in the first few years, for example, Svea Försäkrings AG in Göteborg and Assicurazioni Generali in Trieste.⁸³ Usually, acquisitions took place by means of a written offer, as was the case with Skandia, Basler Feuerversicherung, and Helvetia.⁸⁴ In these transactions, MR had to rely upon information it had gathered that may or may not have been true. MR, as a rule, did without insurance brokers to reduce costs.⁸⁵ The supervisory board's contacts were useful for this, as the example of the Transatlantische Feuer-Versicherungs AG in Hamburg demonstrates. MR entered into a business relationship with this company after Finck had received satisfactory information about its solvency.⁸⁶

Table 2 Business development of MR 1880/81–1890/91⁸⁷

Financial year (<i>always ending 30 June</i>)	Premium revenues in marks	Of these fire (without sub- segments)	Premium and claims reserves in marks	Net profit in marks
1880/81	1,051,521	83.9 %	415,216	64,723
1881/82	1,966,246	91.7 %	902,742	92,578
1882/83	2,788,773	85.0 %	1,138,639	94,098
1883/84	4,140,680	80.8 %	1,601,079	152,320
1884/85	4,515,049	76.9 %	1,939,678	202,635
1885/86	5,093,962	80.9 %	2,048,780	263,484
1886/87	5,381,607	75.5 %	2,378,371	286,186
1887/88	7,320,238	65.6 %	2,907,281	301,796
1888/89	9,483,501	62.2 %	3,320,604	347,651
1890/91	10,496,228	58.8 %	3,647,431	375,099

Whereas MR became, overall, much more successful in the 1880s than its founders had at first expected, one form of balancing risk – spreading the business over various insurance segments – failed to meet Thieme's expectations. According to its articles of incorporation, MR could engage in reinsurance for fire, life, hail, and transit insurance.⁸⁸ In actuality, though, the board of management, at first, were only able to engage in the fire insurance business in accordance with a directive of the supervisory board. In the second fiscal year, MR could then reinsure transportation policies, but only to the extent that “good fire insurance policies should be made to be dependent on them.”⁸⁹ At this time, as before, fire insurance was the dominant

segment in the German insurance industry, generating about 50 % of all premium revenues for direct insurers.⁹⁰ Under these conditions, a reinsurer could not even think of balancing out risks with a mix of different segments. The Kölnische Rück and the Swiss Re, too, concentrated at this point almost exclusively on fire insurance because premium revenues from transit insurance had declined dramatically.⁹¹ The insured sums for casualty and life insurance were not yet high enough to generate a demand for reinsurance. However, Thieme soon realized that MR's business with transportation insurers was developing much more favorably than its core business with fire insurers, which brought in 76.9 % of all premium revenues for fiscal year 1884/85. By 1888/89, this share dropped to 62.2 %, whereas the share of transit insurance rose to 32 %.⁹² At this point, casualty insurance became a growth sector in the insurance industry. This hardly foreseeable shift in the economic growth of the various insurance segments allowed insurers to look for opportunities to minimize strong dependence on one segment.

Table 3 The largest German reinsurance companies in 1888⁹³

	Year founded	Premium revenues in marks in 1888
Münchener Rückversicherung	1880	7,320,238
Kölnische Rückversicherung	1852	4,002,646
Magdeburger Rückversicherung	1862	2,826,959
Badische Rück- und Mitversicherung, Mannheim	1886	2,393,144
Rheinisch-Westfälische Rückversicherungs AG, Mönchengladbach	1870	2,142,283
Deutsche Rückversicherung, Frankfurt am Main	1872	1,575,117
Leipziger Rückversicherung	1872	1,484,032
Mannheimer Rückversicherung	1884	1,366,230
Frankfurter Allgemeine Rückversicherung, Frankfurt an der Oder	1871	1,339,918
Transatlantische Rückversicherung, Hamburg	1876	1,322,117

When MR made its first public offering in March 1888, the world of finance perceived the company's business model as having outstanding prospects. After all, it was by far the largest reinsurance company at that time. MR had

established itself in the most important markets of continental Europe, and it had raised its premium and claims reserves to more than eight times the level upon founding.⁹⁴ On account of the high expectations that this success story had aroused, the shares, which had originally been valued at 400 marks, could be sold at a rate of 710 marks. Finck wrote to Thieme to congratulate him.⁹⁵ But Thieme apparently did not share the euphoria of the chair of the supervisory board because he was busy working on expanding MR's scope and increasing its returns.

**“The Founding of a Casualty Firm along with Our Reinsurance Company”:
How Allianz Versicherungs-AG Came into Being**

Along with his work as a member of MR's board of management, Thieme continued to run the general agency of Thuringia in Munich until 1886. Then he left the insurance company for which he had worked for over 20 years. The reasons for this decision were not recorded; one can only guess why. The Festschrift for Thuringia's 100th anniversary merely stated that the work associated with his dual roles had become too much.⁹⁶ According to another source, MR's cedents had balked at the idea that the member of the board of management generated competition for them in the direct insurance business as a general agent of Thuringia.⁹⁷ The deciding factor was probably Thieme's plans to transform MR in ways that simply could not be reconciled with his further work for Thuringia. MR's general stockholder assembly which then as later took place towards the end of the year, decided on 28 December 1886 to change the articles of incorporation. The company was now allowed to become involved as a coinsurer in the direct transit insurance business, which made it no longer solely a reinsurer.⁹⁸ At that time, Thieme was already pursuing a broader strategy, namely, entering into the direct casualty insurance business, which then still included liability insurance as well. As Victor Bernhardt, who joined MR in 1887, later recalled, Thieme had decided “probably already quite early on” to broaden the profile of the company he led by including a direct insurance company.⁹⁹ For this, it was necessary for him to give up managing the general agency because MR, as a direct insurer for casualty policies, would develop into a competitor of Thuringia.

Finally, Thieme, Finck and Pemsel decided to incorporate casualty insurance into an independent company and founded Allianz Versicherungs-AG in the fall of 1889. The extremely successful arrangement in which MR



Figure 4 Wilhelm Finck (von Finck from 1905), cofounder of Munich Re and chairman of the supervisory board from 1880 to 1924

and Allianz later worked together did not come into being through a master plan but rather as the result of a longer term, and at first very open, decision-making process and as a carefully balanced compromise among the various interests of the Allianz founders.

Thieme obviously left Thuringia amicably as the close business ties between the two companies remained intact. In 1890 Thuringia was still by far MR's most important cedent, with about 11 % of all its premium revenues attributable to fire insurance.¹⁰⁰ Thieme, however, had to expect that other casualty insurers would sever their business ties to MR when the reinsurer began generating competition in their segment. The first steps into the direct insurance business then were thus taken abroad, where the new model could be tested without competing with German corporate customers.

Together with the Feuer-Assecuranz-Compagnie of 1877, located in Hamburg, MR established a direct insurance company in the eastern Mediterranean area, Hamburg-Munich United. This Hamburg company had already proposed this sort of joint venture to MR in the mid-1880s. At that time, Thieme, who was still a general agent for Thuringia, declined, but in 1887 he accepted. Hamburg-Munich United opened agencies in Izmir, Thessaloniki, Alexandria, and Constantinople.¹⁰¹ Its holdings in the Russian casualty in-

insurance company Pomoschtsch ["Rescue" in English], a year later, were more important. As MR's articles of incorporation did not allow investments in other insurers, Thieme and several members of the supervisory board purchased the block of shares with their personal funds. In effect, this constituted MR's first equity investment and its first foreign investment.¹⁰²

In May 1889 in a comprehensive memorandum addressed to the supervisory board of MR, Thieme advocated taking up the direct casualty insurance business. He also mentioned the idea of renaming the company "Münchener Versicherung".¹⁰³ The reasons Thieme gave for his plan, above all, were that MR as a pure reinsurer could hardly benefit from the hefty profits and dynamic development of casualty and liability insurance.¹⁰⁴ Increasing industrialization and the shift to large-scale industrial manufacturing had raised the number of work-related accidents. The perception of risks in the workplace had also changed. The imperial liability law of 7 June 1871 had made companies liable for accidents at the workplace to the extent that they could be found at fault. It had also stipulated that the insurance benefit would be credited to the compensation to be paid if the employer paid at least one-third of the premium. A range of direct insurers, also including several newly founded casualty insurance companies such as the Allgemeine Unfallversicherungsbank in Leipzig, the Magdeburger Allgemeine Versicherungs AG and the Kölnische Unfall-Versicherungs-AG now offered so-called collective casualty insurance policies for the employees of a business.¹⁰⁵

The provisions of the liability law were soon perceived to be insufficient. Reich chancellor Otto von Bismarck made use of this when he was developing his social policies in the 1880s to tie the growing cadre of industrial workers to the state and reduce the influence of the socialist workers' movement. One of the core components of this program was the introduction of a legal obligation to obtain casualty insurance. The first two drafts failed in the Reichstag because of resistance from the Liberals. Only on the third attempt was the chancellor able to prevail with the casualty insurance law of 6 July 1884, which is regarded as a cornerstone of German social insurance legislation.¹⁰⁶ Bismarck hoped that this law would also supplant private casualty insurance, but this did not happen.¹⁰⁷ Although private insurance companies then had to leave the collective company policies to the state-run casualty insurance, they managed to specialize in insuring individual risks in the form of individual casualty insurance policies and in liability insurance for the self-employed. The debates about the law spread the word about the advantages of having casualty and liability insurance in broad circles of society.¹⁰⁸

Private casualty insurers had a higher rate of return than other insurance segments because the average loss ratio (the proportion of paid claims to premium revenues) in this business, about 35 %, was significantly lower than that of fire or transit insurance.¹⁰⁹ In reinsuring Thuringia's fire insurance business, MR had a claims rate, in fiscal year 1890/91, for example, of 67 %.¹¹⁰ It could hardly benefit from the high profits of the casualty insurance policies because direct insurers did not require much reinsurance. The sums for casualty claims were usually lower than for big fires or shipwrecks. The rates that reinsurers obtained from direct insurers were correspondingly low. Thieme did not want to accept reinsurers' exclusion from the lucrative casualty insurance business. He calculated for the supervisory board that MR, which was still one of the leading casualty reinsurers on account of its close ties to Thuringia and Pomoschtsch, took in premium revenues in this segment of 747,700 altogether between 1881 and 1888. The Kölnische Unfallversicherung, on the other hand, grossed about 1.2 million marks in premiums in 1888, and Thuringia made about 1.1 million marks with its casualty policies in the same year. Thieme concluded: "If we want to get results in the casualty segment, all that's left is the direct insurance business."¹¹¹

For Thieme, reinsurance and direct insurance had never been mutually exclusive. His suggestion of taking up the direct casualty insurance business did not constitute a break with principles the company had employed up to that point.¹¹² He could well imagine that a company could engage in reinsurance and direct insurance without encountering a conflict of interest. After all, he had experienced this firsthand at Thuringia, which had been founded as a transportation insurer and reinsurer and had engaged in reinsurance alongside its direct insurance business up to 1866. MR had been founded as an independent company, not controlled by any other insurance company. Thieme, Finck, and Pemsel stood firm on this principle. Yet it had not been decided whether it would remain purely a reinsurance company. Upon the company's founding, this question had apparently not been given much consideration. That Pemsel and the bank of Merck, Finck & Co. had applied for a business license for a pure reinsurance company resulted from Thieme's position at Thuringia and did not mean that the founders had to stick with this business model for good.

Like most insurance experts of his time, Thieme regarded competition in the insurance market as segment-dependent, not extending beyond individual segments. According to this understanding, a reinsurance company had its own rules and interests, which board of management would adhere to

even if they were agents of a fire and transit insurance company. From this point of view, it could operate in the direct casualty insurance business without causing direct conflicts of interest with its business customers in the fire and transit insurance segments. It merely needed to avoid generating competition for its important contractual partners in their segments. Carl Schreiner, who suggested entering the direct casualty insurance business to Thieme, also saw things this way.¹¹³ Schreiner had left MR in 1886 to join the board of management of the newly founded *Badische Rück- und Mitversicherungsgesellschaft AG* in Mannheim, which also engaged very successfully in direct transit insurance. Within a few years the company had become the fourth largest German reinsurer.¹¹⁴

Thieme saw the segments an insurance company would present itself in more as a question of practicability and profitability. Whereas, in the 1880s, he had recognized the tremendous opportunities of the reinsurance branch, by the end of the decade he wanted to profit from the now lucrative casualty insurance business. Thieme had not sought to enter the direct fire insurance business – by far the largest segment among direct insurers, which MR's most important customers belonged to – because the heavy competition and high rate of claims precluded the possibility of achieving high profits. Rather, the disadvantages would have outweighed the advantages because MR would have become a competitor of its most important customers, who then probably would have found themselves another reinsurer. In the casualty insurance business, on the other hand, Thieme could accept that some MR customers might turn away from it if it generated competition for them as a direct insurer. He was certain that the two most important customers from this segment, Thuringia and Pomoschtsch, on account of their close ties – and in Pomoschtsch's case also capital ties – would continue to transfer their policies to MR. Thieme mentioned this explicitly in a memorandum of May 1889: "Should our company take up the direct insurance business, this does not mean that its reinsurance business will be lost; the larger part of it, above all, the business with Thuringia and our shares of Pomoschtsch, which together comprise two-thirds of our present premium revenues, will certainly remain."¹¹⁵

Thieme's planned transformation of MR did not, however, come to pass. Instead, on Thieme and Finck's initiative, an independent casualty and transit insurance company came into being with headquarters in Berlin: *Allianz Versicherungs AG*. This company was founded by means of a notarized contract of 17 September 1889 of Merck, Finck & Co., the Deutsche Bank, and a

few other shareholders.¹¹⁶ MR did not buy any of Allianz's capital stock because its articles of incorporation at that time did not allow it. Even after this changed in 1895, MR did not buy any stock and only did so after Thieme had left Allianz's board of management at the end of 1904.¹¹⁷ At first, the circle of founders owned all the shares, which was also how the MR shares had been handled; they were not sold on the stock exchange until a few years later.

Even without capital investment, MR and Allianz had a close connection because Finck and Thieme held the most important positions in both companies at the same time. Finck took over the chairmanship of Allianz's supervisory board. Thieme became a member of the board of management together with Bruno Pohl, a casualty insurance expert who had previously worked at the Berlin branch of Zürich Versicherung, and whom Schreiner had introduced to Thieme.¹¹⁸ Allianz's first supervisory board had three other members of MR's supervisory board besides Finck: Hermann Pemsel, Johannes Kaempf and Hugo von Maffei. Aside from Thieme, the two deputy MR board of management members Paul Szelinski and Marc Mauel, in turn, stepped in as deputy directors of Allianz's Munich management.¹¹⁹ Allianz was developed as an affiliate of MR – the most important major shareholder of both insurers was the same, the Merck, Finck & Co. bank – but, at first, it was run like a subsidiary.

Thieme had still rejected this solution, the “founding of a casualty company alongside our reinsurance company,” in his memorandum of May 1889. At that time, he had concluded that the company could achieve its aim “only incompletely and, above all, not permanently” in this way. Having its own casualty insurance company, he wrote in the memorandum, would only give MR a proportion and therefore merely a fraction of the earnings from the direct insurance business. Mostly, though, having the same people in the leading functions in both companies would not, in the long run, prevent the “casualty company” from later freeing itself of MR's influence and going its own way.¹²⁰

So why did Thieme and Finck decide to go this route just a few months later? After all, the Allianz solution involved much more effort and expense than adding a casualty segment to MR would have. The founders had to come up with a considerable amount of capital, some of its own office space in Berlin had to be rented, and, according to Thieme's calculation, having its own casualty business would have enabled MR to make three times as much in premium revenues as it would with a casualty insurance company that shared the same functionaries.¹²¹

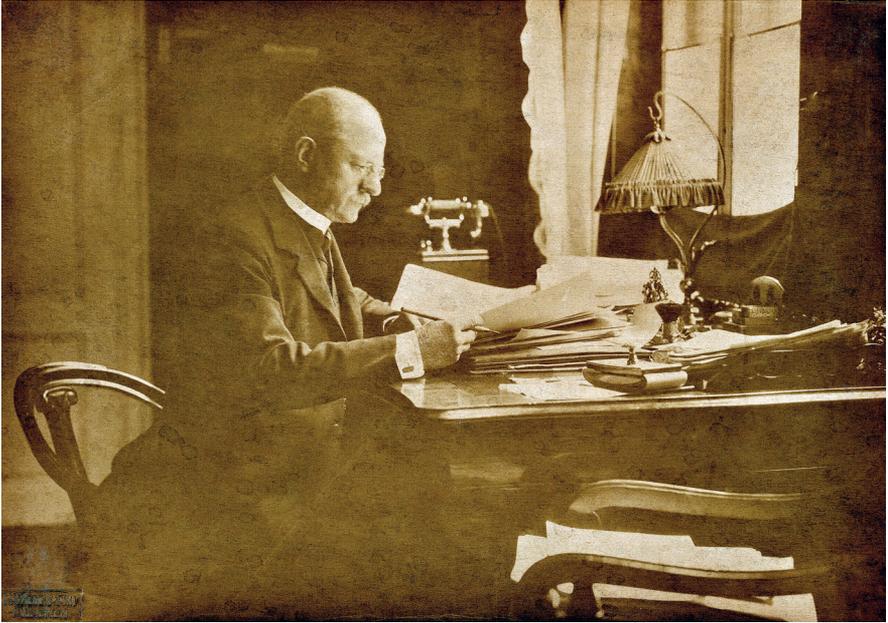


Figure 5 Carl von Thieme at his desk

Thus, there must have been portentous reasons for the decision made at that time. One can only guess at what these were because the files on the founding of Allianz could not be found even before the Second World War at either MR or Allianz.¹²² The most common and long-lasting explanation goes back to previous MR board of management member Victor Bernhardt who experienced the process as a young employee of the firm. Bernhardt claimed that Allianz was created as MR's own casualty insurance company in Berlin in order to get around the legal hurdles to accessing the Prussian market. In 1837 Prussia had implemented licensing requirements for foreign insurers that also applied to insurers from other German states after the founding of the German Reich. In Bernhardt's account, an insurer from Bavarian or Saxony had to present two annual financial statements in order to apply for a license for Prussia. As Thieme and Finck did not wish to wait so long, they decided to found their own company in Berlin.¹²³ Many subsequent chroniclers, including longtime MR board of management member Walther Meuschel and insurance historian Ludwig Arps, followed this account.¹²⁴ Martin Herzog, by contrast, doubted this because, in researching his documentation, he found no evidence of such a regulation in Prussia.¹²⁵

Another common assumption is that Thieme and Finck had decided out of consideration for MR's corporate clients to engage in direct insurance via the founding of a new company in Berlin because it was sufficiently distant from Munich.¹²⁶ In a newer study, Kluge assumes that the supervisory board chose this solution over Thieme's suggestion to transform the company in order to maintain MR's character as purely a reinsurer.¹²⁷

Actually, the problem of access to Prussia's market may well have played an important role because Thieme himself mentioned the two-year rule in his memorandum.¹²⁸ This view is also supported by the fact that MR had apparently had a pertinent experience shortly before this. For the transportation coinsurance it took up in 1887, it did not apply for a license with Prussian agencies until two years later.¹²⁹ For Thieme, this disadvantage was clearly not the decisive argument against founding a direct insurance company in Berlin. Above all, he had feared that such a company would quickly become alienated from MR; all the more so as it was not possible for MR to hold stock in the company on account of its articles of incorporation.¹³⁰

Consideration of MR's corporate clients, on the other hand, could hardly have been the crucial motive. In the insurance sector, it was well known just who was behind this new company, even if it had its headquarters in Berlin. Indeed, it was no secret that Thieme became the director of Allianz, that Finck took on the chairmanship of the supervisory board, and that his bank had put forward a large part of the share capital. In addition, Allianz had its own management office in Munich headed up by Thieme and located in the same building as MR.¹³¹ Had Thieme wished to convey the impression that Allianz was entirely independent of MR, then he would hardly have proceeded in this manner. MR's corporate clients did not appear to have been disturbed by the close association between the two companies. Most of them, including the most important ones, were fire insurers. As long as Allianz did not operate in this segment as a direct insurer, then they took no exception to its closeness to MR. Correspondence between Thieme and general director Ernst Ribbeck of the Schlesische Feuerversicherung of 26 and 30 September 1889 demonstrates this. Ribbeck was alarmed that the trade press had falsely reported that MR was going to take up direct fire insurance. He demanded that Thieme deny this, which he immediately did. That settled the matter for Ribbeck.¹³²

Three factors were likely critical in the decision to found Allianz as an independent firm with headquarters in Berlin, tied to MR only in that some of its functionaries also held positions at MR:

1. MR's supervisory board was obviously seeking a grand solution, as indicated by the amount of Allianz's capital stock – 4 million marks, that is, 25 % more than MR's starting share capital. The biggest stockholder was Merck, Finck & Co., with shares worth 1.5 million marks (37.5 %). Wilhelm Finck must have felt strongly about this capital generating earnings as soon as possible. The financier's interest in gaining access to the Prussian market quickly – which was only possible by means of founding the company in Berlin – was likely, in the end, more important than Thieme's fear that a casualty insurance company with headquarters in Berlin would soon free itself of MR's control. Allianz was also granted a license for Prussia already on 13 January 1890, merely four months after its founding.

2. Merck, Finck & Co. could not come up with the share capital for Allianz alone. As it appeared that MR's other major shareholder, the Bank für Handel und Industrie, was not prepared to invest in the founding of Allianz either, Finck and Thieme had to look elsewhere for other financiers. These were most readily found in Berlin, which at that time was by far the leading finance center of Germany. Finally, the Deutsche Bank jumped in and nominally contributed 1 million marks of Allianz's capital stock. Both major shareholders then transferred a portion of their shares to other banks: the Deutsche Bank to the Bayerische Vereinsbank and Merck, Finck & Co. to the Dresdner Bank. Later, there was also discussion of a small investment by the Disconto-Gesellschaft.¹³³

3. Three influential figures were appointed to Allianz's supervisory board who worked in Berlin, central Germany, and the Rhineland region and who had not previously been connected to MR: Friedrich Hammacher, mine owner and Reichstag representative of the National Liberal Party; Wilhelm Oechelhäuser, the general director of the Deutsche Continental-Gas-Gesellschaft (Contigas), who already sat on the Deutsche Bank's supervisory board; and Heinrich Lueg, cofounder of the Düsseldorf machine plant Haniel & Lueg.¹³⁴ Oechelhäuser and Hammacher were publicly regarded as social reformers who advocated workers' rights and equal treatment.¹³⁵ Hammacher, who later also joined MR's supervisory board, had the very best connections in Berlin. He had mediated in the first mass strike in the Ruhr region to the satisfaction of the emperor in May 1889. Oechelhäuser, Hammacher and Lueg each purchased small packets of Allianz shares.¹³⁶

Deutsche Bank's investment and the changed composition of the supervisory board compared to MR indicate that Allianz's founders were primarily looking at the Prussian market in Berlin as a financial center.¹³⁷ This

was already suggested by the fact that the focus of business for a casualty insurer – unlike for a reinsurer – had to lie in the urban areas of the Reich, in the Rhine region, in Saxony, and in Berlin. Thieme's concern with tying the new company as tightly as possible to MR was addressed in other ways: Allianz was not only run by Thieme, who ran MR too, but he was also in charge of the management in Munich, while Bruno Pohl, the board of management member, took over the management in Berlin. Consequently, Allianz's business policy was determined in Munich, even though the company headquarters was in Berlin. This began to change when Paul von der Nahmer took over the management in Berlin in 1894 and subsequently ran the company on an equal footing with Thieme. As Thieme's relative, von der Nahmer was particularly trusted by Thieme. Under von der Nahmer, the focus of the company shifted ever more towards Berlin.¹³⁸

Different from how it was originally planned, Allianz operated from the beginning not only as a casualty insurer but also as a transportation insurer and as a reinsurer for casualty, transportation, fire, and life insurance.¹³⁹ MR's ability to offer direct insurers a further excess insurer in Allianz was not only advantageous in terms of actuarial practice but also increasingly bound the two companies together. In a retrocession agreement of 9 April 1890, Allianz agreed to transfer its fire insurance policies completely in retrocession to MR. In return it received a guaranteed 10 % share of MR's fire insurance business.¹⁴⁰ A few weeks later, on 5 May 1890, the two companies concluded a casualty reinsurance agreement according to which Allianz would transfer 50 % of policies up to 60,000 marks to MR and 100 % of policies greater than that. Allianz also transferred its transit insurance policies completely to MR for reinsurance.¹⁴¹ It was not long before transit insurance, including specie insurance (or valuables insurance) became Allianz's most important segment, ahead of fire reinsurance and casualty insurance.¹⁴² Thieme had not anticipated this, in all likelihood, but Berlin at that time was a more favorable location for transit insurance than Munich, and valuables were largely insured by banks.¹⁴³

A few months after Allianz was founded, a reinsurance company in Vienna also called Allianz was on the brink of bankruptcy because of embezzlement on the part of its board of management. Thieme did not want this process to be known to the public because it pertained to an MR business partner, and also, probably because of the shared name with the newly founded direct insurance company. MR backed up Allianz with reinsurance in the form of government securities valued at 500,000 marks. Together with

several of MR's supervisory board members, Thieme purchased the shares that had become worthless and told the press that MR had acquired the share certificates "for the purpose of transforming the company into a branch of the Munich company."¹⁴⁴ Although MR certainly gained some corporate clients from this company, a Viennese branch was out of the question; indeed, there had already been an agency in Vienna for several years. Thieme sent his colleague Manfred Knoke – a son of the former general agent of Thuringia – to Vienna to silently dispose of the Allianz reinsurance company, which was liquidated in 1897.¹⁴⁵ In the meantime, he had decided to carry the model of Allianz in Berlin to Austria and to found a similar company in Vienna, the Providentia Allgemeine Versicherungsanstalt. A consortium, which had come into being thanks to Wilhelm Finck's good connections in Vienna and included the Österreichische Creditanstalt, the Österreichische Bodenkreditanstalt [Austrian Mortgage Credit Company] and the Österreichischer Phönix in addition to MR, provided the capital stock. Phönix, moreover, transferred its casualty insurance business to the new company. Finck, Thieme and von der Nahmer joined Providentia's supervisory board, which was headed by Gustav von Mauthner, the chairman of the board of the Österreichische Creditanstalt.¹⁴⁶

4. Conquering the World Market and the Earthquake of San Francisco

Business Dealings and Investments in Russia, Great Britain, and the U.S.

One business policy of reinsurance companies from the beginning was to conclude policies with direct insurers in several countries in order to balance out the risks more effectively. The first German reinsurers were dependent on corporate clients from neighboring countries because most German direct insurers at that time sought reinsurance abroad. This was particularly true for Swiss Re, which could practically only expand outside Switzerland because of its small domestic market. It made sense for MR, too, to conclude policies early on with foreign insurance companies. Yet it soon set new standards in international business in terms of the number of contractual partners and their geographical spread.

Most of MR's foreign contractual partners, like those of other German reinsurers, were located in Austria-Hungary, Switzerland, or Scandinavia. Yet Thieme soon tried to get a foot in the door of the Russian market. He would not be dissuaded from this intention even when the supervisory board, as mentioned above, dissolved the first reinsurance policy with a Russian insurer because of heavy losses. In February 1885 Thieme once again took up negotiations with a Russian direct insurer, the Moscow Fire Insurance Company. He made this business connection appealing to the supervisory board by assuring its members that he would, himself, travel to Moscow "to establish a favorable basis for the contract" and gather information about the management of this insurance company.¹ Thieme went to Moscow, where the contract was drawn up, and was able to establish further contacts. In the next three years, eleven contracts with Russian insurance companies followed, including six fire contracts and MR's first reinsurance contract for life insurance. In the fire insurance sector, MR took in more premiums in Russia in 1895 (amounting to 2.7 million marks) than in the German Reich (2.5 million marks).² No other foreign reinsurer had business of this magnitude in Russia.³

Of course, Thieme was familiar with the problems of the Russian market

and the negative experiences that foreign reinsurers had had there. The structure of Russian insurance companies could hardly be ascertained from abroad. It was even more difficult to estimate the fire danger in the large cities of the country, which was generally relatively high because of the tendency to build with wood there. In Irkutsk, for example, over 300 wooden houses – two-thirds of the city – had burned down in July 1879. On the other hand, there were great opportunities for German reinsurers in Russia that Thieme definitely wished to utilize. The only Russian reinsurance company had ceased operations in 1870, and several foreign insurers, especially British ones, had withdrawn from conducting business in Russia on account of heavy losses.⁴ The market share of the few remaining reinsurers had risen accordingly, and most of these were German. German insurance companies now accounted for 80 % of the reinsurance premiums paid by Russian insurers.⁵

In order to curb this one-sided dependence on foreign reinsurers and the outflow of premiums associated with this, Russian insurers, at the behest of minister of finance Sergej Witte, founded their own company in the mid-1890s, the Russian Reinsurance Company. Russian direct insurers had to reinsure at least one-fourth of their policies with this company and were no longer allowed to transfer more than one-fourth of their policies to foreign reinsurers.⁶ But MR's Russian business did not decrease because of this as the number of Russian insurance companies increased. Its premium revenues from Russia remained about as high as in Germany up to 1914.⁷

At the casualty insurance company Pomoschtsch ["Rescue" in English] in St. Petersburg, Thieme and some of MR's supervisory board members purchased equity shares. Their packet of a total of 400 Pomoschtsch shares was transferred to MR seven years later when the company, after altering its articles of incorporation, was allowed to make capital investments.⁸ By 1913, it owned 43.2 % of Pomoschtsch.⁹ In the meantime, MR had large shareholdings in several other Russian insurers – in the aforementioned Nadeschda in St. Petersburg, in Wolga Insurance Company, and also in the Russian Reinsurance Company.¹⁰ From 1887, MR intently expanded its business with Russian transportation insurers and made reinsurance contracts with the insurance companies Rossija, Russian Lloyd, and Wolga for river and maritime transport. Even though MR had to settle a major claim in 1906 when three Russian steamships sank, the transit insurance business clearly generated handsome profits.¹¹

The surviving reports convey only a vague idea of how MR managed its Russian business at that time. At first, it was handled through the St. Pe-

tersburg brokerage Mund, Fester, Heiseler and Wiese. In 1897, supposedly, a representative was appointed for Russia.¹² In addition, MR established an office of its own in St. Petersburg that helped clients classify ships.¹³ Trusted individuals are said to have observed the loading and unloading of ships for the company on the Black Sea.¹⁴ What is certain is that Thieme personally maintained control over the Russian business and that he regularly traveled into the czar's empire. On these trips, his secretary Ruckdeschl always accompanied him so that he could continue working during the long periods of travel. Ruckdeschl also apparently had a knowledge of foreign languages well.¹⁵

At the end of the 1880s, MR had corporate clients all over the European continent, from France to Russia, from Scandinavia to Italy, and especially in Austria-Hungary and Switzerland. By contrast, in the two leading insurance markets in the world, Great Britain and the United States, the company was only indirectly present through reinsurance policies transferred to it by direct insurers. In the summer of 1890 this began to change. MR now wished to establish itself on the British market and tasked Carl Schreiner with forming an agency in London. One can only guess why this decision was not made earlier. The British insurance market was considered difficult. A large number of insurance companies were based in London, the trade and finance center of the world at that time, including some of the leading international fire and transit insurance companies. One could not expect high returns from the British domestic market, where market share was fiercely contested. MR had had to withdraw from its first involvement there as early as 1883. German direct insurers had, likewise, had little success in the United Kingdom and complained that the British preferred British insurers.¹⁶ Foreign insurers were interested in Britain's overseas business, especially the transatlantic business, which was dominated by British companies and could only be managed from London. Getting into this market without British business was not possible.

To gain a foothold in London, MR had to pursue a different strategy than it had in Russia, where there were only a few insurance companies that Thieme could work on personally. In London – as already in Paris – one could only enter business via a competent agent present on site. In the summer of 1890, MR managed to find the ideal person to fill this post: Carl Schreiner, one of MR's first employees, who had meanwhile become a member of the board of management of the *Badische Rück- und Mitversicherungsgesellschaft*, was persuaded to open up a general agency in London.

It can no longer be clearly determined what role MR's supervisory board members played in the founding of the London agency. According to Meuschel, they looked on the project "with great skepticism."¹⁷ Schreiner himself wrote that his being dispatched to London was due to deputy supervisory board chairman Pemsel.¹⁸ It is possible that those who had concerns about establishing a general agency in London only agreed to it on the condition that an experienced expert like Schreiner take on the task. The decision to have the business operate under the name of the agent on site rather than opening an MR agency – as in Paris and Vienna – suggests that this was the case. It is also possible that the London general agency did not emerge any sooner because Schreiner had to be wooed away from his high-paying board member position in Mannheim.

Schreiner's dispatch to London for MR turned out to be a lucky strike, even though the son of a Rhenish cottonmill owner had no foreign experience up to that point. Later, he was still not very cosmopolitan. Schreiner was considered willful and is described as an "enthusiastic German patriot and admirer of militarism," but also as a "lively Rhineland, an unusual force of nature of a tenacious, purposeful worker."¹⁹ Like Thieme, who later became a family relation, Schreiner was a highly talented salesman whose drive to work bordered on obsession. He was not the least bit prissy with his employees. Purportedly, some of the best of them "almost broke under his breeding."²⁰ Schreiner's abilities became a decisive factor for MR's business in Great Britain, and then, above all, in the U.S. His significance for the rise of the company in the decades before the First World War can hardly be overestimated, even though he was not appointed to the board of management until 1913.

After Schreiner had relocated to London, the supervisory board gave him the directive to focus mainly on transatlantic business. He was only to involve himself with British domestic business to the extent that this was necessary for overseas business.²¹ Schreiner did not stick to this: the Schreiner general agency's dealings with domestic British business were more extensive than the foreign, transatlantic business for a long time.²² Munich did not take exception to this because Schreiner's success proved him right. Although fire insurers' loss ratios in the United Kingdom climbed at that time, Schreiner was able to generate profits, and he managed to establish MR on the British market within a few years. The general agency profited from the fact that Great Britain, as before, had no professional reinsurance company, and reinsurance of the new kind that MR



Figure 6 Carl Schreiner, head of the Foreign Department of Munich Re (1890–1914), the First Reinsurance Co. of Hartford (1912–1917), and the Pilot Reinsurance Company of New York (1925–1939)

offered remained entirely unknown. Obligatory reinsurance policies with a fixed share, like those Schreiner's agency now offered, met with great interest. This enabled direct insurers to transfer the rapidly rising sums for insured damages by means of a simple procedure without having to share them, as with coinsurance, with competitors. The profit-sharing MR offered was also an incentive. After a few years, Schreiner had signed on some of the leading British insurers, also those of the overseas and transatlantic business: Guardian Fire & Life, Liverpool & London & Globe, Phoenix London, and the Royal Exchange Assurance.²³

In August 1892 Carl Schreiner traveled for the first time across the Atlantic in order to open the U.S. market for MR. Once again, he proceeded with disregard for concerns that the supervisory board had.²⁴ It was the beginning of a success story that led to Schreiner later being characterized, among other things, as the “father of American reinsurance.”²⁵ There is no doubt he achieved great things, but he was also in the right place at the right time with the right product. The U.S. was rising to become the leading national economy of the world. The insurance industry there was growing correspondingly rapidly, yet as in Great Britain, there were no professional reinsurance companies in the United States. Obligatory reinsurance policies with fixed shares and profit-sharing were not known there, either. Most of the time,

reinsurance policies were offered by agents who worked for several insurance companies, and these, in turn, shared profits with the agents. This procedure was cumbersome and intransparent and, moreover, had the disadvantage that direct insurers could only give agents sums that did not exceed the amount they retained.

As before in London, the board of management largely left Schreiner to his own devices in New York, particularly since Thieme was fully occupied with the growing business in continental Europe and with managing Allianz. Schreiner's diligence and his roll-up-your-sleeves attitude were well received in the U.S. He established his own head office in New York but largely managed the U.S. business from London and crossed the Atlantic two to three times a year.²⁶ The general agency in London was expanded for the overseas business and was named the Foreign Department. Now it was an MR department that thus managed the business in London and New York under its own name. In addition to Schreiner, Carl Uhlig, as the deputy manager, now played an important role. Later, he became the chief financial officer of the Munich headquarters.²⁷

The 1890s was not a good time for fire insurers in the U.S. The loss ratios grew, and the downright numerous foreign reinsurers were accused of pushing onto the market with premiums that were too low to cover the costs.²⁸ Many U.S. states then introduced a licensing requirement for insurance companies. In order to get a license, MR had to prove it had a headquarters in the U.S., so it established a foreign branch in New York – its first – known as the Munich Re-Insurance Company, United States Department. The business continued to be managed from London. Supposedly, MR had only six to eight employees in New York in 1905, and, by contrast, 110 to 130 in London.²⁹ The license required MR to put up a deposit of \$500,000 for the U.S. and the state of New York. Moreover, it had to appoint its own trustees. MR was able to get John A. MacCall, the president of the New York Life Insurance Co., one of the largest American insurance companies, to fill this position. Two “in-house bankers” of MR in New York, Ernst Thalmann of Ladenburg, Thalmann & Co. and Isaac N. Seligman of J. & W. Seligman & Co., also became trustees.³⁰ For the first time, MR made an equity investment in an American insurer, the International Insurance Co., New York. It also temporarily held stock in the fire insurance company American Union.³¹ As more and more American states introduced a licensing requirement, MR got licenses for Wisconsin, Pennsylvania, Massachusetts, New Hampshire and California.³²

Table 4 Munich Re premium revenues in fire insurance for the central office and the Foreign Department 1890/91³³

A	B	C		D	E		
Central office in 1,000s of marks	Foreign De- partment in 1,000s of British pounds	in 1,000s of marks	Of that U.S. in 1,000s of British pounds	in 1,000s of marks*	Total (A+B) in 1,000s of marks	Ratio of B to D	
1890/91	7,587	15.5	314		7,901	4.0 %	
1893/94	9,405	211.2	4,295	35.6	730	13,700	31.3 %
1896/97	16,152	522.0	10,584	271.8	5,511	26,736	39.6 %
1900	26,422	981.3	19,892	607.8	12,320	46,314	42.9 %
1903	28,400	1,606.3	32,560	1,213.6	24,600	60,960	53.4 %
1906	38,473	1,697.3	34,455	1,268.1	25,704	72,928	47.2 %

* converted using the yearly average of the exchange rate

Thanks to Schreiner's initiative, MR was established in the U.S. market before its most important competitors. Kölnische Rück did not take up its own business in North America until 1898; prior to that, it had only been indirectly represented there via close ties with the German American Insurance Company in New York.³⁴ Swiss Re could not decide whether to start its own U.S. business because of the major fires that frequently broke out in American cities. Its board of management still rejected the idea of applying for a license for a U.S. state in 1899. Only eleven years later did it establish a branch in New York.³⁵

MR's Foreign Department generated high profits in the United States. As early as fiscal year 1896/97, the Foreign Department's profits were greater than those of the central office in Munich; this remained true in the two following years, as well as in fiscal years 1902/03 and 1904/05.³⁶ In MR's fire insurance business, more than 50 % of premium revenues derived from the U.S. and Great Britain for the first time in 1903. The U.S. business alone accounted for 40 % (see Table 4).

After the earthquake of San Francisco (1906), insurance law underwent a reform. The new regulations prompted Schreiner to establish an American subsidiary, the First Reinsurance Co. of Hartford (First Re). It was founded with capital stock of \$500,000 in 1912.³⁷ The supervisory board approved the founding on the condition that at least 75 % of the shares be retained in the ownership of MR.³⁸ In fact, MR retained 88 % of the shares, a figure that

changed very little until they were confiscated in the First World War. American business partners held about 10 %; Schreiner and Finck invested in small share packets.³⁹ Schreiner became First Re's president and developed his own business for this company that included life insurance, which was rapidly expanding in the U.S. He continued to operate MR's U.S. business under that name, but did transfer the New York office to First Re.⁴⁰ Hartford, Connecticut, was chosen carefully as the site for the American subsidiary. The city had become the "insurance capital" of the U.S. for tax reasons,⁴¹ but the industry also had a strong historical tradition there. As early as 1683, Hartford saw the founding of Travelers Insurance Company, followed in 1810 by that of the significant Hartford Fire Insurance Company. Today, the MR Group is represented there in the Hartford Steam Boiler Inspection and Insurance Company, founded in 1866.

The founding of First Re shifted the focus in MR's Foreign Department. The number of employees in the main office in London declined while it grew in Hartford. As president of First Re, Schreiner could no longer run the U.S. business from London but now often had to travel between the continents. Supposedly, Norddeutscher Lloyd knew him as the passenger with the most crossings.⁴²

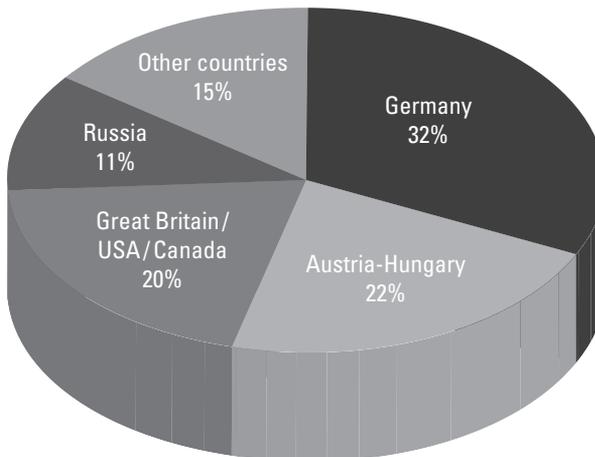
In the decades before the First World War, MR was undeniably the world market leader among reinsurance companies. In 1913/14 its gross premium revenues amounted to 204 million marks whereas the second- and third-ranked reinsurance companies, Swiss Re and Kölnische Rück, took in about 42 and 41 million marks, respectively.⁴³ In Germany, MR had about a 40 % market share.⁴⁴ It is no longer possible to determine the percentage MR had of the entire world reinsurance market because reinsurance policies were largely concluded with direct insurers, particularly in the United Kingdom and the United States.

MR profited from the increasing integration of the world economy at that time, which was associated with the classical gold standard, the first international currency system. Historians regard this period as the first phase of globalization.⁴⁵ From the perspective of global history, the insurance industry before 1914 was, of course, not globalized in the modern sense because of its orientation toward Europe and North America.⁴⁶ MR's business, too, was limited to Europe (including Russia) and North America. It was not as globally positioned as many direct insurers, above all British transportation and fire insurers. In South America and Asia, MR was only indirectly involved, as a reinsurer of direct insurers operating there. For example, the reinsurance con-

tract drawn up with Helvetia in 1882 included, among other things, its policies with clients in Brazil, Chile, Mexico, India, Japan, and Singapore.⁴⁷ In South America and Asia, there were only a few domestic insurers. Balancing risk there took place largely on the British model of getting coinsurance with European, primarily British, insurance companies. Only in the last few years before the First World War did MR enter negotiations, hesitantly at first, with a Japanese insurer. A manager from Nippon Fire & Marine Insurance Co. Ltd. visited Thieme in 1908, but some years would pass before a contract was signed. The great fire of Osaka in 1909 would not have encouraged insurers to get involved in Japan. Moreover, Schreiner reported to Munich that Japanese insurance companies were not open to reinsurance contracts. Nonetheless, MR entered a contract with Nippon Fire in 1913.⁴⁸

Statistics about the regional composition of premium revenues during this era do not survive at MR. Meuschel, in his later history of MR, assumed that in 1913 about 70 % of business came from abroad.⁴⁹ The most important markets, however, remained Germany and Austria-Hungary. More than half of all premium revenues came from these two countries (see Diagram 1).

Diagram 1 Distribution of Munich Re's business by country in 1913⁵⁰



According to another source, Germany's share of MR's business was 30 % in 1913, the Foreign Department had about 25 % (United States, Canada, Great Britain), and 10 % went to Russia.⁵¹ It is clear from this that foreign business comprised about 70 %. This sort of high proportion of foreign busi-

ness can only be found for a few German firms in this period, such as the automotive supplier Bosch but also for some direct insurers like the Mannheimer Versicherungsgesellschaft.⁵² Swiss Re's proportion of foreign business was naturally higher as it had such a small domestic market. About 80 % of its premium revenues came from abroad.⁵³

Among professional reinsurance companies, Germany was, as before, by far the most important provider with gross premium revenues of £ 14.66 million in 1913, ahead of Austria-Hungary (2.62 million) and Russia (1.28 million in 1912), the latter of which had overtaken Switzerland.⁵⁴ Reinsurance benefits had become an important export product of the German Reich. According to figures from earlier studies, German fire reinsurers did not even conduct a quarter of their business at home and brought in premium revenues of about 300 million marks from abroad.⁵⁵ Many German insurers did continue to reinsure their policies abroad, but the sum that foreign insurers reinsured in Germany was greater. Whereas Germany in 1892 still had an import surplus of reinsurance benefits amounting to 6 million marks, in 1913 it had an export surplus of 112 million marks.⁵⁶ The change in the direction of the flow of capital was certainly not solely due to MR, but it contributed to this more than any other enterprise.

The Earthquake of San Francisco and Other Major Losses

In the decade before the First World War, there were several major fires and natural catastrophes that count among the most severe of the 20th century. These major losses became a decisive probationary test for reinsurers, particularly since the catastrophes with the highest total losses occurred in the U.S., which had become the most important insurance market in the world and was also very significant to MR. The major losses affected MR's fire business more than anything. In the one major loss that affected casualty insurers during this time – the sinking of the Titanic in April 1912 – MR had had a relatively small share, with claims amounting to about 500,000 marks.⁵⁷

In the U.S., foreign and especially British fire insurance companies had played an important role since the middle of the 19th century. The rapid growth of the economy after the Civil War had raised the demand for fire insurance, above all because most of the houses in the cities were made of wood. As major fires occurred again and again, like the Great Chicago Fire of October 1871, fire insurance premiums grew quite high. Consequently,

ever more European insurers entered the U.S. market, and more than a few soon brought in more premiums there than in their home markets.⁵⁸ In 1881 foreign fire insurers already had a 25 % share of the U.S. market.⁵⁹ At the end of 1913, there were 89 fire and property insurers on the U.S. market, including 42 British and 13 German companies.⁶⁰ Recent studies show that the number of major fires in the U.S. dropped from the middle of the 19th century, despite the growth of cities, due, above all, to changes in construction methods and better means of fire protection.⁶¹ When looked at this way, European fire insurers who pushed onto the U.S. market were certainly making a rational calculation. The fact that by 1898 a total of 832 fire insurance companies had gone bankrupt had more to do with the inefficiency of the American reinsurance industry.⁶² Most of these companies would have been local or regional insurers that had divided the risks among themselves and then went under in the case of a major fire because they lacked capital of their own.

On 7 February 1904, a Sunday, a major fire broke out in Baltimore's inner city that even a squad of more than 1,200 firefighters could only get under control after 30 hours. A large part of the city center, 70 residential blocks with 2,500 buildings, was destroyed by the flames. Eyewitnesses reported 20-story buildings collapsing like "birdcages in a smelting furnace."⁶³ It was the most damaging fire catastrophe in over thirty years. The fire's rapid spread was principally caused by strong and shifting winds that hampered efforts to extinguish the fire. In addition, fire protection measures and equipment were deficient. Automatic sprinkler systems were not in place; firefighters had to extinguish the flames using hydrants and horse-drawn steam fire engines. Moreover, the hoses of the fire departments called in from Washington, Philadelphia and New York did not fit onto the connections in Baltimore. The insured losses of the "Great Baltimore Fire," according to figures by Clive Trebilcock, amounted to £ 15 million (304 million marks).⁶⁴ These were distributed among about 200 fire insurers and reinsurers, which also included sixteen British and six German companies. MR had to pay claims of around 4 million marks net, which was about twice its profit for 1903/04. Since it was able to pay this sum without resorting to liquidating some of its assets,⁶⁵ the next annual financial report stated that the company's U.S. business had "withstood its trial by fire."⁶⁶

Indeed, the claims adjustment after the major Baltimore fire demonstrated how efficient the insurance industry had meanwhile become on account of the growth of reinsurance. After the catastrophic fire of Chicago in 1871, 68 fire insurers had gone bankrupt, and 80 others were only partially

able to pay the claims. After the “Great Baltimore Fire,” by contrast, only twelve companies stopped payments, five of which were local insurers.⁶⁷ The adjustment of fire claims from Baltimore would have gone down as an important milestone in insurance history had an even larger catastrophe not presented the insurance industry with even greater challenges: the earthquake of San Francisco.

Since the 1870s, California had been the Klondike of fire insurers. The construction of several transcontinental railroads prompted an economic boom in the young U.S. state on the Pacific, whose population rapidly climbed. San Francisco, by far the largest city in California, already had 450,000 residents in 1906, compared to 150,000 in 1870. Fire insurers profited there from high premiums and a low loss ratio.⁶⁸ Almost 50 % of California's fire insurance business was with foreign companies, with German insurers ranked second – of course, far behind the British ones.⁶⁹ MR executives were also aware of how lucrative the California market was. Carl Thieme had even toyed in 1889 with the idea of taking up the direct fire insurance business in California because of its “downright splendid conditions.”⁷⁰ The state on the Pacific had already suffered a serious earthquake in 1857, but it was much later before the constant danger the shifts in the San Andreas Fault presented came to be recognized. The risk of a major fire was considered a greater threat, since 92 % of the houses in San Francisco were built of wood. Yet the city boasted at having one of the best-equipped fire departments in the country.⁷¹

In the spring of 1906, the California dream became a nightmare. San Francisco, the flourishing “Paris of the West,” was beset on the morning of 18 April 1906 by one of the worst natural catastrophes of the modern era. An earthquake measuring 8.3 on the Richter Scale, triggered by tectonic shifts in the nearby San Andreas Fault, shook the region. This quake and the subsequent aftershocks led to fires kindled by burst gas lines and toppled ovens that caused much more devastating damage than the jolting of the earth. The fire raged for four days. In the end, over 3,000 people had perished and about 28,000 houses had been destroyed.⁷² San Francisco's advanced fire prevention measures did not help much because the earthquake had caused the electricity to fail.

The total losses were first estimated at about \$300 million, with insured losses of about \$175 million.⁷³ The population could not expect money from the state since this sort of aid program was not typical at that time. The future of San Francisco and the well-being of its inhabitants thus depended

largely on the insurers – 114 fire insurers, including 32 foreign companies, as it were.⁷⁴ There was no natural hazard insurance as there is today, and life insurance played practically no role in the claims adjustment since most of the fatalities occurred in the poorer districts of San Francisco, especially in Chinatown, where most people had no or only very little life insurance.⁷⁵

By far most fire insurance policies in the U.S. had been formulated according to the New York Standard Fire Insurance Policy. They contained no provisions for earthquake damages and earthquake-related fire damages, but they did contain a Fallen Building Clause that excepted damages from buildings simply collapsing from insurance protection. In the legal understanding and customs of the U.S., therefore, the fire insurers were liable for the damages in San Francisco.⁷⁶ European and especially German insurers saw the situation differently. They regarded earthquakes as uninsurable phenomena because, to put it in modern terms, they did not comprise a calculable risk but an unpredictable danger. The General Insurance Conditions of the Verband deutscher Privat-Feuerversicherungs-Gesellschaften [Association of Private Fire Insurance Companies] excluded all damages caused by war, riots, breaches of the peace, or earthquakes from insurance protection.⁷⁷ Only the public fire funds assumed responsibility, with a few exceptions, for earthquake-related fire damages.⁷⁸ In the German legal understanding, private fire and building insurers only had to pay claims for these damages if they had explicitly assumed the liability in their policies. The fire insurance policies, in this interpretation, only covered fire damages in San Francisco that resulted not from the earthquake but only from the subsequent inferno lasting several days.

On 21 April 1906, when the fires in San Francisco had just been extinguished, the MR supervisory board convened in Munich to discuss the claims determination. Thieme presented a telegram from Schneider in London, which stated that “our gross losses will not exceed 5 1/2 million dollars, net 3 million dollars,” which corresponded to 12.6 million marks. This first estimate was remarkably exact, coming very close to the sum that was later paid. The supervisory board decided to send Schreiner to the U.S. with the task of “relating the view of the supervisory board and the local board of management that there was no possibility of acts of liberalism in the claims determination [for the earthquake] in light of the scope of the catastrophe, but rather every claim beyond the legally binding content of the authoritative policies and contracts had to be rejected, and indeed without consideration of possible existing or hoped-for future business relations and advantages.”⁷⁹



Figure 7 View of San Francisco on 18 April 1906

At the end of the meeting Wilhelm Finck suggested “the possible selling off of the entire fire business.” The nerves of the always cautious and safety-conscious supervisory board chairman were obviously raw. Yet his request was not pursued any further.⁸⁰

There was no doubt that MR could pay the claims sum estimated by Schreiner, or even a higher amount. After all, the company had premium revenues for fiscal year 1904/05 of 143 million marks and reserves of 86 million marks.⁸¹ For Thieme, it was more a matter of principle. He was prepared to pay all claims immediately for which MR was liable. According to the insurance conditions customary in Germany, this only applied to the pure fire damages and not for earthquake-related damages. The restrictive directive to Schreiner was supposed to ensure that the American cedents would adhere to this principle and not cover earthquake-related fire damages or make payments out of goodwill. This gave Schreiner a strong argument. Still on 21 April, by circular vote, the supervisory board approved of the New York branch taking out a loan from the Seligman & Co. bank located there for \$1 million.⁸² This would enable Schreiner to pay even larger

sums to the cedents right away and rapidly determine the claims. Of the European reinsurance companies, only MR seemed to be in a position to create such a reserve fund and send it to the U.S. for payment. With this, Thieme was pursuing a two-pronged strategy towards the American cedents. They were to adhere in their claims determination to MR's restrictive guidelines and, in return, they could make use of immediate payments from the reinsurer.

This strategy turned out to be a very clever move. It was obvious that Thieme had realized from the start that the fire insurers in the U.S. were expected to pay for all the damages in the San Francisco catastrophe. The principle MR adhered to, that earthquake damages were not insurable, could hardly be conveyed under these conditions to the American public. Yet as long as Schreiner made payments, and did so faster than all the others, it would be difficult for anyone to accuse MR of not wanting to cover all damages. Moreover, it was not clear whether reinsurers were entitled to withdraw their portion of a direct insurer's payment if this payment exceeded the contractually determined liability. *Österreichischer Phönix* was of the opinion that a reinsurer had to pay its contractually agreed upon share without objection.⁸³ This would have meant that MR was obligated to pay its share of its American cedents' payments for earthquake-related fire damages and goodwill payments. In Munich, one had to assume such a scenario. In light of the reports from the destroyed city on the Pacific, there was a need for a certain hard-boiled attitude that would deny any generosity. In addition, Lloyd's had set the bar very high with an overly generous position early on, against which other insurers would now be measured by the American public. Cuthbert Heath, a prominent underwriter of Lloyd's, had given its agents in the U.S. the now legendary directive to "pay all of our policyholders in full, irrespective of the terms of their policies."⁸⁴

In the weeks after the catastrophe of San Francisco, a hectic crisis diplomacy emerged within the insurance industry. The reinsurance companies had the advantage over the fire insurers that they could come to agreements more easily because there were only three major players in this segment worldwide that were not far away from each other, in Munich, Cologne, and Zurich. The "Big Three" pulled the strings now, too. Already on 30 April representatives from 20 European reinsurance companies met in Frankfurt in order to agree upon a common position for claims adjustment for San Francisco.⁸⁵ They agreed with the position that MR's supervisory board had already taken in the directive it sent Schreiner on 18 April. In a

circular, later published, that was distributed among the fire insurers involved with the San Francisco earthquake settlement, participants of the Frankfurt conference professed the principle that a fire insurer did “not have to pay for damage directly or indirectly caused by an earthquake.” In addition, they declared that they only wished to participate in claims payments they were obliged to make. The reinsurers expected the direct insurers to act in the same way.⁸⁶ Representatives of British insurance companies came to a similar resolution on 3 May 1906 at a conference in London.⁸⁷ American insurance companies, by contrast, were not able to agree on a uniform position. Although they were determined to adhere to the Fallen Building Clause, they also recommended that one enter into a “reasonable compromise” in cases of doubt, which could only have meant a settlement in the form of a set rate.⁸⁸

It was obvious that the boards of management of the insurance companies in New York and Europe had no idea of how the claims adjustment was proceeding in San Francisco. The principle that European reinsurers advocated was just as out of touch with the reality of the destroyed city as American fire insurers' insistence on the Fallen Building Clause. San Francisco's residents with fire insurance, of course, unanimously declared that their houses had remained standing after the tremors and had only been destroyed by the subsequent fire storm. The insurers had to believe them because they could not prove any different. In the California courts' view, the insurance companies and not their customers had the burden of proof. In many cases, it was not even possible to determine whether a property had been insured against fire because many insurance offices lay in ruins.

The American public, meanwhile, grew resentful of the insurers' slow response. People found it unbearable that insurance company heads referenced policy provisions while the population of San Francisco experienced such distress. The press took aim at the insurance companies. In the wasted city of San Francisco itself, there was even a danger that insurance agents would be lynched.⁸⁹ In June, under public pressure, six large American and British fire insurers, including Aetna, Hartford and Liverpool & London & Globe, all declared their willingness to pay in full.⁹⁰ MR and the other large reinsurance companies, on the other hand, stood by their position of only wishing to pay for pure fire damages. On 29 June Thieme presented the supervisory board with a report Schreiner had written explaining that the cedents had adhered to principles they had been sent. Thieme now calculated that the San Francisco claims, “even with unfavorable adjust-

ment,” would amount to about 65 % of the insured sum, or about 8 million marks.⁹¹

A total of 59 other insurers similarly declared their willingness, like MR, to pay a certain percentage. Six insurers, by contrast, refused to pay entirely because their policies contained a clause that explicitly excluded them from liability for damages caused directly or indirectly by earthquakes. The *Österreichischer Phönix* belonged to this group, as did the *Transatlantische Feuerversicherungs AG* of Hamburg, the *Rhein & Mosel Versicherung* of Strasbourg, and the *Helvetia Feuerversicherung* of Winterthur.⁹² From their own point of view and that of their countries' courts, these companies had the law on their side, but the American perspective was different. The “objectors” realized that they would not be able to do business in the U.S. anymore with their position and that they would face lawsuits in American courts. They quickly withdrew from the U.S. market, thereby becoming targets of the American press, where they were now characterized as “run away companies.”⁹³ The uncompromising and downright cynical position of the “objectors” threatened to harm the image of all the fire insurers from German-speaking countries with licenses for the U.S. The American public did not differentiate too carefully between the individual companies. German insurance companies, which up to that point had been rather popular, were in danger of falling into disrepute, whereas Lloyd's profited from its accommodating position.

In August 1906 the first lawsuits against insurance companies loomed on the horizon. In San Francisco, an association for protecting the insured, the Policyholders' League, had formed, and its lawyers were pursuing cases against the “run away companies” from Germany, Austria, and Switzerland.⁹⁴ Up to that point, no accusations had been voiced against MR thanks to the funds made available to Schreiner for quick settlements. Yet now it was faced with a debacle because it had business relations with practically all of the companies that had refused to pay anything at all. This was most explosive in relation to Helvetia, whose director Moritz Grossmann was in close contact with Thieme.⁹⁵ In May 1906 Helvetia had transferred its U.S. policies to the *Rhein & Mosel Versicherung*, which had then reinsured these at a rate of almost 100 % with Helvetia.⁹⁶

In September 1906 a lawyer for the Policyholders' League, L. A. Redman, filed a lawsuit against *Rhein & Mosel*, which, in his opinion, was withholding payments of \$4.2 million. Redman applied to seize the \$200,000 deposit Helvetia had put down for its U.S. license in New York.⁹⁷ In addition, the

lawyer wished to make headway against Helvetia's demands on its retrocessionaires. The biggest retrocessionaires were MR, Allianz, and Kölnische Rück. Thieme had acquired further retrocessions for Helvetia without informing Schreiner or the supervisory board – that is, holdings in the liability for reinsurance of the Rhein & Mosel policies.⁹⁸ A year later, on account of this proceeding, the Superintendent of Insurance of the state of New York seized the portfolio along with MR and Kölnische Rück's deposits, which all remained blocked for three years.⁹⁹ Had MR been sued alongside Helvetia, it may have had to give up its U.S. business. Helvetia and Rhein & Mosel could afford to do this, but MR could not because, after all, a third of its entire fire insurance business came from the U.S. In 1906 alone, MR took in the equivalent of about 26 million marks from ceding American fire insurance companies.¹⁰⁰

The Policyholders' League lawsuit marked the turning point in Thieme's position. At the end of September 1906, he no longer insisted upon excluding the fire damage caused by the earthquake – which could not be determined anyway – from payments for the claims from San Francisco. Spree proves this with a letter from Hermann Pemsel. The deputy supervisory board chairman of MR informed his son on 27 September 1906, "that Thieme wants to pay, but the other gentlemen wish to buy time."¹⁰¹ Apparently, supervisory board chairman Finck was once again more reluctant than Thieme, but Thieme prevailed. In October already, Schreiner's reserve fund was enlarged to \$2 million (8.4 million marks) with a further loan from the New York bank J. & W. Seligman & Co., because the Foreign Department's loss ratio had risen to 80%.¹⁰² This may also have been the ratio that MR paid in total. Most of the insurance companies involved had similar loss ratios. On 28 December 1906 Thieme had laid bare his position on the claims determination for San Francisco to the MR general assembly: it was not the desperate need of the people in the ruined city but a commercial calculation that moved him to make higher payments. MR's U.S. business generated handsome profits, despite the Baltimore and San Francisco catastrophes. In America, the company earned ten times as much for its effort and investment as in Germany. He declared to the applause of MR's shareholders: "I will not do without America."¹⁰³

As Thieme told the supervisory board on 22 October 1906, MR paid about 11 million marks (\$2.62 million) by its own account for the San Francisco earthquake catastrophe, of which 10.5 million pertained to the Foreign Department's obligations. In addition, MR had to come up with 3.75 million

marks for the restructuring of the Süddeutsche Feuerversicherungs-Bank, which found itself in difficulties because of its payments of San Francisco-related claims and merged with Allianz, as well as a further 5.25 million marks “for reinsurance in our group.”¹⁰⁴ The injection of funds for the Süddeutsche Feuerversicherungs-Bank cannot be counted among MR’s claims payments because the acquisition of this company brought in margins and liquid assets of around 2.6 million marks.¹⁰⁵ The funds needed for the reinsurance of policies within the holding companies, similarly, cannot be counted among MR’s claims payments because these involved retrocessions that the companies were unable to pay. MR jumped in, and later got about half of this money back.¹⁰⁶

Most later historical accounts – as well as Herzog’s documentation and the press release for the 100th anniversary of the catastrophe – assess MR’s claims payments at about 11 million marks, the loss Thieme had indicated.¹⁰⁷ With indirect payments, the sum amounts to 15 million marks. If one considers that MR took in premium revenues in its U.S. fire insurance business for 1903/04 of the equivalent of 4.7 million marks, then it is quite understandable Thieme was determined to keep this business.¹⁰⁸

Compared to the payments for major damages in recent years, the payments for San Francisco claims of 11 million marks – this would be about €62.7 million today in terms of its purchasing power¹⁰⁹ – seem quite manageable. Hurricane Katrina in August 2005 caused MR to make claims payments of about €1.6 billion. Yet the comparison certainly presents a different picture if one looks at the premium revenues of the respective years. The San Francisco claims payments comprised 7.3 % of the gross premium revenues for fiscal year 1905/06. Thus, they were not much lower than the portion that Hurricane Katrina claims caused (8.4 %), which, percentage-wise, marks the highest burden on the company from a natural catastrophe.¹¹⁰

MR was already easily able to finance claims payments of this magnitude in 1906, but it did lose some of its liquidity as a result. Its bank accounts in Munich, London, and New York alone had a total of about 10 million marks available.¹¹¹ The financial statement for fiscal year 1905/06 reported a loss for the first time since the company had been founded; at 250,000 marks, it was moderate and could more than be covered by profits of 711,000 marks from the previous year. Moreover, MR did not have to report a loss because it was simultaneously in a position to pay a dividend of 15 %, which was financed out of the claims reserve. Meuschel later guessed that this was a sort of “nob-

ile officium towards the shareholders.”¹¹² In addition, it is not certain whether the loss arose solely from the San Francisco claims. Later it was acknowledged that MR had had to pay a claim of 5 million marks that same year after three Russian steamships, the *Kujas*, *Gorchakoff* and *Kasanj*, had struck mines in Vladivostock harbor and had sunk.¹¹³ Similar to the American fire insurance business, the Russian transit insurance business must have been so lucrative that it was worth it, despite such major claims.

Not all the insurers involved in San Francisco were able to come up with the sum to pay their claims as readily as MR. Peter Koch, an insurance historian, estimates that 20 to 50 companies went bankrupt because of the San Francisco catastrophe, 10 to 15 of which were in Germany.¹¹⁴ The fire and reinsurance companies that withstood this trial without heavy losses profited in the following years from indirect aftereffects. Fire insurers were able to raise their premiums sharply after San Francisco, and reinsurers took to reducing the share they retained, which, in turn, increased the demand for their coverage.¹¹⁵ The severe financial crisis of 1907 is often attributed indirectly to the San Francisco earthquake, although the two events are only linked by a causal chain. Since the currencies of the leading industrial countries were tied to one another by the gold standard, payments by British insurers for San Francisco claims led to a massive outflow of gold from Britain to the U.S. In order to protect its currency reserves, the Bank of England raised the prime borrowing rate, and the central banks of Paris and Berlin followed suit. Now gold once again flowed from the U.S. to Europe. The ensuing crisis of liquidity also gripped New York as a financial center and set a development in motion that led, first, to a recession in the U.S. After the collapse of the Knickerbocker Trust Company in October 1907, there were bank runs and a stock market crash. The lessons of this crisis prompted the formation of the Federal Reserve System (Fed) in the U.S. a few years later.¹¹⁶

The property damage caused by the San Francisco catastrophe is now estimated to have been about \$520 million, with insured claims of about \$180 million (both in 1906 values).¹¹⁷ American sources indicate that the twenty most important reinsurance companies contributed a total of \$8.1 million to paying these claims, which was 4.5 % of the total insured claims to be paid.¹¹⁸ The service the reinsurers provided was rather a better distribution of risks, without which many direct insurers would have collapsed. MR contributed the greatest sum among all the reinsurance companies: \$2.6 million.¹¹⁹

As at many other insurance companies, MR's own contribution to settling the San Francisco claims was later romanticized. When the history of the company is under discussion, it always comes up that Thieme and Schreiner acquired a legendary reputation in the U.S. with their rapid payments after the San Francisco catastrophe. The catchy phrase "Thieme is money," which was supposedly first uttered in this context, became a permanent component of the memory culture of the company – indeed, of its self-understanding. Actually, the company's contribution to the settlement of the claims from this major catastrophe was in no way outstanding. MR's payments comprised a mere 1.4 % of the total sum of all insured claims in San Francisco. At that time, the American public admired other insurers, particularly Lloyd's and Fireman's Fund. Lloyd's, through the goodwill of Cuthbert Heath, paid more than \$50 million according to its own calculations (more than \$1 billion in today's dollars).¹²⁰ Fireman's Fund – today a subsidiary of Allianz – the leading fire insurer of California, was able to fully pay all claims by means of an innovative payment plan and a reestablishment of the company, even though the sum of claims exceeded its capital by \$4 million and, in many cases, had to be paid out in good faith because the building housing the central office in San Francisco with all of the files had burned down.¹²¹ Looked at in this way, MR should not be counted among the "heroes" of San Francisco as its director only decided to apply a generous solution five months after the catastrophe so as not to lose the important U.S. market. Nonetheless, it would be wrong to characterize "Thieme is money" as pure legend. In the framework of Thieme's two-pronged strategy, MR did manage to pay claims sooner than other reinsurers and paid the largest sum of all the reinsurance companies. The ceding U.S. companies and their customers may well have recalled this more than the fact that MR at first did not wish to pay a considerable portion of the claims.

The phrase "Thieme is money" gave MR a catchy slogan that rapidly took on a life of its own. It can no longer be determined who first said this and when it began to spread. There was no form of company communication at MR at that time. Overall, the company hardly registered in the broader public because there was no point in advertising reinsurance. But "Thieme is money" provided a handy and witty association with the company that could be understood the world over. Journalists tasked with writing about the dry financial figures of MR gratefully wove the saying into their stories and eagerly elaborated on it. Now as before, virtually no contribution to the

history of the company goes without citing this quotation, resulting sometimes in bizarre forms of legend-making.¹²² The effect was and is enormous. In this light, “Thieme is money” probably presents the greatest communication success in MR’s history. That the Aachener und Münchener Feuer-Versicherungs-Gesellschaft paid 15 million marks for San Francisco claims – more than MR’s direct payments – by contrast only gets mentioned in trade literature.¹²³

Reinsurers and fire insurers proceeded to come to an agreement about a general earthquake clause in their policies shortly after the catastrophe of San Francisco. At the Frankfurt conference on 21 April 1906, participants already brought up initial considerations on this point. Two months later, the directors of MR, Kölnische Rück, Swiss Re, and the Badische Rück- und Mitversicherungsgesellschaft convened in Munich to discuss a future clause to exclude earthquake damage from coverage.¹²⁴ By the time an earthquake measuring 8.6 struck Valparaiso, Chile, four months after the San Francisco catastrophe, killing about 20,000 people and largely destroying the harbor city, many insurers had already added an earthquake exclusion clause to their policies. By mutual agreement, they paid for the damages caused by the fires a few days after the earthquake at a rate of 50 %. Some British fire insurers who had no exclusion clause in their policies wished to leave it up to the courts. The public and the courts in Chile did not have the kind of clout as in the U.S., and insurers could easily do without the Chilean market. MR only held a risk of \$100,000 since most Chilean fire insurance policies were not reinsured. Altogether, the seventeen foreign companies involved in claims settlement after the catastrophe of Valparaiso as fire insurers, reinsurers, or retrocessionaires paid less than \$10 million.¹²⁵

MR, Swiss Re, Kölnische Rück, and the Badische Rück- und Mitversicherung, meanwhile, had formed an informal “Earthquake Committee” to work out a standard clause for the exclusion of earthquake-related damages. Thus began a new chapter in the relations between reinsurers and direct insurers. For the first time, the large reinsurance companies worked to establish a norm for the entire insurance industry. This reflected the fact that the market power of the “Big Three” had increased as a result of the consequences of the catastrophe of San Francisco, at least on the European continent. In Germany, the committee managed to have the Reichstag incorporate the exclusion clause it had formulated in the insurance policy law it passed in 1908.¹²⁶ Fire insurance policies concluded within the German Reich now had to contain the standardized earthquake clause.

In Great Britain and the Netherlands, insurers were not able to agree on this sort of a clause. British and American companies drew a different conclusion from the damages of San Francisco: they now offered earthquake insurance, mostly as an add-on to fire insurance, thus establishing a new field of business. Lloyd's was one of the first insurers to offer its customers earthquake-fire insurance coverage.¹²⁷ In California, a law passed in 1909 introduced a permit requirement for earthquake and other exclusion clauses. It probably was not necessary to force companies to obtain licenses to prevent earthquake exclusion clauses there because this sort of stipulation was frowned upon in California after the experiences of 1906. In light of the still fierce competition on the California market, no fire insurer could afford to offer such policies.¹²⁸ American courts forced the insurance company Rhein & Mosel to pay San Francisco claims without regard for its earthquake exclusion clause, whereas German courts deemed it to be in the right not to pay on all counts.¹²⁹

Outside continental Europe, the major reinsurers from Germany and Switzerland did not have so much influence that they could determine the industry standard. Despite the pronounced internationalization of the insurance industry during this period, no world standard emerged. The differences between the Anglo-Saxon and continental European legal positions and business styles proved to be stronger. Not even Japan was later able to introduce an earthquake exclusion clause.

5. Munich Re before the First World War

Employees and Management

The number of employees at MR rose rapidly with the business volume up to the turn of the century. Whereas there were only six employees in 1880, by 1890 the number had increased to 55. Ten years later, MR already had 348 staff members.¹ According to Herzog's figures, there were 485 employees in 1905, 104 of whom worked abroad.² Despite this increase in staff, MR had only male employees. This sort of job at an insurance company was out of the question for women at that time as there was no appropriate training for them. Not until 1913 were the first two women hired as telephone operators: Frau Fiedler and Frau Hirsch.³

One of the peculiarities of the company profile at that time was that it did not hire those just starting out on a career or train its own successors in house but rather accepted applicants who had already worked in the insurance industry. Job experience seemed to have been the decisive criterion, certainly together with recommendations and information from the previous employer. Only later did a completed course of university studies belong to the job requirements. Turnover was very low because hardly any MR employee left the company. Consequently, the staff was older on average than that of other insurers and probably also more experienced.⁴ Among these gentlemen the atmosphere in the offices was apparently rather formal, with later employees even recalling "the strict supervision" as "a draft that went through the whole building."⁵ Yet Thieme was downright lenient with the department heads. His successor Wilhelm Kißkalt, who joined the board of management in 1909, recalled that Thieme, in filling these positions, "obviously did not deliberate for long in his optimism and in his trust in his educational effect, which went so far that he even believed he was able to change people."⁶

The employees identified strongly with the company, probably even more in the early years than later, when the number of employees grew larger. Once one worked for MR, one did not leave because "everybody saw a lifetime post at the Münchener [Munich Re]."⁷ The company paid higher salaries than other



Figure 8 Munich Re employees at their standing desks

insurers, and the work hours – seven hours a day – were much shorter than those in industry. In the summer, work hours were from 8 a.m. to 3 p.m. and in the winter from 9 a.m. to 4 p.m.⁸ As an employee from this period later recalled, however, people often worked voluntarily until 7 p.m. without pay or compensation because they had to answer their mail within three days.⁹

Most Munich residents did not know anything about what a reinsurance company did, but they did know that the positions there were secure, well paid, and came with many benefits, which made them accordingly sought after. The company, of course, did not pay social benefits and the relatively high salaries without some self-interest. Thieme thus hoped to keep competent employees tied to MR. As early as 1890, on the occasion of the company's 10th anniversary, he established a retirement fund. Yet according to later statements, employees had to work in the company for 15 years before they achieved the status of “agents” entitled to a pension.¹⁰ This may also have been a reason that turnover was so low. In 1905 a company health insurance

fund was also added. But MR was known above all for its rather extravagant social benefits, which became the talk of the town because other companies did not have them.¹¹ Thieme himself had arranged that all employees could see a professor of dentistry for treatment at the company's expense.¹² Beginning in 1896, the company provided "agents and employees" with a warm meal and tea daily.¹³ Later, MR gave every employee, in addition, full ski equipment and transport to the Upper Bavarian ski areas. It is apparent from eyewitness interviews that some employees spent the "ski weekends" in bars, far from any slopes. Thieme is said to have put an end to the free rides once he heard that these were also sometimes used for adulterous escapes into the Alps.¹⁴

Table 5 The number of employees at Munich Re's central office 1880–1910¹⁵

Year	1880/July	1885	1890	1895	1900	1905	1910
Number	4	17	55	119	348	400	421

The growing number of employees constantly increased the need for space. Whereas two rooms of office space at Maffeistraße 1 sufficed when the company was founded, it needed to rent ever more rooms in the following years. After the headquarters of the Munich Allianz branch moved in there, offices had to be rented in the neighborhood. Already by July 1895, Thieme suggested to the supervisory board that a larger property on Leopoldstraße in Schwabing be purchased and that the company construct its own administrative building there. However, he was not able to prevail in this.¹⁶

Eight years later, the general assembly (the shareholders' meeting) decided to make 250,000 marks available for establishing a building fund. This is how things stood until 1910, when MR's bank deposits were utilized for payments after the catastrophe of San Francisco and then needed to be built up again. Meanwhile, many employees had to come to terms with small rooms that were inappropriate for office work and were spread across six buildings. The fire control systems, which the company valued very highly in its business as a reinsurer, were anything but modern in its own headquarters.¹⁷

In the fall of 1910, it temporarily appeared as though MR no longer needed a new administrative building in Munich. The Bavarian state parliament had decided to introduce a general income tax and a business tax. The business tax law of 14 August 1910 affected MR especially, because the tax

authorities now wished to tax the portion of profit that was transferred to the catastrophe reserve. After that, Thieme threatened to have the company move out of Munich. He calculated that MR, by moving its headquarters to Hamburg, would save taxes of 400,000 marks, or even 700,000 marks if it moved to Basel.¹⁸ The conflict about MR's future tax burden caused quite a stir in the trade and daily press. The Bavarian state government declared Thieme's figures to be exaggerated, whereupon he allowed the *Münchner Neueste Nachrichten* newspaper to look at his calculations. The result was a resounding slap in the face for the government. The largest daily newspaper of Munich confirmed that Thieme's figures were carefully researched.¹⁹ MR received support not only from the Bavarian business community, which was outraged about the new taxes, but also from the leading trade journals like the *Annalen des gesamten Versicherungswesens*, which Thieme advised to move out of Munich on account of the "new Bavarian tax legislation hostile to capital."²⁰ Meanwhile, MR was also considering a move to Brussels or Strasbourg, and the government of the grand duchy of Saxony-Weimar-Eisenach wished to lure the company to Weimar with favorable conditions.²¹

In fact, this was not a tactical threat such as companies often employ against city administrations and state governments. Thieme meant it seriously, and he seemed ready to consider the name change this would require of Munich Re, which had meanwhile become a highly valuable trademark introduced worldwide. But Thieme's threat and the outcry in the press had an effect. The Bavarian state ministry and the city of Munich agreed upon a compromise with MR in December 1910, about which those involved maintained silence. All that is certain is that the profit allocations to the catastrophe reserve remained tax-free.²² The magistrate and the municipal board of Munich are assumed to have declared their willingness "to make a construction site for a large administrative building at cost available" to MR should the company decide to remain in Munich.²³

Whether such an offer actually existed cannot be determined from the surviving files. In any case, MR had a construction site in mind a few months later that it was able to purchase from its owner Frau Therese Schmederer, for 900,000 marks. At the supervisory board meeting of 20 February 1911, it was reported that this property was in Schwabing between the Königin, Gedon, Kaulbach, and Martius Streets.²⁴ The supervisory board did not yet wish to determine what would be built on the property but agreed to the purchase because, meanwhile, it turned out that some of the offices on Maffeistraße could not be kept much longer. The owner of the building next to MR,



Figure 9 Administrative building of Munich Re at Königinstraße 107, the current main building, in a photograph from 2011

Maffeistraße 3, into which the transit insurance department had been moved, sold this building in the spring of 1911 to the Bayerische Handelsbank. Since MR's lease ended on 1 April 1913, the time frame for the construction project was set. MR had to move into the new administrative building before then.

After MR had acquired the property on Königinstraße in June 1911, it was officially decided that an administration building would be built there. The company advertised an architectural competition, which brought in 156 designs. The prize jury, which Finck and Thieme joined as judges, met in September. They had difficulty selecting a winner and finally decided on the design “Säulenhof” [courtyard of columns] by Munich architects Eduard Oswald Bieber and Wilhelm Hollweck.²⁵ All that was left to determine was whether the main entrance should face Kaulbachstraße or Königinstraße. Thieme may have advocated Bieber and Hollweck's design because Bieber had recently worked as an employee of architect Georg Meister on the construction of the new administrative building for Thuringia's general agency at Widenmayerstraße 16.

The construction costs of 2 million marks could largely be covered by the construction account that by then was well filled. The costs stayed within the intended framework just as the timeline did. On 28 June 1912, the topping-out celebration marked the completion of the building's structural shell. On 20 March 1913 the building was handed over, ready for use – ten days before MR had to give up the offices at Maffeistraße 3.



Figure 10 Construction of the present main building (1912/13)

The administrative building at Königinstraße 107, presently MR's main building, combined Neoclassical and Art Nouveau styles. The protruding courtyard of columns was borrowed from Renaissance architecture and gave the entry area a prestigious, palace-like feeling. The internal architecture was inspired by Art Nouveau. At Bieber's suggestion, the painter Fritz Erler was commissioned to decorate the meeting hall with frescoes. Reinhold Max Eichler, like Erler a member of the artists' group "Die Scholle" [Home Turf], designed the wall fresco "Kampf der Elemente" [Battle of the Elements] for the stairwell in the entrance area – a sort of allegory of the reinsurance business.²⁶

The *International Review of Commerce and Industry* published in London ran a description of the building by Max Rittenberger a year after its completion: "The fundamental note of the building is dignity and reserve. It is not pretentiously beautiful, it is not like a palace, it is not built on the model of a public museum. And yet it makes a greater impression in its simplicity than many a palace."²⁷ Rittenberger also pointed out that MR did not deal with the public at large and that the building had been built in a high-brow residential district rather than the city center. Indeed, the architecture and the location said a lot about the company's self-concept. "Dignity and reserve" – that was just exactly the image that MR wished to convey of itself at that time. The company now had its headquarters at a refined distance from the lively business center of the big city and was no longer housed, as before, on Maffeistraße between service providers with lots of public traffic. MR received almost only business partners, who were to be impressed and driven up to the building like

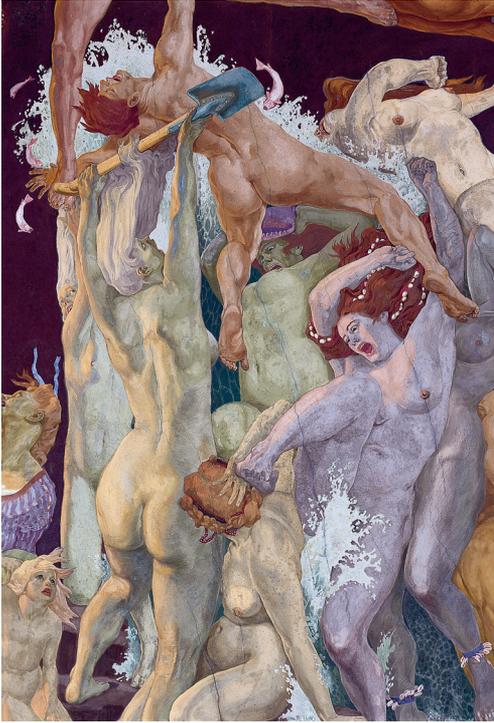


Figure 11 Wall fresco “Battle of the Elements” by Reinhold Max Eichler (1912/13)

guests of state. The large gardens were fenced in so that even the wealthy citizens in the neighborhood could not see into them. The idea was to be set apart, involved in “an operation that played out beyond the daily noise and public,” as the chronicle for the 50th anniversary of the company put it.²⁸

When the company moved into the administrative building on Königinstraße, Carl Thieme was almost 69 years old. He had long since withdrawn from Allianz’s board of management and his position on MR’s board of management was not as uncontroversial as it had been in the first decades. Wilhelm Kißkalt writes in his memoirs that the supervisory board was “actually quite devastated by the consequences of the San Francisco catastrophe.”²⁹ Not only the size of the payments was to blame for this but rather the realization that Thieme had acquired retrocessions from Helvetia on his own that put the company in a difficult position. Wilhelm von Finck and Hermann von Pemsel – both of them had meanwhile been raised to the peerage – felt that Carl Thieme exercised more power than the articles of incorporation gave to a member of the board of management.³⁰

A constant point of conflict between Thieme and the supervisory board

was the stock investments in other insurance companies. The articles of incorporation drawn up by Finck and Pemsel upon the founding of the company did not allow these kinds of investments. In 1895 the stock investment prohibition was struck from the statute because it had proven to be a hurdle to business development. Thieme got increasingly involved in stock investments with direct insurers in order to tie them to MR and thus to raise premium revenues. The supervisory board, on the other hand, remained distrustful, as a letter from supervisory board member Johannes Kaempf in January 1909 to Pemsel proves: "The problem with freeing the Münchener Rückversicherungs-Gesellschaft from its investments will occupy us from time to time."³¹ A few months later the supervisory board decided that Thieme would have to present every potential capital investment to it for approval.³² Thieme was retroactively asked to obtain approval for all stock investments from 1899 to 1907 – an unusual demand, that a self-confident member of the board of management would have perceived as humiliating and which, no doubt, was so intended. When Thieme presented the contracts at the supervisory board meeting of 20 May 1909, six stock investments were retroactively approved.³³ At its next meeting, it came to light that the supervisory board had not been informed of some investments, including the block of shares acquired from the Europäische Güter- und Reisegepäck-Versicherungs AG, Budapest [European Luggage Assurance Company Ltd.] in 1907. Thieme asserted that he had accidentally omitted the investments, but that was difficult to prove. The supervisory board was now determined to rein him in.³⁴ After all, as the controlling body, it had the task of setting the guidelines for business policy in accordance with the articles of incorporation and the final say in the use of the profits obtained.³⁵ Hermann von Pemsel wrote to his son Wilhelm in June 1909: "For years we have regarded Thieme's omnipotence as strange and, in any case, as an unusual circumstance."³⁶

This impression was strengthened by the fact that Thieme had made a protégé of his son Friedrich (Fritz), who had joined MR in 1891 and by then had already gained power of attorney. The younger Thieme was not nearly as talented as his father, but, after all, he was a son of a member of the board of management, his father helped him advance, and he was clearly working to develop a sort of private cabinet. Finck and Pemsel had to be afraid that Carl Thieme was working toward making his son his successor. Nonetheless, Thieme was already at retirement age, and there was as yet no successor in sight. Thus, the conflict in the spring of 1909 was not just about the shares in the Europäische Güter- und Reisegepäck-Versicherung. Pemsel was enraged

by the younger Thieme's actions. In his letters, he fulminated against the "protectionist conspiracy"³⁷ and the "Marmeladenwirtschaft" [back-scratching business dealings] of Fritz Thieme."³⁸

According to Pemsel, the supervisory board was even determined to replace Carl Thieme with Carl Schreiner on account of these events in May 1909. But Schreiner had declined the offer, in part because his daughter Hertha had married Thieme's son Walter in the meantime.³⁹ Parting ways with the prominent and successful board of management member, of course, would not have fitted the image that MR wished to portray to the outside world and would have caused an uproar in the entire insurance industry. As there was no suitable candidate to succeed Thieme besides Schreiner, the supervisory board decided to appoint someone to watch over him to the board of management – someone who would act in accordance with Finck's and Pemsel's wishes. Pemsel described the profile of the ideal candidate in a letter to his son Wilhelm on 22 June: "We are looking for a person who is not dependent on Thieme and owes him nothing, who will not tolerate keeping any secrets from the supervisory board, who, to a certain extent, represents the formal conscience of the board of management. Herr Finck was correctly of the opinion that this could only be a lawyer."⁴⁰ With this, Pemsel had secured a decisive influence on the selection for himself and then suggested a lawyer from his law firm, Wilhelm Kißkalt. Although Kißkalt had no experience in the insurance business, he had long been in charge of insurance questions within Pemsel's firm. As a legal representative of MR, he had become familiar with the material and, as a lawyer for Rhein & Mosel-Versicherung, had won a widely acclaimed case concerning the company's actions in adjusting claims from San Francisco. In the insurance industry, he had become known from an article in a trade journal about the implementation of Californian judgments in Germany.⁴¹ What most justified Kißkalt as a candidate for the MR board of management was, from the supervisory board's point of view, that it could expect unrestricted loyalty from him. After all, he owed his rise to Pemsel alone.

On 1 October 1909 Kißkalt was appointed deputy member of the board of management and took over the casualty and liability segments. Thieme, of course, was not particularly happy about the supervisory board appointing a 36-year-old lawyer who had never worked in the insurance industry to keep an eye on him. When Kißkalt wrote in his memoirs that his relationship with Thieme was "not very easy in the beginning," this was probably an understatement.⁴² According to Kißkalt, the tension let up when, in one case concerning the acquisition of stock in Neptun-Versicherung, he sort of

changed places with Thieme. At MR, one learned from the newspaper at that time that Neptun-Versicherung, a corporate client of Frankfurter Allgemeine Versicherungs-AG (FAVAG), was being taken over. By means of courageous intervention and without the approval of the supervisory board, Kißkalt managed to acquire a blocking minority at Neptun from a bank. This enabled MR to continue to pursue its interests with this company. In so doing, Kißkalt violated the supervisory board directive he had been appointed to the board of management to uphold. But Thieme was impressed and the supervisory board had retroactively to approve the transaction.⁴³

In 1913 the MR board of management was expanded from four to eight members. Those who had already been members, moreover, were all promoted. Carl Thieme now formally acquired the rank of a chair of the board of management and could call himself the senior executive manager, although, since the conflict of 1909, he no longer had as much power as in the first decades. Wilhelm Kißkalt, Paul von der Nahmer and Paul Szelinski moved up from deputy to ordinary members of the board of management. Carl Schreiner and Conrad Müller were newly appointed as ordinary members; Rudolf Schmidt and Fritz Thieme joined as deputy members.⁴⁴ Fritz Thieme's appointment may not have come about solely as a favor from his father. He had been a member of the board of management for a long time and had sensitive tasks assigned to him such as the claims adjustment after the great fire of Bergen in 1916.⁴⁵ But the supervisory board never considered making him his father's successor.

As before, Carl Thieme did not even think about retiring. Even in his 70th year he traveled about 200 days a year, mostly by train.⁴⁶ By then, he had attained a prominence far beyond the insurance industry, increasingly presenting himself as a grandseigneur, stopping over in grand hotels and putting on a personal reception for the king of Saxony, for example.⁴⁷ For his 70th birthday on 14 March 1914, he was granted the highest order that the Bavarian king could bestow on Bavarians who were not nobles or foreign citizens. Thieme received the Cross of Knighthood in the Order of Merit of the Bavarian Crown with which nobles were associated.⁴⁸ Carl Thieme became Carl von Thieme. Measured against his achievements as senior executive manager, his ennoblement came quite late. Deputy supervisory board chairman Hermann von Pemsel had received the Cross of Knighthood and a noble title as early as 1903. Wilhelm von Finck had been knighted in 1905, and six years later he had been appointed for life to the Imperial Bavarian Council, a distinction that made him a member in the First Chamber of the Bavarian state parliament.



Figure 12 The Thieme family (around 1891/92)

In the spring of 1885, Thieme married a second time. His first wife Marie had died about two years previously after giving birth to their seventh child, who had also died. At that time, he was still a general agent at Thuringia and lived in the building where the general agency was also located, at Glückstraße 1. After marrying Else von Witzleben, the daughter of an imperial head forester and seventeen years younger than he,⁴⁹ Thieme acquired a duplex at Georgenstraße 7, at that time a relatively undeveloped thoroughfare in Munich's district of Maxvorstadt.⁵⁰ He had it transformed into an urban villa and lavishly furnished.⁵¹ Carl and Elsa Thieme's marriage produced four children: three girls and one boy. Carl Thieme now had eleven children, of whom the youngest was born in 1890. From 1898, the family spent the summer holidays at Schloss Weißenstein near Matrei in East Tirol, which the family has now officially owned since 1921.⁵²

Carl von Thieme did not establish a dynasty of senior executive managers, but his son Fritz worked for a total of 37 years at MR and was a member of the board of management from 1913 to 1928.⁵³ His son Carl was a deputy member of the body in 1919/20, later shifting to the board of management of the Europäische Güter- und Reisegepäck-Versicherung, where he remained until 1935.⁵⁴ Oskar Thieme, the oldest son, born out of wedlock, became a co-

owner of an insurance agency in the U.S. and later a member of the board of management of the Hafag insurance brokerage in Berlin.⁵⁵

Business Development, Capital Investments, and New Insurance Segments

MR's premium revenues increased to a previously unimaginable dimension in the decades before World War I. For fiscal year 1913/14 they were about twenty times as high as in 1890/91 (see Table 6). Profits also reached a new height. Dividends of up to 40 % were distributed to the shareholders.⁵⁶ The tremendous growth of the U.S. business and the dynamic development of Allianz contributed decisively to this. After MR had become by far the largest reinsurance company in the world, however, growth became self-generating to a certain extent. As the industry leader, MR could offer the most secure backing, particularly since the financial component of the risks to be insured grew ever larger. Of course, MR also benefited from the strong growth in the entire insurance segment. As industry expanded, the demand for fire, transportation, casualty and life insurance increased in Europe and North America. For fiscal year 1913/14, the gross premium revenues amounted to about 204 million marks – a value that later would long serve as a point of reference.⁵⁷

Table 6 Business development of Munich Re 1890/91–1913/14 in marks⁵⁸

	Premium revenues	Premium and claims reserve	Net profit	Share capital
1890/91	11,102,574	3,780,329	166,031	4,800,000
1895/96	34,874,323	12,636,526	1,169,121	10,000,000
1900/01	96,309,231	50,239,606	1,847,286	20,000,000
1906/07	159,638,845	103,721,409	3,076,436	20,000,000
1910/11	176,320,852	149,994,230	5,468,680	30,000,000
1913/14	204,454,297	196,250,773	3,328,998	30,000,000

According to Kluge's calculations, about 10 % of MR's premium revenues in the time before World War I and about 38 % of its profit stemmed from business with Allianz. Allianz, for its part, was primarily successful in the transit insurance segment and became the largest German property insurer in this period.⁵⁹ To determine Allianz's importance for MR's business devel-

opment before 1914, though, one needs to differentiate between the time periods. The above-mentioned numbers derived mostly from the figures for 1906 to 1914. For the years 1890 to 1905, the portion of MR's rise in premiums attributable to Allianz was considerably smaller, at around 7 %, and for 1890 to 1899 only 3 %.⁶⁰ Allianz's transfers to MR were thus an important factor for MR's strong growth in the decade before 1914 but not for its rise to world market leader, which had already occurred before 1905. For this, the business development of the Foreign Department in the 1890s was decisive. MR's business in the U.S., Canada, and Great Britain before World War I accounted for 26.6 % of premium revenues according to the figures published by Kluge.⁶¹ Meuschel indicates that the Foreign Department's proportion of premium revenues for 1913 was 19.6 %.⁶²

Thieme's investment strategy was another important factor for the success of the business. By the end of 1913, MR had invested in no fewer than 41 other insurance companies.⁶³ Among these, the American subsidiary First Re and Allianz were the top ranked. MR had invested in Allianz in 1905 after Thieme had left its board of management, but MR did not raise its share of capital stock to 25 % until 1921.⁶⁴ It was more of an exception for MR to acquire majority shareholdings or even nearly 100 % ownership, like it did with First Re. In most cases, it was satisfied with exerting influence by means of blocking minorities. In this way, its capital investments could be spread out more. MR continued to be purely a reinsurance company, but it had strong interests in direct insurance too on account of numerous investments, above all in the transportation and casualty insurance segments, which it henceforth shaped as one of the largest shareholders.

Insurers with whom MR had a particularly close connection either because of large capital investments or – in the case of Allianz – having the same people on the boards of management and the supervisory boards, were characterized as “group companies.”⁶⁵ These included, in addition to Allianz, Providentia in Vienna, Schweizerische National-Versicherungs-Gesellschaft (Schweizer National) in Basel, and the Viennese Lebensversicherungs-Gesellschaft Phönix (a.k.a. Lebens-Phönix). MR owned 20 % of Providentia's capital stock; its share of Schweizer National, formerly known as Schweizerischer Lloyd, rose from 38.75 % in 1904 to 50.7 %.⁶⁶ Lebens-Phönix had emerged from the life insurance portfolios of Österreichischer Phönix. MR had taken over 25 % of its capital stock, raising it to 50 % by 1912 before reducing it again thereafter, however.⁶⁷

MR also took over capital shares of numerous smaller companies, like

Arminia Lebens-, Aussteuer- und Militärdienst-Versicherungs Aktiengesellschaft in Munich [Arminia Life, Endowment and Military Service Insurance Stock Corporation], the Baltische Versicherungs-Aktien-Bank in Rostock, and the insurers Globus in Hamburg and Urania in Dresden. The companies MR had invested in were particularly important to its foreign business. For example, MR in 1913 had invested in five Russian, four French, and eight Austrian-Hungarian insurers.⁶⁸

MR often invested in direct insurance companies when these needed new capital. Thieme was famous in the industry for taking part in restructurings by means of buying up blocks of stock, as he did, for example, with *Compagnie Générale d'Assurances contre les Accidents* in Paris.⁶⁹ Although people at this company would have been grateful to him, he did not engage in such investments without wanting something in return; rather, they were clearly calculated. An insurance company that MR had invested in was sure to become one of its ceding companies. Larger capital investments were usually accompanied by a voting position on the supervisory board, which, in turn, gave MR access to internal information on the status of these companies. Between 1904 and 1915, Thieme joined the supervisory or administrative boards of seventeen insurers, including eight foreign companies. In Vienna alone, he held three supervisory board positions.⁷⁰

Whereas MR managed to secure a great deal of influence among direct property insurers in this manner, it had trouble at first in the insurance of persons, or personal insurance. To be sure, the supervisory board had already granted Thieme permission to invest in a life insurance company in 1897, the *Deutsche Lebens- und Pensions-Versicherungs AG Anker*. Other investments were made in the life and health insurance companies *Arminia*, *Urania Versicherung*, and *Prudentia*. Nevertheless, MR did not succeed in forming a powerful group of companies in the rapidly growing life insurance segment. In 1911 *Arminia* took over *Urania*, and then eight years later, it also took over *Prudentia* and *Anker*. At the end of 1922, *Arminia* disappeared from the market, merging with *Allianz* and being used as a cover for the *Allianz Life Insurance Bank*.⁷¹ MR was more successful in its investment in the large Viennese life insurance company *Phönix*. All in all, its volume of premiums in life insurance sharply increased, also due to the enterprising director of the life insurance segment, Rudolf Schmidt. In 1913/14 life insurance was already MR's third largest business segment.⁷²

MR was influential in the decades before World War I in introducing new insurance segments. The insurance industry had become so densely populated

that many companies tried to develop entirely new fields of business. The industry responded to technological changes and innovations with new products. MR was involved in this because the direct insurers often only wished to put such new policies on the market if they could reinsure them. For example, in 1898 MR developed machine insurance. Fritz Böhrer is regarded as the “father” of this segment – he had joined the company as head engineer that same year.⁷³ At the turn of the century, Allianz was able to offer the first “casualty insurance for machines,” although only in Bavaria at first. MR bore the entire risk as it had reinsured these policies at 100 %. Four years later, a “pool” MR formed, comprising Allianz, Stuttgarter Mit- und Rückversicherung and Kölnische Unfallversicherung, was granted permission to sell machine insurance throughout the German Reich.⁷⁴ In actuality, such “pools” amounted to a cartel, which was standard practice in the German economy at that time.

There were long discussions about the introduction of insurance against natural disasters. Most German insurers held the view that storms and floods involved incalculable and therefore uninsurable dangers. Nonetheless, as early as 1899, Kölnische Unfallversicherung offered storm insurance for the first time. MR took on 50 % of the risk. Four years later, it founded a flood insurance association, presented as a pool, together with Allianz, Providentia, and Schweizer National.⁷⁵ Another innovation was burglary insurance, which Fides Versicherung introduced in Germany in 1895. MR invested in this company a short time later.⁷⁶

When the timber merchant Max Engel von Cserkut founded the Europäische Güter- und Reisegepäck-Versicherungs AG (hereafter just Europäische), MR at first acquired a sixth of its capital shares. The Europäische, which had a branch in Berlin, for the first time made it possible for travelers to insure their luggage at the counter on short notice and in its entirety without – as in transit insurance – requiring precise information about the contents.⁷⁷ Later MR board of management member Walther Meuschel wrote in his memoirs that Engel of Cserkut had first approached the insurance companies of Foncière, Generali and Riunione but in vain. Then he was referred to Thieme, “who was known as a daring insurer” and found the idea “stirring.”⁷⁸ In the first few years, the Europäische generated little but losses, yet MR and Generali declared their willingness to make their extra capital available. After capital increase in 1912, each owned 45 % of the Europäische’s capital shares.⁷⁹

Another new business segment was automobile liability insurance, which the Allgemeiner Deutscher Versicherungsverein in Stuttgart intro-

duced to Germany in 1899. Two years later, Agrippina Versicherung offered vehicle casualty insurance, which corresponded to the later comprehensive automobile coverage, for the first time.⁸⁰ At this time, the automobile was still a luxury item in Germany, a hobby of the rich that generated buzz through popular auto races.⁸¹ As the number of vehicles used for business rose, an insurance association emerged in this area as well; the same premiums and conditions pertained to its members. MR acquired a relatively small stake in this association. Herzog reports that the company at that time had not had any good experiences with motor insurance, which often included the risk of auto racing.⁸²

Table 7 Shares in various insurance segments of the total gross premium of Munich Re 1913/14⁸³

Fire	Transportation	Life	Casualty	Liability	Hail	Burglary	Machine	Other
49.5 %	22.3 %	11.9 %	5.1 %	4.3 %	2.7 %	1.9 %	0.7 %	1.6 %

At first, only a small portion of the premium revenues derived from the new insurance segments. As before, fire insurance dominated, accounting for 50 % of the revenues, exceeding transit insurance, in which MR was profiting above all from Allianz's great successes. By contrast, MR had the greatest market share among the German reinsurance companies of life and casualty reinsurance policies. In fiscal year 1913/14, MR took in 39 % of the fire premiums, a third of the transportation premiums, and 72 % of the life and casualty premiums of all 38 German reinsurance companies.⁸⁴

After decades of attempts, the law for supervising private insurance companies of 12 May 1901 [Versicherungsaufsichtsgesetz, VAG] created a Kaiserliches Aufsichtsamt [Imperial Supervisory Office]. It required insurance companies to present annual financial statements and encouraged them to standardize their conditions. The supervisory office, among other things, dictated that life insurance and property insurance should be strictly separated.⁸⁵ The law expressly excluded pure reinsurance companies and transportation insurers from state supervision. The inclusion of this regulation had been debated for a long time. The prevailing argument in discussions for drafting the law in the Reichstag in the end was that the majority of reinsurance benefits were paid to foreign insurers and that supervising German reinsurers would put them at a disadvantage compared to their foreign com-

petitors. It was even feared that some companies might relocate abroad.⁸⁶ Seven years after the VAG was passed, however, this obligation to be monitored was extended to reinsurers after all, perhaps as a consequence of legal battles concerning the claims settlement for San Francisco. A directive of the Federal Council placed all companies under state supervision that operated as reinsurers in the insurance segments required to be monitored by law. This included all direct insurance segments with the exception of transportation and exchange-loss insurance.⁸⁷ Rapidly, fears were voiced that German reinsurers would now receive fewer retrocessions from foreign insurers to prevent the Imperial Supervisory Office from looking into their business.⁸⁸ As the further business development of MR demonstrates, this was obviously not the case.

6. The First World War and the Restructuring of the World Market

Like the entire insurance industry, MR, in the summer of 1914, was not prepared for a long-lasting war between the major powers. Whether in the short term or long term, a war was expected. There were so many indicators of this that life insurers had already set aside large reserves in case of war. Yet MR, like the military forces and the population in the warring states, assumed that this war would not last long.

In the first months of the war, MR officials were quite optimistic. Although the company brought in 70 % of its premium revenues from abroad and had close ties with insurance companies in France, Great Britain, and especially Russia, the start of the war was by no means regarded as a catastrophe for its business. MR was able to support this assessment with sheer numbers, as well. Its financial report for fiscal year 1913/14, presented at the end of December 1914, stated that business operations had proceeded “not unfavorably.” The loss ratio in transit insurance had risen, but it had fallen in the casualty and liability sectors – a reflection of a year in which a large portion of the male population was called into service and ordered to go to the front. The reserves amassed in the previous decades put the board of management in a position to “face a development unfavorable beyond all expectation with calm and confidence.”¹ MR was able to appear quite unperturbed because, at first, not too many of its employees were drafted into the military.² Most of them were too old for that – an unintended but very welcome side effect of the company’s hiring practices described above. As the war continued, temporary employees were hired; it is no longer possible to determine their precise number.³ The board of management and the supervisory board were aware of what was expected on the home front from a company of its size. During the war, MR not only purchased about 30 million marks’ worth of German and Austro-Hungarian war bonds.⁴ It also set up a military hospital with 90 beds at the back of its administration building on Königinstraße at its own expense and maintained it until the end of the war. The wife of the senior executive manager, Else von Thieme, took over its administration.⁵

International connections in the insurance industry were very predominant. Thus, the start of the war led to interruptions in payments among almost all insurance companies in the warring states because the business partners found themselves on opposite sides of the front. Among insurers, there was a consensus beyond the national borders about how one was to deal with this. They viewed wars as a state matter and not as an insurance matter, so they wished to adhere to existing policies and set aside payments that were due to settle up with one another after the war ended. Carl Thieme had become familiar with this unwritten rule in the industry as a young Thuringia agent during the Franco-Prussian War of 1870/71, as he told Allianz on 7 August 1914: "In the war of 1870/71, the existing policies were maintained without exception." Even the insurance companies in Paris that were cut off from the outside world for four months during the German occupation had "processed everything afterward."⁶ Thus, this was how things were to be handled after the beginning of World War I as well. German insurers received similar notices from German contractual partners. They intended to discontinue business but maintain the business connection.⁷ A particularly impressive example of this attitude comes from the correspondence at that time between Nippon Fire and MR. In August 1914, a few days before Japan declared war on Germany, Nippon Fire wrote to Munich: "... we will conduct our reinsurance business as we are accustomed to, no matter what may happen to the two governments."⁸ MR answered a few weeks later in the same vein. Both companies agreed to reserve the payments due as stipulated in the contracts, to pay interest on those sums at an annual rate of 4 %, and to settle up after the war.⁹

MR officials quickly realized that this war had a different effect on their company's transactions than they had expected. The governments of the warring states saw the war as an economic war, too, which was new in this form. After all, it was the first war among countries with highly industrialized domestic economies. Almost all the warring countries passed laws prohibiting trade with the enemy states. Insurers, too, whether they liked it or not, were considered to be parts of their respective states and were to regard their business friends on the other side of the front as enemies. The trade prohibition was made more precise by means of blacklists that named not only companies of enemy states but also their subsidiaries and business partners in neutral countries. Already at the start of the war, the British government prohibited any trade with the Central Powers (the Trading with the Enemy Act), seized German property in the United Kingdom and banned

concluding insurance policies with the enemy by decree on 9 September 1914. All contracts with German companies were canceled. MR's Foreign Department in London was not officially closed by British agencies, but it had to cease operations. France followed suit and declared all contracts with German and Austro-Hungarian insurers invalid. With the so-called Retaliation Law of 30 September 1914, the Federal Council in Berlin then prohibited all payments into enemy states. Russia, by contrast, did not issue a general ban on trade with the enemy until 1916.¹⁰

MR's premium revenues collapsed for fiscal year 1914/15, particularly because of the loss of payments from France and Great Britain. After these had risen every year since the company's founding, they now dropped from 204 million marks (1913/14) to 177 million marks (1914/15). As the war continued, the premium revenues rose again. For fiscal year 1917/18, they were already at 259 million marks, although the lowered exchange rate of the mark may have played as much a role in this as did the ever more noticeable loss of the currency's value due to war financing.¹¹ MR's largest foreign market, Austria-Hungary, was preserved. Before the war, about 50 % of premium revenues came from Germany and Austria-Hungary.¹² If one also counts the neutral countries where business continued, then, up until the United States entered the war, most of the premium revenues of 1913/14 were not affected by the enemy state legislation. The number of ceding companies collapsed once again when MR had to cease operations in the U.S. in 1917. About 40 % of the premium volume of 1914 may have come from enemy states.¹³

MR attempted to maintain contact with its ceding companies in the countries where no more payments could be made at least by mail via business partners and associated companies in Switzerland and Sweden. The Eidgenössische Versicherung in Zurich [Swiss Federal Insurance Company], Schweizer National and also an authorized MR representative in Stockholm functioned as cover addresses.¹⁴ MR was able to transfer a portion of its policies with Russian insurers to the reinsurance company Atlas (Återförsäkrings-Aktiebolaget Atlas) in Stockholm, of which it owned about 50 % of its equity shares.¹⁵ MR also transferred Russian policies to its most important associated company in Switzerland, the Schweizer National, which then shared a portion of these risks with MR again by means of retrocessions.¹⁶ In all cases, the companies had no doubt agreed to transfer the policies back after the war ended.

With their international network, insurance companies almost always found a way to get around the enemy state laws, but they thus found them-

selves on thin ice. Even if only indirect payments in enemy states were revealed, they were pilloried. As a result, extreme secrecy was maintained concerning these contacts, cover addresses and code names were used, and most of these procedures will probably never come to light. Reinsurers, merely on account of the retrocessions they acquired from neutral countries, could hardly keep from constantly colliding with the enemy state legislation. Herzog cites the example of a French insurer who had reinsured with a Swiss insurer, which, in turn, transferred a portion of the business to a German reinsurer by retrocession. In the view of German jurists and also the Reich Supervisory Office [Reichsaufsichtsamt], the German reinsurer was violating the Retaliation Law when it made the payments stipulated in the retrocession agreement to the Swiss company because these monies indirectly went to the French direct insurer.¹⁷ In the German press, MR was accused, for example, of having paid for damages by retrocession that had been caused by a German air strike on Paris.¹⁸ The company was able to deny this credibly, but the fact that it was entirely possible for such a case to arise quickly cast suspicion on reinsurers.

Occasionally, German insurers had to pay for damages that the German military had caused. After several Dutch ships were sunk by German submarines in the English Channel in February 1917, the damages amounting to 15 to 20 million guilders largely had to be settled by German insurance companies.¹⁹ In terms of insurance law, this case did not pertain to war damage because the Netherlands was not a warring nation and the German government had explicitly guaranteed Dutch neutrality. Moreover, the payments were in Germany's political interest. The Reich government apologized for sinking the ships at The Hague and promised compensation for the damages in order to keep the Netherlands from entering the war on the side of the Entente.²⁰ A prominent insurance case was the claims settlement after the sinking of the British passenger ship, the *Lusitania*, by a German submarine in May 1915 – an event that cost about 1,200 people their lives. This catastrophe turned the public in the U.S., which was still neutral at that time, against Germany, particularly since there were American citizens among the victims. The *Lusitania* was insured with the London & Liverpool War Risk Insurance Association and reinsured at a rate of 80 % with the British government.²¹ The fact that MR also contributed the equivalent of about 680,000 marks to the settlement is not widely known. For life and casualty insurance policies for the passengers, American companies had to pay about \$6 million; some of these policies had been reinsured with MR's US branch.²²

The French and British press accused German reinsurers and especially MR of spying. These companies, it was alleged, intentionally gave the German military information about factories, warehouses, and warships of the enemy. The Parisian newspaper *Le Matin* called German reinsurers a “national danger,” alleging that they let the German military know where all that was necessary could be found upon marching into northern France.²³ The British press maintained that MR’s London office had done the groundwork for the Reich government, showing German zeppelins the way for attacks on England.²⁴ Of course, MR denied these suspicions and pointed out that the invoices direct insurers provided about the transferred policies only contained information about insurance sums and premiums. But denials counted for little coming from an enemy country.

Within the insurance industry, it had already long been agreed that the war risk could not be covered by private fire, transportation, and casualty insurers. The warring nations would have to bear it. In the general terms and conditions, war damages were excluded from insurance coverage as incalculable risks. MR’s excesses from the business in Germany, Austria-Hungary and the neutral countries thus remained rather constant, even during the First World War. In January 1916, nevertheless, there was a major loss not impacted by the war when the Norwegian city of Bergen was heavily damaged by a fire. Mainly Swedish insurers paid the losses of almost 35 million kronor.²⁵ MR, as the leading reinsurer in Norway, contributed 3.5 million kronor (5.25 million marks) toward covering the losses. As it had after the San Francisco earthquake, MR was one of the first insurers to make payments. Since these had to be made in foreign currency, MR used its deposits in the U.S. to make them.²⁶

In the life insurance segment, many companies had taken on liability for war risk. According to statements by Arps, the Gothaer Lebensversicherungsbank was the first German insurer to decide to cover war risk in its policies; this patriotic gesture occurred in 1888 in light of the impending Franco-Prussian War. Other life insurers had to follow suit. When hundreds of thousands of enthusiastic war volunteers went to the front in August 1914, only a few companies wished to retain exclusion clauses. But the conditions for insuring war risk were very different. Some of the life insurers, including the public ones, covered this risk for all the insured without a surcharge; others were only willing to insure this in return for an extra premium contribution, and still others only required a surcharge of professional soldiers but not of civilians, draftees, or reservists.²⁷ A special war risk insurance

policy was introduced only during the First World War. Many insurers had obviously only reinsured a portion of the war risk. Nonetheless, MR had prepared itself to cover war damages by building up a reserve of 1.8 million marks.²⁸

Although there were three million fatalities from the First World War in Germany alone, including almost one million civilians, life insurers remained solvent. MR's financial results as a reinsurer of life insurance policies fail to reveal the horror of this war. This might be due to the large war reserves that life insurers, similar to MR, had built up. When a concerned query came in to MR from the U.S., after the war started about whether the company could manage the payments to be expected for life reinsurance policies, the manager of the life department, Rudolf Schmidt, answered that MR would not be shaken by life insurance policies even if the war lasted for a longer period.²⁹ Schmidt turned out to be right. MR was even able to build up its war premium reserve during the war with the surcharges it had introduced.³⁰ This cannot be explained by the life insurers' reserves alone. It is likely that most of the fallen soldiers did not have life insurance. In addition, the insured sums were not all that high, and the "claims" were spread out, unlike for a major fire, over four years.

Meanwhile, the warring countries had established new, state insurance companies that provided insurance for war risk or acted as replacements for foreign insurers in the case of insurance policies with enemy states. The two companies that emerged in Germany were the Vereinigung für ausländisches Feuerversicherungs-Geschäft [Association for Foreign Fire Insurance Business] and the Deutsche Seeversicherungsgesellschaft [German Maritime Insurance Company] of 1914, which also insured ships sailing under neutral flags.³¹ The British, French and Italian governments, in turn, agreed that their states would reinsure Norwegian steamships that had been chartered by the British Navy.³² During the war, new insurance segments also emerged that were designed for military needs and for financing armaments, such as Airplane Damage Insurance and War Bond Insurance.³³ Naturally, they did not become very significant and did not last beyond the end of the war.

As the war went on, the business relations between insurance companies in enemy states became more and more difficult to maintain. The authorities in the respective countries now pushed for these relations to be ended, and the insurers had long since grown unsure about how long the war would last or what the situation would be like afterwards. In May 1918 a dispatch arrived at MR from Tokyo that had come to Munich via the Swiss reinsurer

Atlas. In it, Nippon Fire wrote: "Agency rejected petition for permission – The conditions force us to suspend the contract beginning today."³⁴

The year 1917 became a decisive, jet-black time for MR. On 6 April the United States declared war on Germany after German submarines had once again sunk American cargo ships. Almost all German firms then had to cease their U.S. operations, and their assets in the United States were seized. Because of their large market share, German insurers were treated differently at first with a special regulation. Particularly in the heavily populated states on the East Coast, the authorities feared that the insurance protection granted by German companies could not be taken over by other insurers. According to estimates, more than two million Americans had insurance with German companies, and these companies employed over 8,000 agents, largely of American nationality. Although German insurers were not allowed to engage in marine cargo insurance, they were still allowed to do fire insurance.³⁵ MR subsidiary First Re, too, was at first able to continue its operations after the U.S. entered the war, until the exceptional regulation for German insurers was rescinded in November 1917 and their assets in the United States were placed under enemy asset management.³⁶ What Thieme had wished to avoid at all costs after the San Francisco earthquake had now come to pass: MR had to do without America.

At almost the same time, the October Revolution in Russia caused a formerly significant MR market to be lost to it for a long time. Some of the Russian policies had been transferred to insurers in neutral countries, but this did not help much because no more payments from Russia were made. Russian insurance companies were expropriated in their home country. Many of them moved their headquarters abroad, primarily to Scandinavia, and tried to establish themselves in the market there. Russian reinsurers had developed well in the years before 1914. They now had a strong presence on the U.S. market and were among the leading reinsurers in the world after the German and Austro-Hungarian ones. Thus, MR lost the Russian market after the revolution there, which had generated about 10 % of its premium revenues before the war. Besides, it had added competition from the companies driven out of Russia in its remaining markets.

With the American entry into the war, MR essentially lost the world market that it had conquered in 1890. Although it still held the leading position in the reinsurance markets in Germany, Austria-Hungary, Switzerland, and the Scandinavian countries, it had practically been driven back to Central, East Central and Northern Europe. The internationalization of the

German insurance industry suffered a major setback in the First World War. Insurers in neutral countries profited from this, particularly in Switzerland and Sweden. Under the impression of war experience, enemy legislation, and the strong expectation of German defeat from 1917 on, more and more insurers preferred to turn to Swiss Re for their reinsurance needs. In contrast to how things had been during the war of 1870/71, there was no longer a distinction between the companies and the politics of a country. In addition, new reinsurance companies had emerged meanwhile in the Entente countries that pushed into the gaps left by MR and other German reinsurers. This was the most serious consequence from Munich Re's perspective because it destroyed the prospects that the lost markets in France, Great Britain, and the U.S. could be reconquered once a peace agreement had been reached. It could handle a temporary cut off from these markets as long as a return could be expected after the end of the war. Yet the founding of numerous new reinsurance companies in these countries and the increasing market share of Swiss Re indicated that the situation with the competition would be lastingly changed. Between 1913 and 1918, Swiss Re's premium revenues had already increased by about 150 %, from 52 million to 126 million Swiss francs (CHF). It had even been able to quadruple its fire premium revenues during the war in its transatlantic fire insurance business.³⁷

During the war, MR officials already began to think about the postwar period. They assumed that the German economy would have a great need for capital after the end of the war. Nevertheless, granting credit would be associated with greater risks because of war effects than it had been before the war. So MR, together with its associated company Globus Versicherung and the Kompass Kreditversicherungs-Bank that belonged to the Phönix Group, founded the Hermes Kreditversicherungsbank on 7 October 1917 in Berlin, providing 50 % of its share capital.³⁸

7. Banned from the World Market: The Development of the Corporation in Central Europe during the Inflation Period

In Munich, too, the end of the First World War was associated with the downfall of the monarchy. After four years of war with extremely heavy losses, with growing shortages, hunger, and need, the revolution that began in Kiel quickly jumped to the Bavarian capital. On 7 November 1918 Kurt Eisner of the leftist-socialist USPD (Unabhängige Sozialdemokratische Partei Deutschlands [Independent Social Democratic Party of Germany]) proclaimed the Free State of Bavaria. A few hours previously, the last Bavarian king, Ludwig III, had fled the city. The revolutionary government built by Eisner only remained in power for a few months. Eisner himself was murdered by an extremist right-wing student. After that, a revolutionary central council declared the Bavarian Soviet Republic [Bayerische or Münchener Räterepublik] on 7 April 1919. The government under Johannes Hoffmann, whose Social Democratic Party held the majority, gave way, moving to Bamberg. On 2 May 1919 the Freikorps (volunteer corps) and German Army units brutally ended the rule of this republic; there were mass internments and excesses of violence. Only in August did the elected government of Bavaria return to Munich.¹

Not much is known about the development of MR in these months. The company had to overcome the effects of war and reintegrate the returning employees. Expropriations did not take place under Eisner's administration, and the Soviet republic had too little time for that. Wilhelm Kißkalt wrote in his memoirs that MR employees had sympathized with the workers' and soldiers' councils, although less than in other companies. Thieme apparently perceived this as ingratitude: "Nobody took this harder than Thieme, who had always taken agents' welfare particularly to heart ... The agents even joined in on a generally proclaimed political strike, though not all of course ... When the anti-communist White Troops invaded, it finally put an end to the specter of the Soviet Republic."²

The business effects the Soviet Republic's reign and the civil war had on MR were rather indirect. In April 1919 Munich was largely cut off from the

outside world; railway connections, postal and telephone service were disrupted. For a company that did its business mostly by mail, this was a catastrophe, especially since MR now wished to resume its connections with many foreign insurers that had been broken off by the war. Instead, ceding companies in Austria and northern Germany sent concerned queries as they had begun to doubt the reinsurer's ability to act.³

In early May 1919, the Soviet Republic had appointed a commissioner to manage MR, but he was unable to take any action before the invasion of government troops and the Freikorps.⁴ Had this not been the case, there certainly would have been serious conflicts at Königinstraße 107. The commissioner, Christian Frohner, who had formerly worked in MR's secretariat, had contributed "devastating revelations" about MR to a bizarre smear sheet that his comrade-in-arms Otto Zaduck – who had also been fired – produced. In it, Frohner denounced the members of the board of management and the supervisory board as "royalties vampires." He had also already brought criminal charges against his former employer.⁵ On 3 May 1919 Frohner was arrested by a unit of the Lützow volunteer corps as an alleged insurrectionist; two days later he was brought before a "drumhead military tribunal" in the Hofbräuhaus and was shot during transport thereafter.⁶

Kißkalt made no secret of the relief that the board of management felt about this in his memoirs.⁷ MR donated to the Munich residents' army that emerged as a sort of army replacement formation and later also to the radical right-wing Kampfbund Oberland [Oberland League].⁸ Yet this does not necessarily mean that the board of management was hostile to democracy. In fact, Carl von Thieme now belonged to the leftist-liberal DDP (Deutsche Demokratische Partei [German Democratic Party]), which committed itself without reservation to the Weimar Republic. The first senior executive manager of MR had never been politically active, yet he was regarded as one of "the most loyal friends of the liberal and democratic idea."⁹

There were demands to socialize the private insurance companies during the months of the revolution – and not only in Munich. In Berlin, the Rat der Volksbeauftragten [Council of Deputies of the People] had appointed a socialization committee to draft a law to that effect. A report for fiscal year 1917/18 presented in December 1918 revealed what MR officials thought about this: "We regard the socialization of private insurance as a mistake for society, financially useless and suited to damaging the position of Germany in the world economy."¹⁰ Reinsurance companies, of all private insurers, had the least to fear from socialization. Even the socialization

committee realized that it would not be possible for a German state reinsurance company to do business abroad so soon after the war. On account of the difficult economic situation, none of the committee's recommendations were implemented in the end.¹¹

The social achievements of the Revolution of 1918/19, by contrast, led to changes at MR as well. Employees were now subject to the imperial collective agreement for workers, which stipulated an eight-hour day. Whereas most German enterprises experienced a shortening of the workday as a result of this, the privilege of a merely seven-hour workday that Thieme had granted was dropped. But the longer hours raised wages. The introduction of the wage agreement probably amounted to extra costs of about 600,000 marks for the company.¹² On the basis of the works council law of 4 February 1920, a works council elected by the staff was formed. From July 1922 two members of the works council belonged to the supervisory board.¹³

Several German insurance companies had already reacted to the increasing unrest, offering riot insurance. MR joined in on this business by means of a contract with the Stuttgart-Berliner Versicherungs-AG. According to Herzog, it was very involved in this and took over at a rate of up to 90%.¹⁴ This business was not especially successful, particularly since the violent conflicts in Germany dropped off after 1920. In Austria and Italy, as well, MR provided reinsurance for policies protecting against the risk of riots and plundering. On account of a retrocession acquired from Istituto Italiano di Riassicurazione Generali, it had to pay "fascist claims" of about 1 million lire in the summer of 1922. After Mussolini assumed power in October 1922, MR no longer wanted to pay for losses caused by members of radical left-wing parties. The Italian government, however, insisted upon it. Urged vehemently by its Italian contractual partner, MR refrained from sending a petition to Mussolini. All in all, the Italian riot insurance business generated considerable losses for the company.¹⁵

After the war ended, the MR board of management assumed that it would soon be possible to return to foreign markets that had been lost.¹⁶ But this assumption was grossly in error. The peace treaty signed on 28 June 1919 in Versailles approved the confiscation of all of Germany's foreign assets in the former enemy states, with the exception of the U.S., which did not sign this treaty. An attachment to Article 33 of the treaty declared reinsurance policies between insurers in the victorious countries and German companies to be canceled.¹⁷ The cessations of territory from the German Reich stipulated in the Treaty of Versailles had no significant impact on MR's business.

Only the loss of the Alsace-Lorraine market made itself felt; German insurers were no longer allowed to operate there. MR tried in vain to transfer its business from this region to Schweizer National, but the French authorities also blacklisted this company because it was an MR subsidiary.¹⁸ In the areas transferred to Poland, the business relation could be maintained by means of newly founded associated companies (these will be discussed in more detail below). The Russian market, which had been so important before the war, was permanently lost. Yet the suspension of all contracts with insurers in France, Great Britain, and the U.S. was a harder blow for MR. Moreover, more and more other reinsurance companies were being founded in those countries and jumping in to the gap left by German and Austrian companies. MR's dominance among reinsurance companies on the world market was broken, and there were few indicators that it could be restored. Although the board of management always aimed to restore MR's former position, the company first needed to concentrate on securing and developing its business in Europe.

The reinsurers in the countries that had remained neutral in the war profited the most from these changes, especially Swiss Re. In the decades before the First World War, MR's lead over Swiss Re had grown ever larger. Decisive factors for this were Swiss Re's lack of investment in numerous direct insurers compared to MR, its much smaller market share in the U.S., and its lack of representation in the United Kingdom. This had all changed during the war. Swiss Re had acquired the Mercantile General Insurance Company in London and had expanded its presence in the U.S. by obtaining a license for its subsidiary Prudential.¹⁹ In 1919 MR for the first time had lower gross premium revenues than Swiss Re, which was now the world market leader.²⁰

MR's American subsidiary, First Re, had been seized after the United States entered the war and placed under the supervision of a custodian from the Office of Alien Property – the U.S. agency for managing enemy assets. First Re's president Carl Schreiner first stayed with friends in New York and returned in December 1919 to Germany – with the first steamship sailing from New York to Hamburg, according to his own account.²¹ First Re was sold by the Alien Property Custodian for \$175 per share (at a nominal value of \$100) to a total of ten insurance companies. In April 1925 it then came under the control of Rossia Insurance Company, which had emerged from the U.S. branch of the insurance company Rossija that had formerly been based in St. Petersburg.²² Its president was Carl F. Sturhahn, a German American who had previously worked as Carl Schreiner's deputy at First Re.²³ MR still

tried to sue First Re for disputed claims from reinsurance policies assigned in 1917, but it lost before several courts.²⁴ In 1936/37 First Re was liquidated along with Rossia by Rossia's controlling shareholder Northeastern Insurance Co.²⁵

MR was now more or less relegated to central, northern, and southern Europe. Its business ties in Mediterranean countries were not very significant. Aside from Generali in Trieste – which belonged to Austria-Hungary until 1919 – only the associated company Alleanza in Genoa played an important role for MR in this area. Business dealings in Latin America and Asia were quite modest already before the war. For the most part, these had to do with a hail reinsurance contract with Rural in Buenos Aires that had been in place since 1904 and the contract with Nippon Fire terminated during the war, which apparently could not be reestablished so quickly.²⁶ MR did not take part in the claims settlement for the worst natural catastrophe of these years, the great Kanto earthquake of 1 September 1923, because it had not yet resumed its business ties with Japanese insurers.²⁷ The big events of MR's history no longer took place in London, New York, or San Francisco but in Zurich and Vienna. The company's development vividly reflects the disintegration of the world economy that began with the First World War and continued in the following decades.²⁸

In the first postwar months, MR had reason to fear that it would also be driven back in eastern central Europe, its most important business region outside Germany. Austria-Hungary was divided into the successor states of Austria, Czechoslovakia and Hungary and had to cede the remaining areas to Italy, Poland, Romania and the Kingdom of Serbia, Croatia and Slovenia (from 1929, the Kingdom of Yugoslavia). The restructuring of the states precipitated the division of the insurance market of the collapsed Habsburg Empire. Vienna had also been the insurance metropolis of Austria-Hungary. Consequently, Austria insurers were in danger not only of losing their business to the other successor states. In Vienna itself, the balance of power shifted. For example, Riunione Adriatica di Sicurtà, now headquartered in Italian Trieste, tried to expand its already quite strong presence in the Austrian capital by taking over Elementar-Phönix. Lebens-Phönix, which held a greater capital share of Elementar-Phönix, tried to prevent this. Its board of management turned to MR for help and asked it to preempt Riunione. Wilhelm Kißkalt, who had come to determine MR's business policy more and more, was prepared to take over Elementar-Phönix; supervisory board chairman Wilhelm von Finck, however, rejected the proposal on account of the uncertain condi-

tions in Austria.²⁹ In October 1919 Riunione acquired a majority share of Elementar-Phönix, but sold its shares to MR after one year except for a small share packet.³⁰ Along with the high inflation in Austria, Lebens-Phönix's good political connections may have led Riunione to withdraw from Elementar-Phönix.³¹

MR temporarily held the majority of Lebens-Phönix's share capital until 1912, when this company came under the strong influence of the Allgemeine Verkehrsbank. At the urging of Lebens-Phönix's board of management, MR raised its capital investment to about 36 % in 1916.³² By 1927, this share had fallen to around 30 %, yet Lebens-Phönix had, meanwhile, grown to be the third largest insurance company in Europe. MR, through its strengthened influence on the expanding Phönix Group, as the majority shareholder of Elementar-Phönix, and as a major shareholder of Lebens-Phönix, was among the winners in the restructuring of Vienna as an insurance hotspot.³³

MR actively contributed to Lebens-Phönix's success by entering into joint ventures with it in several of Austria-Hungary's successor states. In 1919 more than 50 % of Lebens-Phönix's insurance portfolio was attributed to the areas of the former empire that were now foreign countries when viewed from Vienna.³⁴ In Czechoslovakia, foreign insurers – that is, above all, Austrian and German ones – were purposefully discriminated against in order to move them to leave the country.³⁵ In June 1919 the Polish finance ministry invalidated the policies of foreign insurers in the areas of the country that formerly belonged to Germany and Austria.³⁶ But the domestic insurance companies in these two countries were not performing well. The Prague companies had always stood in the shadow of the Viennese concerns. The area of the reconstituted Polish state had previously belonged to Russia, Austria-Hungary and Germany. The domestic insurance industry was quite rudimentary. Poland did not have any larger insurance companies at all, and in Czechoslovakia, the only domestic reinsurance company, the Erste Böhmisches Rückversicherungsbank, was not able to meet the demand of the direct insurers.³⁷

MR, Lebens-Phönix and Providentia, MR's oldest subsidiary in Vienna, exploited these gaps by founding new companies in order to stake a claim for their business in these states. In Budapest, MR and Lebens-Phönix had already jointly invested in 1917 in founding the Ungarische Landes-Versicherungs-Anstalt.³⁸ After the war ended, MR and its Viennese partners organized joint ventures disguised as domestic companies in Warsaw, Cracow, and Prague that were able to take over the policies of Lebens-Phönix and Providentia. MR board of management member Kißkalt was convinced that the areas that formerly belonged to Austria-Hungary would, sooner or later, re-

unite their economies because he regarded the newly founded national companies in the individual successor states as too small.³⁹

On 14 February 1919 MR and Lebens-Phönix founded the life insurance company *Przyszłość* in Warsaw. It took over Lebens-Phönix's insurance portfolio in Galicia, which had formerly belonged to the Habsburg Empire. *Przyszłość* projected itself as a Polish company. Polish straw men held its shares for a commission, but MR actually owned 50 % of them. Atlas emerged in Stockholm as a reinsurer, and MR invested in it substantially as well, taking over 100 % of this business by means of retrocessions.⁴⁰ The disguise was managed through the combined efforts of *Providentia*, Lebens-Phönix and MR. The Austrian direct insurers knew the Czechoslovakian and Polish markets very well and were also able to appoint the personnel for the cover companies, usually employees of their former agencies in these areas. MR, in turn, brought in not only capital but also international connections.

In July 1919 MR invested in the founding of another direct insurer in Poland, *Port* (*Port Towarzystwo Ubezpieczeń Spółka Akcyjna*). This company with offices in Cracow and Warsaw took over the policies of *Providentia* and the *Erste Österreichische Versicherungs-Gesellschaft gegen Einbruch* [First Austrian Insurance Company against Burglary] (hereafter *Erste Einbruch*). *Ananjacz Einhorn*, who had worked as a general agent for this firm and had Polish citizenship, took over the management. MR held 30 % of the share capital of *Port* at first by means of a "quiet minority holding" on the part of its Austrian partners.⁴¹ The shares were issued to *Einhorn*. *Providentia* and *Erste Einbruch*, too, which each held 15 % of the stock, had their shares issued to straw men. Apparently, it was not too difficult to find such people. According to Meuschel, they ranged "from Jewish merchants to members of the highest Polish nobility."⁴² Other Austrian insurers also transferred their policies in the areas now belonging to Poland to *Port*. MR, for its part, was able to persuade 13 German insurers to transfer their "abandoned" business in the ceded eastern territories to *Port*. In this way, the company led by *Einhorn* grew into one of the largest insurance firms in Poland.⁴³

In Prague, things proceeded in a similar manner: MR and Lebens-Phönix, using straw men, jointly founded the *Slavische Lebens-Versicherungs-Anstalt AG* (hereafter *Slovanska*), on 6 August 1919. *Slovanska* took over Lebens-Phönix's policies in Czechoslovakian territory. MR and Lebens-Phönix each held capital stock worth 2 million koruna. In this case, too, Atlas stepped in to help the company's disguise; Czechoslovakian citizens sat on the board of management and the administrative board.



Figure 13 Advertising poster of the Europäische Güter- und Reisegepäck-Versicherungs-AG (around 1920); design by Walter Schnackenberg, Carl von Thieme's son-in-law

When the capital stock of this company was later increased, its Czechoslovakian chairman of the board of management Jaromir Rašín brought in other straw men who subscribed for the newly issued stock certificates with loans from MR.⁴⁴ Whereas MR's holding remained hidden, Slovanska in Prague was repeatedly accused of being a cover company for Lebens-Phönix. Yet this could not be proved, especially since the chairman of the board of management had the backing of the finance ministry – he was a nephew of the first Czechoslovakian finance minister Alois Rašín, who died in early 1923 from injuries sustained during an assassination attempt.⁴⁵ MR and Lebens-Phönix founded two other insurance companies in Prague via Czech straw men for the German-speaking minority in Czechoslovakia: the Elbe Lebensversicherungsanstalt AG and the Elbe Schadenversicherungsanstalt AG.⁴⁶

Other cover companies emerged among some of the firms of the Europäische Güter- und Reisegepäck-Versicherung, which MR acquired a majority of in 1921. Europäische's founder, Max von Engel, reacted to the changed circumstances after the First World War by transforming the foreign branches of his Budapest enterprise into independent companies. He also founded further companies in the new nation-states. Europe's development at that time, thus, was reflected directly in the changed structure of Europäische. Gradually, alongside the companies in Europäische's oldest

locations – Budapest, Berlin, and Bern – others emerged in Amsterdam, Belgrade, Brussels, Bucharest, Helsinki, Constantinople/Istanbul, Copenhagen, Lisbon, Luxembourg, Madrid, Oslo, Prague, Reval, Riga, Rome, Stockholm, Warsaw, and Vienna.⁴⁷ These firms negotiated exclusive contracts with the railway companies of the respective country that were binding for the entire Europäische group. Their policies had identical content, albeit in the respective national languages, and, thus, could easily be deciphered in other countries.⁴⁸ On 1 September 1921 Generali withdrew from Europäische, likely because Europäische's business was no longer profitable for the Italian concern on account of inflation in Germany, Austria and Hungary. MR now became the majority shareholder of all the companies in this group. It held 90 % of the share capital of Europäische in Berlin, and the holdings of the subsidiaries were probably not much lower. As a rule, 10 % of the capital shares continued to be held by Max von Engel.⁴⁹ Europäische in Berlin had already signed a monopoly agreement with the predecessors of the Deutsche Reichsbahn in 1918. At ticket counters, only Europäische's baggage insurance could be sold; passengers could then stick company stamps on their tickets. In Poland and Czechoslovakia, it had to remain a secret that a German majority shareholder and reinsurer stood behind the respective national firms of Europäische. In Prague, therefore, six Czechoslovakian companies masqueraded as Europäische's owners and reinsurers. Matters were similar in Poland.⁵⁰

MR's business also suffered from the rapidly progressing currency devaluation in Germany and Austria. Inflation spurred by war financing had already cut the purchasing power of the mark by half since before the war. In light of the severe indebtedness of the state, the bloody conflicts of the revolutionary period and the demands for reparations of the victorious powers, a currency stabilization or state bankruptcy would certainly have spelled the early demise of the first German democracy. The Reichsbank kept increasing the money in circulation, and wages and prices increased accordingly. In December 1919 the external value of the mark had already declined to less than a tenth of its prewar value. In January 1922 one U.S. dollar purchased 191.81 marks compared to 4.19 marks in August 1914.⁵¹ Those who profited from this development, as in every currency devaluation, were those who possessed foreign currency and material assets, particularly real estate, and debtors. The Reich, the states, and the municipalities were able to pay off their debts with devalued money. At the same time, the German export industry also benefited from this as it could sell its products abroad at giveaway prices on

account of the ever lower external value of the mark. The labor market also developed favorably. Since firms could pay wages and salaries in devalued currency, Germany experienced full employment, even though millions of soldiers no longer fit for service had to be reintegrated. The inflation was a catastrophe for savers and for owners of monetary assets if they failed to invest in foreign currencies in time.

Insurance customers were able to adapt their policies with supplementary insurance. As the inflation accelerated, though, the rapid devaluation of benefits could no longer be prevented in this way. This hit life insurance customers the hardest. They could foresee that they would receive totally worthless benefits in return for payments they had made with good money – often before the war. But fire and casualty insurance customers also wound up empty-handed unless a loss had occurred immediately after taking out the policy. Insurance companies, by contrast, had the advantage that the claims lost value in the time between the occurrence of the loss and the claims settlement. But costs in this sector rose as administrative efforts increased considerably. Staff had to be hired to count bills, and soon it was no longer worth it, say, for life insurers to collect the small premiums from their customers because the postage and wages of the cashiers exceeded what they took in. Although the volume of premiums increased dramatically from the inflation, these figures, like all financial figures from this period, do not reflect the actual course of business. Insurance products sooner or later no longer made sense for customers, which did not bode well for the future of the industry.

Reinsurers were less susceptible to the consequences of the currency devaluation than most direct insurers. Their business was spread across all insurance segments, which balanced out the risks of individual sectors. Moreover, MR had considerable tangible assets, namely, over forty holdings in both domestic and foreign insurance companies. The holdings were listed in the books at the price paid for them, and thus far below their value. According to Kießkalt's statements, the company had built up reserves from these alone of about CHF 20 million by July 1923.⁵² Its still rather significant foreign business and its international ties enabled MR to elude the inflation more easily than most German direct insurers. It had respectable premium revenues in foreign currency. Yet the board of management hoped, above all – and it was generally assumed – that the assets seized in the U.S. in 1917 would soon be released. These assets amounted to about \$4 million. In inflation-era Germany, such a phenomenal sum fired the imagination, even

though it was not yet accessible.⁵³ MR's available and expected foreign currency portfolio gave it a big advantage over German competitors. It could more easily expand its domestic market position with acquisitions or – using Thieme's proven strategy – bind distressed companies to itself by giving them capital infusions.

In its foreign business, MR, of course, faced the problem of its equity capital being valued in marks. Its share capital and reserves lost external value as the mark did. Before the war, MR's equity capital had an exchange value of \$15 million, but in April 1923, this had dropped to only \$46,000.⁵⁴ For corporate customers in countries with hard-value currencies like Switzerland, this was disturbing. Working together with a reinsurer that had essentially no reserves in the contracted currency presented a high risk. MR was practically only able to finance claims payments in Switzerland, Sweden, or the Netherlands with current premium revenues in these countries. But how was it supposed to pay if a major loss occurred in one of these countries that could not be covered by the petty cash fund? The *Eerste Nederlandse* asked MR to deposit reserves with it or to cancel the contract. Some Norwegian, Swiss, and also German insurers then made similar demands, in part because their supervisory boards had decided to insist upon security deposits from German reinsurers.⁵⁵ This sort of request would have been regarded as an unfriendly gesture in Munich before the war, but now MR had to give in to it. Meanwhile, even a Swiss insurance company, the *Basler Feuerversicherung*, had fallen on hard times because of the German inflation: before the war, it had invested some of its reserves in marks on account of the more favorable interest rates.⁵⁶ Against this backdrop, more than a few insurers in hard-currency countries preferred to work together with a Swiss reinsurer to begin with. The massive inflation in Germany and Austria now worked to the advantage of Swiss Re, which had already been able to increase its market share in Europe and North America on account of the war.

In this context, MR's management underwent its first, long-overdue shift in leadership and brought in a new generation in early 1922. Until then, Carl von Thieme could not imagine handing over the management of his life's work. The supervisory board allowed him to remain in office, and his experience was urgently necessary during the war. However, business policy was determined ever more by *Kißkalt* and it was generally assumed that he would become the next senior executive manager. But it was not until the end of 1921, a few months before his 78th birthday, that Thieme stepped down. This

man, who had built up a firm of world renown, found it difficult to enjoy his retirement within his family circle, which now consisted of more than 23 grandchildren and great-grandchildren. Nor did he have much of a chance to do so: he died on 24 October 1924 at age 80 in Munich.⁵⁷

Half a year earlier, on 8 April 1924, Wilhelm von Finck had died. The banker had led MR's supervisory board meetings up to the end and had not missed one of these meetings since the founding of the firm.⁵⁸ For more than four decades, Thieme and Finck had shaped MR, each in his way and often in dissension, but all in all, in an entirely successful cooperative effort. Finck's death marked the end of the circle of company founders. Hermann von Pemsel had already died eight years before, on 20 November 1916.

On 1 January 1922 Wilhelm Kißkalt became MR's new senior executive manager. He was not only almost thirty years younger than Thieme but also a totally different character. His career in the insurance industry at that time was exceptionally unusual. Born on 21 August 1873 in Würzburg, Kißkalt was the oldest of six children; his parents were hoteliers. After studying law in his home town, he had at first worked in the Bavarian Ministry of Justice, switching already after eight months to Hermann Pemsel's law firm in early 1902.⁵⁹ Kißkalt was considered an excellent jurist. Pemsel helped him advance and recommended he be appointed to MR's board of management, which then occurred on 1 October 1909. Wilhelm Kißkalt was likely the first academic to serve in this body. His landing this position without any professional experience in the insurance field was only possible against the backdrop of the conflict then underway between Thieme and the supervisory board, which has already been described above. Kißkalt quickly familiarized himself with the insurance business, but the firm also profited from his legal skills, particularly during the First World War. In 1921 he was awarded the honorary title of Judicial Councilor, and one year later he was among the founding members of the Münchener Universitätsgesellschaft. Kißkalt distinguished himself as senior executive manager with his cooperative leadership style, and unlike Thieme, he was able to delegate responsibility. For example, board of management member Rudolf Schmidt now became the deputy chairman of the board of management for "general questions and questions of greater significance."⁶⁰

Two and a half years after the shift from Thieme to Kißkalt, another generational shift occurred that was just as striking. After Wilhelm von Finck's death, his son August, only 26 years old, became the new chairman of the board of directors on 12 July 1924.⁶¹

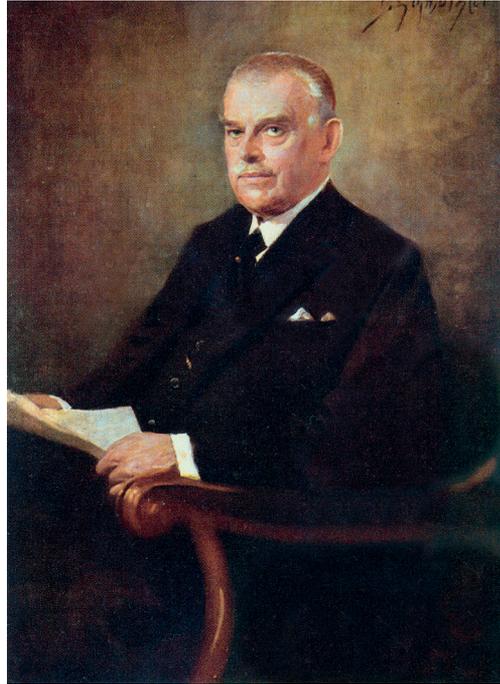


Figure 14 Wilhelm Kießkalt, chairman of the board of management from 1922 to 1937

No one disputed his right to this position because Merck, Finck & Co. had meanwhile become the largest MR shareholder by far. In the shareholders' general assembly of 6 February 1923, 39.1 % of the votes went to Wilhelm von Finck.⁶² Under the young Finck, the relationship between the supervisory board and the board of management changed. The board of management was no longer spoon-fed as much as it had been in Wilhelm von Finck's time, and it was now able to manage business operations increasingly on its own. August von Finck quickly gave up the established practice of the so-called review meeting, in which a member of the supervisory board would regularly look over the portfolio of investments on MR premises on a Sunday.⁶³ In late 1926 the chairman of the board of management was granted the right to make decisions about reinsurance contracts, capital investments and holdings on his own in urgent cases.⁶⁴

Kießkalt later said that he had not recognized the nature of the inflation.⁶⁵ Yet the jurist had, astonishingly, sensed much earlier than the bankers on the supervisory board the danger that the currency devaluation presented – a danger that was completely unfamiliar in this form in Germany. Already soon after the end of the war, Kießkalt pushed for MR to secure itself against

the increasing inflation. At first, he was unable to get this point across. One proposal to buy foreign currency was rejected in 1919 for being too expensive. In December 1919 he successfully lobbied to implement a change in the articles of incorporation that enabled MR to purchase real estate.⁶⁶ In 1920/21 MR persistently bought up buildings, acquiring a total of 51 of them with a “peace currency valuation” (a value cleansed of the price increases since 1914) of 16.5 million marks. Also among MR’s real estate holdings, of course, was the administration building on Königinstraße occupied in 1913, with a “purchase gold value” of 4.1 million marks. Except for one building in Frankfurt am Main, all the acquired real estate was located in the Bavarian capital.⁶⁷ There, MR was competing, above all, with foreign investors. On account of the mark’s devaluation, an eighth of the developed property in Munich in late 1922 was already foreign-owned.⁶⁸

Another one of Kißkalt’s projects in these years was to develop a comprehensive contract regulating the relationship with Allianz. The loss of important foreign markets made the connection to Allianz one of the major pillars of MR’s business. The relations between the two companies had only been solidified up to that point in the form of an expanded reinsurance contract from May 1917.⁶⁹ Thieme had not regarded further regulation as necessary because he could notify the chairman of Allianz’s board of management, Paul von der Nahmer, of all the important questions, and von der Nahmer was also a member of the MR board of management. He trusted him without reservations because he was the nephew of Thieme’s first wife Marie. In the meantime, however, it could be foreseen that the ever more complex economic ties between MR and Allianz would not be able to be structured and managed on the basis of familial trust for much longer. Von der Nahmer turned 62 in 1920; Thieme was fourteen years older. As a lawyer, Kißkalt wanted to make sure – certainly before the two men retired – that both companies had concluded a comprehensive contract with one another. Von der Nahmer saw the sense in this. He and Kißkalt together worked out a draft agreement, which Thieme approved after it had been presented to him.⁷⁰ Paul von der Nahmer did not live to see the association agreement signed. He died a few weeks before that. The 35-year-old jurist Kurt Schmitt became his successor.⁷¹

The agreement between MR and Allianz, signed on 23/29 April 1921, was intended to be valid until the end of 1970. Both companies agreed to have crossover representation in their supervisory boards by the chairman of the board of management. Allianz guaranteed that it would continue to transfer a 50 % share of its contracts and all of its excess insurance to MR; in other words,

it would reinsure its policies exclusively with MR. In return, it was promised a higher share of the profits: 20–25 %. MR built up its equity investment in Allianz to 25 % of its share capital and agreed to invest jointly only with Allianz in insurers who operated in the same sectors as Allianz. Thenceforth, Allianz was to concentrate on the direct insurance business and MR on the reinsurance business – a division that was new in this form and showed that the two sectors were not longer regarded as compatible within a single enterprise. Allianz transferred its reinsurance business to MR, yet the agreement did not preclude the two companies, for example, in the case of foreign holding companies, to act jointly as reinsurers. Both companies were still able to invest in insurers of the other sector. Yet, if new companies were founded and equity investments to be made, the two companies were to undertake these from then on together and with equal shares.⁷²

The association agreement of April 1921 marked a decisive step in Allianz building its own company structure, a process that Kurt Schmitt advanced in the following years. Now Allianz became a major shareholder of Hermes Kreditversicherung alongside MR. MR transferred shares of other direct insurers to Allianz, including Globus Versicherung in Hamburg, the Securitas Feuer-Versicherungs-AG in Berlin, and the Badische Lebensversicherungs-Bank in Karlsruhe. A few months later, on 14 January 1922, on this foundation, Allianz took up the life insurance business by founding the Allianz Lebensversicherungsbank (hereafter Allianz Leben) together with MR, each of which contributed a 25 % equity investment. By merging with the MR associated company Arminia, which was renamed Allianz Leben, the company soon had a respectable portfolio of policies.⁷³ At first glance, it seems odd that Allianz and MR would found a life insurance company right in this period of runaway inflation. Yet Rudolf Schmidt, the director of MR's life insurance department, and Allianz general director Kurt Schmitt regarded it as a promising investment in the future precisely because of the inflation. Allianz Leben was able to take up business in foreign currencies without obligations, which constituted an important competitive advantage in light of the dropping value of the mark.⁷⁴ With the reserves of Allianz and MR, it was able to manage its lack of income in foreign currencies and the continuous loss in the external value of its capital stock as the mark dropped. Insurance entrepreneur Robert Gerling pursued a similar strategy at that time: he expanded his concern in August 1922 by founding a life insurance company.⁷⁵

MR profited from the association agreement with Allianz as well. Since the founding of Allianz, there had been concern at MR that Allianz could

free itself from MR and go its own way. The long period of the agreement's validity now tied Allianz to MR. In addition, MR had been able to negotiate Allianz's ongoing transfer of 50 % of its business. Kluge rightly assumes in this case that this was a matter of power because Allianz meanwhile no longer needed reinsurance at this level.⁷⁶ MR's equity investment of 25 % insured that it would have a blocking minority and thus further guaranteed that Allianz would not drift away. This also enabled MR to make use of the tax advantages of participation exemption, which became quite important when a uniform corporate tax rate was introduced in 1921. In cases of equity investments of more than 20 %, later of more than 25 %, the profit attributed to the investment was released from double taxation.⁷⁷

On New Year's Eve 1922/23 MR was made to feel the effects of the inflation when a major loss event occurred in Switzerland. The imposing cupola of the Goetheanum der Allgemeinen Anthroposophischen Gesellschaft [Goetheanum of the General Anthroposophical Society] in Dornach near Basel burned down. MR bore a share of the risk as the reinsurer for Basler Feuerversicherung and had sold retrocessions in marks. It received devalued money from the retrocessionaires, but it had to pay the loss in Swiss francs. Consequently, it had to come up with about half a million Swiss francs out of its own pocket.⁷⁸ From then on, reinsurance policies and retrocessions were only concluded at MR in the currency of the respective direct insurance policy.⁷⁹

The German insurance industry, meanwhile, used a whole bundle of measures to try to save its business from the emerging hyperinflation. Operations were simplified and costs reduced wherever possible. Most of these did not involve rationalization measures that had been planned but rather savings out of dire necessity. First, there were savings in postage, travel costs and printed matter, and then also in labor costs.⁸⁰ Because customers urged insurers to speed up the processing of tasks, and especially supplemental insurance policies, a large number of assistants had been hired. Some companies now had more than twice as many employees doing office work than before the war. For life insurers, above all, the labor costs meanwhile far exceeded the income. By mid-1922, the industry had begun to lay off the assistants and reduce the number of employees. At Gothaer Lebensversicherungsbank, the number of office workers dropped from 560 in July 1922 to 77 in November 1923.⁸¹ In March 1922 Victoria had already discontinued its new "people's insurance" segment – life insurance for the little people.⁸² Other companies followed suit, because the small policies of these customers cost more than the premiums they brought in. When the hyperinflation



Figure 15 Emergency currency of the city of Munich, 14 August 1923

reached its highest point in the spring of 1923 on account of the tremendous expenditures for the passive resistance in the Ruhr area, a single business letter already cost 1,000 marks.⁸³

At MR, the salaries were now paid daily in shares. One employee later recalled that the workers' wives would come to Königinstraße 107 before noon to pick up the money because it often became worthless already by the afternoon.⁸⁴ Meanwhile, MR could easily swing the payments with small sums of foreign currency. It sufficed for a courier to exchange CHF 10 in the morning. The wages for a day could be paid with the exchange value in marks.⁸⁵

German insurance companies also wished to offer their customers policies in foreign currencies. The authorities, however, rejected this for reasons of currency policy, and the Reich Supervisory Office declared that such policies required a permit.⁸⁶ Generally, transactions in foreign currency were prohibited within Germany.⁸⁷ In early 1923, therefore, the so-called fixed-mark insurance policy was introduced – a sort of substitute foreign-currency insurance policy. The premium that the customer paid in (paper) marks was adjusted in this sort of contract to the rising prices as a fixed-value mark according to a certain index – such as the purchase price of gold of the Reichsbank. The benefits were then paid out at the daily exchange rate.⁸⁸ But

the fixed-mark insurance policy was not a sustainable solution, either. The premium payments often lost so much value on the way from the insurer to the bank that the customers had to make extra payments. Moreover, the policyholders were not able to do much with the benefits in fixed marks should they have a claim. This money lost value after it was paid more quickly than a homeowner was able to hire workers to clean up fire damage, for example. Many had great hope in the gold mark insurance policy based on the dollar ["Gold markversicherung auf Dollarbasis," or "Gomadoba" for short], which insurance companies now offered as well. It failed to spread not only because of a lack of foreign currency but also because of problems similar to those that had arisen in conjunction with the fixed-mark insurance policies. Since the Reichsbank and the Reich Supervisory Office did not allow payments in foreign currency, any benefit lost its value within a short period of time.⁸⁹

In this catastrophic year of the German hyperinflation, MR was critically able to profit from its earlier position in the world market. A portion of its assets in the U.S. that had been confiscated during the First World War was released by American authorities in March 1923. The United States had not signed the Treaty of Versailles, which codified the expropriation of German foreign assets in the states of the victorious powers. The surviving files and reports do not clearly indicate how the release came about at that time. As a rule, the U.S. was only releasing German assets of up to \$10,000. Not until five years later was the seizure of the largest part of the German foreign assets in the U.S. lifted.⁹⁰ While most members of the German economy were desperately seeking foreign currency, a cloudburst of dollars was falling on MR. The released amount, about \$1 million, constituted a downright unimaginable sum under the conditions in Germany at that time; it had an exchange value of almost 25 billion marks in April 1923, and in November 1923 of 4.2 trillion marks.⁹¹ Now, at the latest, it was clear that MR would survive the inflation far better off than the largest part of the German economy.

Wilhelm Kißkalt persuaded the supervisory board not to have the released foreign currency transferred but rather to have it used for a direct investment in Switzerland. With the value-retaining money from the U.S., a reinsurance company was to be founded there as a 100% MR subsidiary. Carl Schreiner, who had since returned to the U.S. where he had worked for the release of the blocked assets, advised Kißkalt against this plan. He recommended "cautiously conserving" the monies "and only using them to strengthen our company."⁹² Like Schreiner, many in Munich may not have

understood why the valuable foreign currency should be used to develop a reinsurance company in Switzerland. Kißkalt had very plausible reasons for this, which he presented in a detailed letter to Schreiner on 14 April 1923.⁹³ According to Kißkalt's calculation, a subsidiary with share capital in Swiss francs was best suited to maintain the trust of MR's foreign customers. The company's available guarantee capital had become practically worthless; the mere mention of hidden reserves or the U.S. assets did not dispel the concerns of MR's foreign business partners. After all, three German reinsurance companies had gone into quiet liquidation because they could no longer cover their liabilities abroad.⁹⁴ Moreover, direct insurers from Poland, Czechoslovakia and Serbia would find it easier to work with a Swiss reinsurer than a German company because of the "aftereffects of the war hostility," even if they knew that it was an MR subsidiary. Kißkalt put it bluntly in his letter to Schreiner: "They are satisfied to see appearances maintained."⁹⁵ In contrast to the older group company Schweizer National, the new company was not intended principally to deal with Swiss business but rather to function as a security pledge for MR's remaining foreign business. If MR had a subsidiary with share capital of several million Swiss francs, then its ability to meet its obligations with its foreign business partners was beyond doubt. Schweizer National could not be considered for this purpose because it engaged in direct insurance, and this model could not be implemented in Germany as it was not legal to fix share capital in a foreign currency.

Apparently, at that time, someone on the supervisory board suggested that the million dollars be deposited in an American bank instead of invested in a new reinsurance company in Switzerland. Kißkalt prevailed by pointing out that founding a Swiss company would attract more notice and offer tax advantages. In a synopsis on this issue that he composed at that time, he also wrote: "The founding of a Swiss company can gain meaning as a reserve for any purposes in the whole political situation, such as it never could have if deposited in America."⁹⁶ One has to bear in mind the backdrop to Kißkalt's writing of these sentences. At that time, the German Reich was in danger of sinking into chaos, French and Belgian troops had occupied the Ruhr, extremists and separatists were gaining traction, and within seven months the Hitler putsch occurred. In light of these risks, one can assume that Kißkalt saw the erection of a "reserve for any purposes" also as a temporary relocation for MR in the certainty of Switzerland. The memory of the conditions under the Munich Soviet Republic, in which the company was cut off from the outside world, was probably still quite fresh.⁹⁷

As time was pressing, the founding of the Swiss company was already carried out on 2 May 1923. The new MR subsidiary was named Union Rückversicherungs-Gesellschaft (hereafter Union Rück) and was based in Zurich. The share capital was set at CHF 10 million, with 25 % down.⁹⁸ Thus, MR invested less than half of the \$1 million from America, with an exchange value of CHF 5.4 million, in the capital stock of Union Rück.⁹⁹ Consequently, MR had more liquidity in foreign currency than depositing the money in the U.S. would have given it. Basel was also considered as a location for the company. The main reason for Zurich was the tie to the Schweizerische Bankgesellschaft (SBG), whose president Rudolf Ernst became the chairman of the administrative board of Union Rück. SBG director Paul Jaberg and Swiss industrialist Friedrich Arthur Schoeller von Planta, later president of the Eidgenössische Bank, also sat on this board. Wilhelm Kißkalt became the vice president of the administrative board as the MR representative.¹⁰⁰ It was probably not difficult for Kißkalt to persuade Ernst and Jaberg to take on these voting roles at Union Rück. They had all known one another for a long time from the administrative board of MR subsidiary Schweizer National, where Ernst was chairman and Jaberg was also a member.¹⁰¹ Ernst and Schoeller von Planta each acquired a 5 % share of Union Rück, and a further 10 % was transferred to SBG and 80 % of the share capital remained at MR.¹⁰²

Kißkalt's move proved to be far-sighted and later generated more advantages for MR than one could have guessed. The company was thus much better off than insurers like Kölnische Rück and the Hamburg Mutzenbecher Group (Versicherungs-Gesellschaft Hamburg, Albingia Versicherungs-AG, Hamburg-Mannheimer Versicherungs-AG), which had invested their released U.S. assets in American firms whose share prices collapsed after the stock-market crash of October 1929.¹⁰³ By the way, MR was not the only nor the first German insurer to add a Swiss subsidiary during the inflation period. At that time, the Frankfurter Allgemeine Versicherungs-AG bought the Berner Allgemeine Versicherung, the Mannheimer Versicherungsgesellschaft founded its subsidiary Alpina in Zurich, and the Gerling Group established the Rheinische Rückversicherungsgruppe in Basel.¹⁰⁴ Kißkalt had, of course, observed all of this, but was only able to pursue such a project after some of the seized U.S. assets had been released. As a result, the founding of Union Rück occurred relatively late, although this company then formed by far the largest direct investment of a German insurance company in Switzerland.

In September 1923 MR made another investment in Switzerland by participating under strict secrecy in the restructuring of Basler Feuerversicherung, which had suffered heavy losses from investing reserves in Germany. Union Rück acquired 1,000 newly issued preferred shares of Basler Feuer with a nominal value of CHF 1 million. Three Swiss banks represented on Basler Feuer's administrative board, acting as straw men, subscribed to the shares. Union Rück's files indicate that MR was the owner of these shares. Basler Feuer committed to transferring one-third of its business to Union Rück, which, in turn, would assign one-third to MR. A few years later, these preferred shares were transformed into 4,000 common shares and were distributed evenly among Union Rück, MR and Allianz. All participants agreed not to allow anything to pass to others.¹⁰⁵

By mid-November 1923, the Reichsbank and the Reich government managed to overcome the hyperinflation by introducing a new currency supported by mortgages; it proved to be stable almost against all expectations. Now it became clear how well positioned MR was with its high foreign currency reserves and its association with Allianz. Just a few weeks after the change of currency, MR and Allianz were able to further develop their market position in Germany by acquiring the insurance company of the Bayerische Hypotheken- und Wechselbank (Hypo-Bank), the Bayerische Versicherungsbank, on 10 December 1923. The purchase price was paid for with 5,000 Allianz shares, 2,000 MR shares, and CHF 3.5 million in cash.¹⁰⁶

The Bayerische Versicherungsbank had emerged in 1906 from the insurance department of the Hypo-Bank after lawmakers had prescribed a separation between the loans and mortgages business and the insurance business.¹⁰⁷ Why the Hypo-Bank separated from its insurance company at that time could never be clearly determined. MR files do not provide any information about this either. The Bayerische Versicherungsbank was in good shape financially and had a respectable portfolio. Moreover, the transaction took place without the knowledge of the board of management. Its chairman Ernst Drumm allegedly heard about the sale from the press and submitted his resignation a short time later.¹⁰⁸

The Hypo-Bank had probably been planning to separate from the Bayerische Versicherungsbank for some time.¹⁰⁹ It was also assumed that the bank was having liquidity problems because of heavy expansion.¹¹⁰ It was likely decisive that Allianz and MR were able to pay CHF 3.5 million in cash. Later, people at Allianz and MR liked to point out that the Bayerische Versicherungsbank had been sold below its value and that, after the sale, another

1 million Swiss francs in cash was found in its vaults.¹¹¹ The CHF 3.5 million were of nearly inestimable value to the Hypo-Bank under the circumstances at that time. The bank had suffered under the inflation and, as a regional institute, it did not have so many business ties abroad. Moreover, it became apparent after the currency stabilization that the German market capital had dried up, and it would be difficult for the banks to provide their corporate customers with capital for the expected economic boom. The newspaper, *Münchener Neueste Nachrichten*, thus interpreted the Bayerische Versicherungsbank's sale as proof that the Hypo-Bank was "trying to put its business on a gold basis."¹¹²

Allianz and MR's acquisition of the Bayerische Versicherungsbank fitted well with the expansion-oriented business strategy of Allianz's new chairman of the board of management, Kurt Schmitt. He utilized the inflation or its consequences for targeted acquisitions, thereby advancing the concentration within the German insurance industry.¹¹³ First of all, Schmitt had planned to take over Colonia Versicherung, but the Aachener und Münchener Feuer-Versicherungs-Gesellschaft blocked this.¹¹⁴ Such a takeover of Colonia by Allianz would have smashed the Rheinische Gruppe, one of the largest German insurance conglomerates after the MR/Allianz Group. Purchasing the Bayerische Versicherungsbank in December 1923 offered a sort of substitute. People at MR may also have suspected that Swiss Re was interested in buying the Bayerische Versicherungsbank and would be able to pay in Swiss francs, of course, but it only began to sound out the idea a few weeks later.¹¹⁵

Since 1911, the Hypo-Bank had had a subsidiary that functioned as an in-house reinsurer for the Bayerische Versicherungsbank: the Bayerische Rückversicherungsbank, which had had the basis of its business ripped out from beneath it by the purchase of its affiliate. MR and Allianz were not at all interested in the Bayerische Rückversicherungsbank. Supposedly, it had simply been forgotten in the rushed purchase negotiations. The shares of the Bayerische Rückversicherungsbank were transferred to Ernst Drumm, the company's former chairman of the board, in January 1924; he made an agreement with Swiss Re. A few months later, there was a capital increase, and Drumm relinquished his subscription rights to Swiss Re, which thereby acquired a majority.¹¹⁶ The Bayerische Rückversicherungsbank then expanded to become the German stronghold of the Swiss Re Group and developed with this backing into the fifth largest reinsurance company in the German Reich.

8. “Insurance Has Its Own Economy”: Munich Re in the Great Depression

After the Reichsmark (RM) had been introduced in Germany in late August 1924 as a new currency backed by gold and foreign currency, companies could once again generate financial statements with real numbers. In its so-called gold-mark opening balance, MR's share capital was recalculated from 120 million marks to about 12 million RM. Before the war, it had still been 30 million marks. In 1924 premium revenues amounted to about 65 million RM compared to 204 million marks in 1914.¹ This reduction can only partly be explained by the loss of markets in France, Belgium, Great Britain, the United States, and Russia or the Soviet Union, which together accounted for about 40 % of the premium revenues in 1914.² The inflation had limited foreign business further, and within Germany, many of MR's cedents had disappeared from the market on account of the currency devaluation. Others had lost a portion of their customers.

In the years after the currency stabilization, although the German insurance industry experienced an increase, it did not really recover. The insurance companies had lost capital and customers because of the inflation. In addition, the German insurance companies pressured and competed with each other. In order to achieve their previous volume of business as quickly as possible, they underbid one another in quoting rates. Moreover, public insurance companies now expanded their business to other segments, generating competition for the private companies in the life, casualty, and transportation segments. As a result, revenues for German insurers increased sharply, but the returns of the prewar years were no longer achieved. At MR, the excess portion of premiums from 1925 to 1929 fluctuated between – 0.75 and 0.15 %, whereas it had been 4.72 % in 1913 and 3.91 % in 1911.³

In contrast to the prewar period, the majority of MR's business derived from the domestic market. The foreign share of business comprised 30 % in 1925/26 – compared to 70 % in 1914.⁴ In turn, the remaining foreign business went mostly to Austria, Sweden, Czechoslovakia, and Switzerland. The overseas business, by comparison, was of marginal significance.⁵ The world mar-

ket remained lost to MR six years after the end of the war. On account of the dominance of domestic business, the risk distribution in the compilation of the portfolio was reduced. MR was dependent to a large extent on the development of the insurance industry in Germany, which fluctuated considerably in the following years. Consequently, the tie to Allianz became more important than it had been before the war. According to Kluge's calculations, for fiscal years 1923/24 to 1929/30, about 45 % of all MR's premium revenues derived from Allianz, Allianz Leben, and Hermes Kreditversicherung. Directly after the new currency was introduced, this portion had even been 76.5 %.⁶ This made Allianz the central pillar of MR's business.

Allianz reinforced its position as the leading German direct insurer in 1927 by merging with the Stuttgarter Verein Versicherungs-AG.⁷ Thereafter, the company went by the name of Allianz und Stuttgarter Verein Versicherungs-AG for 13 years. This merger meant far more than most mergers at that time. The public perceived it as the formation of an "insurance trust." The *Vossische Zeitung* described it as creating "a new league in the German private insurance industry in consequence of its size and the various insurance policies tied to it."⁸ The formation of "trusts" was also characteristic of the development in other industries during these years. Large-scale industries and big banks, in light of the difficult conditions, relied upon growing, above all, by means of rationalization measures and economies of scale. For example, I. G. Farben was formed in the chemical industry (1925); Vereinigte Stahlwerke was formed in the steel industry (1926); and a little bit later, there was the major merger between the Deutsche Bank and the Disconto-Gesellschaft (1929).

The acquisition of the portfolios of FAVAG, the second largest German insurance concern at that time, made Allianz and its subsidiaries and associated companies into a major corporation. Unlike the merger with the Stuttgarter Verein, this one was an act of support. Under the management of its highly respected and long-serving general director, Paul Dumcke, FAVAG had grown rapidly. Yet it was known in the industry that this insurance group did not have sufficient equity capital. In fact, Dumcke had cooked the books for years and had tried to keep FAVAG afloat with speculative investments. Neither the supervisory board nor the Reich Supervisory Office noticed the misrepresentation in the financial statements. After Dumcke's shocking death in February 1929, Artur Lauinger, an investigative journalist with the *Frankfurter Zeitung*, disclosed them. A special audit in accordance with the laws applying to stock corporations generated one of the largest

scandals in the history of German insurance. FAVAG had debts with domestic and foreign creditors amounting to 104 million RM and had to suspend payments on 17 August 1929.⁹

That very same day, the members of Allianz's board of management agreed to take over the policies of its competitor, along with a guarantee for this portfolio. Wilhelm Kißkalt was informed of this on his vacation in Switzerland, and he expressly advised the board not to acquire these policies before an audit of them had been conducted. His reaction, however, had less to do with his conservative business style than with the state of available information. After Kißkalt had arrived in Frankfurt, he agreed with Schmitt. This decision was not only about saving people's trust in the German insurance industry – three large life insurers belonged to the FAVAG Group – but also to beat other interested parties to the punch. Swiss Re representatives who were ready to buy were allegedly waiting “in the next room.”¹⁰

FAVAG itself was not taken over on account of its heavy debts. Allianz founded a subsidiary, the Neue Frankfurter Allgemeine Versicherungs-AG, to manage the acquired FAVAG policies. Together with MR, it acquired FAVAG's majority shares in the Karlsruher Lebensversicherungsbank AG, the Vereinigte Berlinische und Preußische Lebens-Versicherungs-AG, and the Hammonia Allgemeine Versicherungs-AG in Hamburg.¹¹ FAVAG's collapse precipitated years of negotiations with the creditors and suits against those who had been responsible. Six directors and managers were convicted and had to go to prison or pay fines.¹² In consequence of this lesson from the FAVAG scandal, the monitoring of the insurance industry and the stipulations concerning investments were tightened by means of a change in the law on private insurance companies in March 1931. Large insurance companies were now required to have external auditors conduct an annual audit of accounts that would then be presented to the supervisory agency.¹³

The Reich Supervisory Office allowed Allianz to acquire the FAVAG policies. Its task was not to protect competition. Allianz could hardly be said to have had a market-leading position even after taking over the FAVAG policies, in any case. Its market share in Germany was a little over 20 % in life insurance and only over 50 % in the credit and machine insurance segments.¹⁴ Schmitt was able to claim that Allianz had rescued the German insurance industry from serious damage by taking over the FAVAG policies. Several large life insurers belonged to the FAVAG Group, particularly Karlsruher Leben and the Vereinigte Berlinische und Preußische Lebensversicherung. These companies' customers would have lost their contributions

if no other insurance firm had taken over their policies. There was no guarantee fund for the insurance industry, and the Reich government showed no inclination to found a catch-all company to rescue such policies. FAVAG's collapse came at the least conceivably favorable time for politics because provisions of a new reparation agreement were being negotiated at a government conference in The Hague at the same time – the Young Plan, which went into effect in May 1930. For the Reich to take action to shore up a collapsing company would hardly have been suitable to putting reparation creditors in a forgiving state of mind. In any case, FAVAG's employees whose jobs were not taken up by Allianz or the Neue Frankfurter Allgemeine Versicherungs-AG bore the brunt of the damage, and FAVAG's creditors bore the cost of criminal schemes of its former board of management because they only retrieved about 23 % of their money after long negotiations, and the shareholders only received 15 %.¹⁵ By contrast, Allianz got a good deal in taking over the portfolio. The purchase price of 37 million RM was significantly below its value.¹⁶

After this quantum leap, Allianz was no longer perceived as only an “insurance trust.” There were laments that it had become the “sole decisive insurance concern in Germany.”¹⁷ From then on, one could hear talk of the “all-consuming Munich Re/Allianz Group” at Swiss Re.¹⁸ Even so, Allianz's strong expansion was by no means unproblematic for MR. Although it profited from Allianz's growth on account of the agreed 50 % share of its business, it was in danger over the long or short term of merely becoming an appendage of the rapidly growing Allianz concern without correspondingly strong foreign business.

In the association agreement of 1921, MR and Allianz had indeed jointly agreed to enter into capital investments with other insurance companies. Yet Schmitt was pursuing a different goal than MR in taking over holdings. The model of acquiring minority shares in many direct insurance companies spread across several countries in order to bind them as cedents for the long term that Thieme had founded and which had been so successful for MR was not so lucrative for Allianz. Herzog paraphrases Allianz's response to this question: “At Allianz it is not common to invest in other companies only in order to gain business through the reinsurance path. It strives only to acquire or keep capital shares if it can work at its own discretion.”¹⁹ Schmitt bet on mergers and only wished to make investments that would also assure Allianz a determining influence over business policy. Under the circumstances, this seemed to be the strategy appropriate to the times. Although

MR had also aimed to form a corporate group with majority stakes such as those at Schweizer National and Elementar-Phönix, its primary concern was in getting reinsurance policies through these, not in influencing business policy.

MR had never striven to grow by leaps and bounds as Allianz did with its mergers in the 1920s, and this would hardly have been possible for a reinsurance company. In 1925 the Allianz Group already had 4,260 employees in office work and sales, and the number even rose to 9,050 in 1930.²⁰ At MR, by contrast, there were only 342 employees – the same number as at the turn of the century. During the inflation period, the number of workers reached its highest level on account of the hiring of temporary staff; after the currency stabilization it dropped significantly. MR's rather sparse surviving personnel statistics indicate that there were 614 employees in 1920 – there would not be this many again until after the Second World War.²¹ Operational procedures at Königinstraße 107 had obviously hardly changed since the days of the German Reich either. Administrative director Victor Bernhardt, one of the longest-serving employees in the company who was also a deputy member of the board of management and regarded as “a very strict boss,” was largely responsible for this.²² One employee who had joined MR in 1930 recalled “the colossal frugality that prevailed here ... we scrimped and saved on everything, paper, pencils and various other office supplies. All the furnishings were very dated; we still had the standing desks with the rotating footstools ...”²³ Compared to Allianz's central office in Berlin, where typewriters, punchcards and letter chutes were meanwhile in use, conditions at MR were rather behind the times.²⁴

Nonetheless, some competent young insurance experts were able to pursue careers at MR at that time. Especially worth mentioning in this context are Walther Meuschel and Gustav Mattfeld. Both of them were appointed to the board of management after a few years, which significantly reduced the age of this body; this was likely reflected in the atmosphere within the company. Meuschel, a cousin of chairman of the board Kießkalt, had been in the German Army until 1921. After that, he had worked for Allianz and Hermes Kreditversicherung and switched in 1925 to MR after its deputy board of management member Georg Süß had unexpectedly died on a trip to Athens. Meuschel was in charge of the fire insurance segment and for personnel issues. Already in 1926, at the age of 29, he had become a deputy member of the board of management, and four years later, an ordinary member. He remained a member then until the end of 1962.²⁵



Figure 16 An interior room in Munich Re's administrative building, photo from the 1920s

Gustav Mattfeld joined MR in 1924 after serving as the head mathematician and deputy board of management's member of Freia Bremen Hannoverische Lebensversicherungsbank. In 1930 he took over the management of the life insurance department, became a deputy member of the board of management, and two years later became an ordinary member.²⁶ His sure instinct for financial figures would prove to be extraordinarily useful for MR.

At the end of the 1920s, MR had an opportunity to expand on the model of Allianz by acquiring a reinsurance company. The Düsseldorfer Rückversicherung, which possessed a host of subsidiaries, including a Dutch insurer, was experiencing difficulty on account of heavy losses and needed a financially strong partner.²⁷ MR was very interested in Düsseldorfer Rückversicherung because it would open MR up to business in a segment of the industry that the MR/Allianz Group had hardly dealt with up to that point: public fire insurance companies. Private and public companies were not yet strictly separated in the fire insurance segment like they were for life insurance. Conflicts flared between the two camps again and again. For example, Allianz board of management member Eduard Hilgard accused the public insurers in 1926 of distorting competition because the public entities gave them preferential treatment.²⁸ Düsseldorfer Rückversicherung had established itself as a re-



Figure 17 An office at Munich Re, photo from 1931

insurer in this area already in 1924 when it acquired the Deutsche Gemeinnützige Rückversicherungs AG [German Welfare Reinsurance Corporation].

MR's acquisition and rescue of Düsseldorf Rückversicherung caused quite a stir and shifted the balance within the German reinsurance segment. MR, in return, received the contract with the Deutscher Gemeinnütziger Versicherungs-Verband from Düsseldorf Rückversicherung.²⁹ This acquisition was something completely new in the history of MR and, to a certain extent, marked a departure from Thieme's strategy. Up until then, MR had not yet swallowed up any large domestic reinsurer. Apparently those on Königinstraße had learned from Allianz that growth through mergers was the appropriate strategy under the changed economic conditions of that time. The acquisition caused the already rather high portion of domestic business to rise even more, of course, and the regional distribution of risk dropped accordingly.

At the same time, Wilhelm Kißkalt and his fellow board of management colleagues were by no means willing to content themselves with MR's focus

on the domestic market and a few neighboring countries. They had the earlier world order as a model in their minds and treated returning to the lost foreign markets as a high priority. After all, international entanglements lay in MR's original jurisdiction, also compared to Allianz, which now expanded its foreign business dramatically.³⁰ MR and Allianz jointly acquired equity investments in several countries, including shares in Plus Ultra in Spain and in the insurance company La Pace in Italy.³¹

In the former enemy states, there was still an aversion to German insurers in the mid-1920s. Even more importantly, unlike in the period before 1914, German reinsurers were not needed. The demand could be covered by newly formed domestic reinsurance companies combined with such companies from Switzerland or Scandinavia. In Great Britain, for example, MR only achieved a certain volume of business in 1929/30.³² There was no lack of attempts to expand foreign business by opening up new markets overseas. South America now came to play a larger role, and in 1928 business was taken up in China.³³ Already in the spring of 1924, MR, Allianz and Providentia had participated in a transportation reinsurance contract of British insurers with the state-run monopoly insurance company of the Soviet Union, Gos-trach. During the inflation period, direct contacts with Gostrach had been established through a Hamburg trading company.³⁴ These sorts of transactions, however, failed to compensate for the lost market shares in the leading Western industrial nations.

MR pinned great hopes on France, where it acquired a license again in 1927 after the two countries had negotiated a trade agreement for the first time since the war. MR opened an office in Paris that was specially authorized to handle questions pertaining to tariffs in the insuring of heightened risks. This innovation, which will be discussed in more detail below, was in high demand among life insurers in many countries. MR also made its Paris office available to the Parisian reinsurance company Les Réassurances for a share in its business in this segment. It soon became clear that Les Réassurances had a high deficit so that MR first of all had to provide it with a cash infusion of 2.4 million francs and then, in 1929, participated in the restructuring of the company. Its share capital was compiled and restocked with monies from Munich. After that, MR held about a 70 % share of Les Réassurances. As a German majority could not be accepted in France even ten years after the war had ended, it was decided that MR's investment should be disguised. A subsidiary of Banque Nationale de Crédit as well as the general director of Les Réassurances, another member of the board of management,

and an MR employee who happened to be staying in Paris at the time, subscribed to the shares.³⁵ MR entered into this expensive and later still loss-heavy investment because it saw in Les Réassurances a way to open doors to the French and Spanish markets.³⁶ Its foreign business oriented rather one-sidedly toward Eastern Central Europe, Northern Europe and Switzerland was now supposed to be balanced out and more widely distributed. MR's already mentioned investment in Plus Ultra in Madrid and another in Paris at the insurance company La Cité helped with this.

Thus, in the second half of the 1920s, MR's return to the world market was looming. The U.S. business remained, as before, the standard for determining its international position. MR had to find out whether it would be able to resume its earlier role in this market. Accordingly, expectations were high when Carl Schreiner founded a new U.S. subsidiary in New York in 1925, the Pilot Reinsurance Company of New York. This company was, at that time, the only larger subsidiary of German insurers in the U.S. With 40 % of the capital shares of \$400,000, MR only held an indirect majority of Pilot, unlike its earlier U.S. subsidiary First Re. Other major shareholders included Union Rück (24 %), Generali (20 %), and Allianz (16 %).³⁷ Carl Schreiner, of course, became the president of Pilot, and the 14-member supervisory board comprised American and German bankers and directors of insurance companies. Although Pilot experienced strong growth in its first years, it did not come close to the successes of First Re in the time before 1914. When it had a capital increase in the spring of 1929, only a portion of the new shares could be placed on the market despite the stock-market boom at the time.³⁸ The subsidiary Pilot Life Reinsurance Company, founded in April 1928 with share capital of \$500,000, turned out to be a mistake.³⁹

Schreiner, who had been a German nationalist all his life, later attributed Pilot's failure to fulfill expectations to "English-American rejection."⁴⁰ Others saw Schreiner's antiquated business practices as the reason – he was already 71 when Pilot was founded. Kießkalt recalled later: "Aside from political resentments he lacked (that is, Schreiner) the connection to the younger generation."⁴¹ In addition, it was not easy for a new reinsurance company to gain market share in the U.S. on account of the competition, which had meanwhile grown rather large. According to British figures, the U.S. in 1926 was the leading reinsurance nation, ahead of Germany and Switzerland, when measured by premium revenues.⁴²

The entire world market for reinsurance companies had been fundamentally changed by the First World War and its consequences. Among the 32

largest reinsurance companies, there were in 1926 eleven firms from the U.S., five each from Germany, Great Britain, and Scandinavia, four from France, and two from Switzerland. The reinsurers who had formerly been headquartered in St. Petersburg continued their business with newly founded companies in Denmark and the U.S. In Denmark alone, there were now four large reinsurance companies, including the successor firm of the former St. Petersburg companies *Rossija* and *Salamandra*. Among these firms, Swiss Re was the leader worldwide, ahead of MR, *Rossia of America* and *Salamandra* from Copenhagen.⁴³

The proportions of the various insurance segments in MR's business had changed dramatically since before the war, as well. Whereas the fire segment had dominated the MR's reinsurance business in its first decades, the life insurance segment was now the most important branch, conditioned by its disproportionate growth and Allianz's now strong market position in this area. Another growth segment was motor insurance, which contributed to casualty and liability insurance now comprising larger portions of MR's premium increases than had been the case before the First World War (see Table 8).

Table 8 Proportion of various insurance segments of the total gross premium of Munich Re 1913/14 and 1929/30⁴⁴

Year	Fire	Transpor- tation	Life	Casu- alty	Liability	Hail	Burglary	Machine	Other
1913/14	49.5 %	22.3 %	11.9 %	5.1 %	4.3 %	2.7 %	1.9 %	0.7 %	1.6 %
1929/30	21.3 %	7.8 %	37.9 %	7.5 %	13.5 %	4.1 %	2.7 %	2.0 %	3.2 %

Between 1924 and 1929, premium revenues from motor insurance rose from 4 to 7 million RM. However, profits were achieved in this segment only in a few years.⁴⁵ After the rise of personal motorized vehicles in traffic had been held in check during the war and the inflation period, the number of personal vehicles now increased significantly. In 1928 the first automobile legal costs insurance company, the D.A.S. (*Deutscher Automobil Schutz AG* [D.A.S. German Automobile Protection Corporation]), was founded.⁴⁶ MR chief engineer Fritz Böhler rejected the idea of automobile life insurance such as one direct insurer wished to introduce at that time. Böhler maintained that the policyholder could at any time shorten the life span of the car while the insurer had no influence over its maintenance.⁴⁷

As before, there was no obligation for car owners and drivers to have liability insurance. Whereas ADAC [General German Automobile Association] was pushing for a law to this effect, combined with founding its own insurance company, automobile insurers had no interest in this. Within the industry, obligatory liability insurance was not regarded as a good business prospect, and it was fervently hoped that neither the state nor a public company would develop an insurance monopoly. Consequently, at first, obligatory liability insurance was only introduced for horse-and-buggy and bus drivers, as well as driving schools. The Reich Ministry of Transport was working on a draft of a law that was finished in 1932 according to the Association of Automobile Insurers, but it could no longer be implemented before the National Socialists seized power.⁴⁸ Obligatory automobile liability insurance for car owners was introduced by a law of 7 November 1939, that is, after the annexation of Austria, where this sort of obligatory insurance already existed.⁴⁹

Insuring the risks of airplanes was still in its infancy. Nonetheless, MR was already active in this sector in the spring of 1919 in reinsuring the airplane casualty and airplane liability policies of a Swedish company. Three years later, it became the reinsurer for insurance policies of a Hungarian flight company.⁵⁰ At that time, most civil flight involved small motor aircraft and gliders. When passenger airplanes arrived, MR only wished to take on this risk jointly with other reinsurers. It joined the Deutscher Luftpool, formed in 1925, a reinsurance association of German flight insurers.⁵¹

In the baggage insurance sector, the companies of the Europäische that MR had taken over or cofounded became quite successful. With their monopoly agreements with the national railway companies, they did good business, but also with agreements with tour operators Thomas Cook and Hapag. Max von Engel would have liked to found a company in the U.S. but was unable to realize these plans. Kißkalt and Schreiner refused to provide the equity capital of about \$1 million that was required as long as MR's seized U.S. assets had not yet been fully released. The American Express Company, in turn, was not willing to cooperate with a firm that had a German majority shareholder. Finally, the project was buried because it turned out that similar insurance policies were already being offered by several American companies.⁵²

MR's life insurance department introduced something especially innovative in this period. Already during the First World War, the first attempts had been made at replicating the American model of insuring groups of

people who were excluded from general life insurance policies because of “heightened” or “anomalous” risks. In 1916 several insurers had founded a company, the Hilfe [Help], for this, which had gone bankrupt during the inflation period. MR had formed its own department with the founding of the Hilfe for insuring higher risks with a director with medical training. It had found Oscar Rucker-Embden to take on this role, who had previously worked for the New York Life Insurance Co. and was familiar with the American models.⁵³ After Gustav Mattfeld had also begun, from 1924, to work as an insurance expert at MR intensively on life insurance for “heightened risks,” the firm had the required expertise both at home and abroad in this area. Rucker-Embden’s department established the already mentioned tariff office in Paris in 1927, and later an office in Buenos Aires was added as well.⁵⁴ The life insurance policies for heightened risks met the expectations people had of MR as a “door opener for other insurance segments” (M. Herzog).⁵⁵ MR’s hiring of doctors to assess risks was an innovation. Up until then, it had been assumed that an insurance company only needed the scientific knowledge of legal experts and mathematicians. For casualty and machine insurance, engineers like Fritz Böhler were also involved. For the first time, the firm now established its own research site for investigating risks with clinical and statistical methods. A numerical tariff system was worked out on the American model. This marked the beginnings of knowledge-based expertise for reinsurance, which was already recognized as a competitive edge.

24 October 1929, “Black Friday” – which was actually a Thursday – marked the beginning of the Wall Street crash that engendered the worst world economic crisis to date. Contemporaries at first assumed that this constituted a short-term cleansing and consolidation crisis that would be over within one to two years. The full extent of the Great Depression only became clear in Germany in the banking crisis of July 1931, which temporarily caused payments to be stopped and once again raised unemployment figures dramatically. German industrial production was now 30 % below its 1929 level.⁵⁶ In the U.S., as in Germany, more than a few insurance companies went bankrupt, although technological insurance was by far not as dramatically affected as industrial production. Many an insurer, however, had temporarily taken on excessive risks in the form of heavy debts or speculative financial transactions in the preceding years on account of a shortfall of capital after the inflation period and the difficult market conditions. This had already caused FAVAG’s downfall.

Table 9 Financial figures of Munich Re in RM 1924–1933⁵⁷

	Premium revenues (gross)	Premium reserves	Net profit (without carryover)
1924/25	126,526,188	69,105,308	1,403,144
1929/30	240,662,983	237,359,969	2,196,358
1930/31	248,548,836	266,934,548	2,249,653
1931/32	248,698,680	275,242,119	2,248,107
1932/33	217,350,865	290,268,243	2,717,076
1933/34	197,283,836	256,806,940	2,943,767

MR was in a good financial position; it had suffered little from the inflation thanks to its foreign currency and real estate assets, and afterward had pursued a conservative reappraisal of its share capital. Its technological business proved to be quite stable during the world economic crisis. In its annual financial statement for 1929/30, the board of management determined that business had proceeded in a way that was “not unsatisfying.” The statements also provided an explanation: “Insurance has its own economy.”⁵⁸ What is decisive for the business of an insurer is the loss ratio. The ratio of losses to the gross premium volume had gone down as a result of the world economic crisis in fire, casualty, liability, and transit insurance.⁵⁹ When fewer people are working in factories and the transportation of goods and people is reduced, there are fewer fires and accidents. Premiums, on the other hand, remain constant. The economic crisis made itself felt most readily in life insurance. In this segment, policy cancellations reduced the premium revenues. For fiscal year 1931/32, additions and disposals were balanced for the first time. Suicides rose to constitute about 28 % of the “total losses in the German excess insurance business.” In 1929 they had made up about 18 %.⁶⁰

MR now had the peculiar experience that its weak presence in the world market proved to be advantageous. It was hardly affected by the Great Depression in the U.S. because it was not as widely represented there as it had been before the First World War. MR had not made any notable investments in the American stock market. Even the German banking crisis of 1931, at the height of which payments had to be completely stopped for several days, hardly impacted the firm. The Swedish press associated MR with the Darmstädter und Nationalbank, whose collapse had triggered the banking crisis. It was pointed out that the predecessor of this bank, the Bank für Handel und



Figure 18 Customers in front of the Sparkasse on Mühlendamm in the city of Berlin during the banking crisis, 13 July 1931

Industrie, had been among the founders of MR. In a circular addressed to its Swedish business partners, MR made it clear that its holdings of the Darmstädter und Nationalbank only comprised about 1.8 % of the share capital. The circular indicates that MR meanwhile was working with 13 German and 42 foreign banks.⁶¹ This wide distribution of banking ties proved to be a good mix of risk in the banking crisis.

The deflationary policy of Reich chancellor Heinrich Brüning affected insurers above all by reducing the interest rates for government bonds.⁶² Consequently, new casualty or liability policyholders could assume that insurance benefits for a loss would have a higher value than when they took out the policy. On the other hand, the value of the premiums received also rose for insurers on account of the drop in prices. Life insurers experienced a financial liability in that the accrued policies in these years had to be paid out in higher-value marks.

Against this backdrop of shut-down factories and unemployment figures of up to six million and more, it must have seemed downright cynical when MR made the following comment on the progression of claims in its finan-

cial statements for 1931/32: “This favorable progression of claims also lasted in 1932; it must be feared that it will shift to its opposite once the economy has again been brought more powerfully into motion.”⁶³ MR’s financial figures seemed at first glance to confirm this “fear.” After the German economy experienced its nadir in the fall of 1932 and the economy had begun to recover, its premium revenues declined (see Table 9).

Yet the connections are not actually all that clear because many write-offs from policies that had fallen on hard times during the world economic crisis were only calculated in the balance sheet for fiscal year 1933/34. Moreover, MR had to balance out heavy capital losses between 1930 and 1933 that had resulted from the decline in the price of shares. In addition, it had to weather “currency losses,” particularly caused by the price drop of the British pound after it was uncoupled from the gold standard. Price drops in the Scandinavian currencies – and also the U.S. dollar one year later – followed. Altogether, MR had suffered capital losses for fiscal years 1930/31 to 1932/33 of about 13 million RM, including “currency losses” of over 4 million RM. In the same time period, however, it was able to achieve capital gains of about 15 million RM on account of the high-interest rate policy of the Reichsbank and other central banks.⁶⁴

At this time, MR profited even more from its conservative investment strategy than from its “own” economy.⁶⁵ Over 60 % of its investment portfolio consisted of fixed-rate securities and almost 30 % from shares in associated companies that were held for the long term. Only 10 % comprised other shares (see Table 10). MR’s largest asset was share certificates of unlisted companies. These shares did not have to be listed on the public balance sheet because they were not subject to rate fluctuations.

Table 10 Account securities and holdings of Munich Re, 30 June 1931⁶⁶

	Nominal value in RM	in %
Bonds, obligations, mortgage certificates	21,891,609	61.7
Shares of noninsurance companies with equity investments under 10 %	3,547,184	10.0
Shares of noninsurance companies with equity investments of 10 % or more	138,500	0.4
Shares of other insurance companies* with equity investments of 10 % or more	9,908,027	27.9

* excluding unlisted shares of other insurance companies

Allianz, too, was able to manage relatively well during the world economic crisis. Then its transportation and motor vehicle business collapsed.⁶⁷ The credit insurer Hermes, in which MR and Allianz held shares, was hit especially hard by the world economic crisis. Hermes had to discontinue its most important business segment after the banking crisis of July 1931: blanket coverage for cancellations of receivables (accounts receivable insurance). Its net loss already exceeded its reserves in 1931, and in 1932, its losses accounted for more of its equity capital. Because Hermes was very important for German foreign trade, the state stepped in. The Reich finance minister took on guarantees of up to 30 million RM, supported by an emergency decree of the Reich president. The Reich thenceforth acted as Hermes' reinsurer.⁶⁸

In contrast to MR, many German insurance companies had raised their capital shares in their equity investments before the world economic crisis in order to compensate for the inflation losses. The Reich Supervisory Office had cleared the way for this in 1923 by lifting the limit on gilt-edged investments that had been in place up to then. As a result of the crisis, the requirements for capital investments were tightened again in 1931.⁶⁹ Internationally, too, many insurers held a large portion of stocks in their investment portfolios because they had wished to profit from the booming U.S. stock market in the years before 1929. Among these was MR's great rival, too – Swiss Re – for whom the world economic crisis was a disaster. Its proportion of stock was 16 %. General director Hürlimann failed to perceive the dimension of the world economic crisis for a long time and had bet on the U.S. market recovering quickly. The stock market crash, the price drop of the British pound and later of the U.S. dollar together generated financial losses of CHF 50 million in the years 1931 to 1933.⁷⁰ Swiss Re was only able to recover slowly from this setback.

Many German reinsurers did not survive the world economic crisis. Of 42 companies that existed in the German Reich in 1929, only 30 remained at the end of 1932.⁷¹ The collapses in the entire insurance industry began to pile up. As early as 1929, the Vaterländische Feuer-Versicherungs-AG, a company steeped in tradition, collapsed. It was acquired by Nordstern-Versicherung, which was transferred to Colonia three years later. Moreover, the FAVAG scandal was by no means the last of its kind. Again and again, it came to light that the boards of management of insurance companies had entered into risky speculative investments, had taken on mountains of debt, and had cooked the books. The supervisory boards and the Reich Supervisory Office had trusted these boards and had retained their trust to the very end. "Insur-

ance Scandal and No Ending” ran a headline in the Berlin newspaper *Montag Morgen* when the Allgemeine Brandenburgische Versicherungs AG had to file for bankruptcy in June 1930.⁷²

In early December 1932, it became clear that Kölnische Rück was on the brink of insolvency. The supervisory board, on account of the company’s poor annual financial statement, had called for it to be reviewed. In this process, a deficit of millions that had not previously been disclosed came to light.⁷³ Kölnische Rück had already made the serious mistake of setting its converted equity capital at too high a value in its gold-mark opening balance of 1924 – in order to undervalue the losses caused by the inflation. The board of management, headed by Heinrich Grünwald, a pioneer in the German reinsurance industry of high repute, had wished to impress business partners and regain lost customers with this strategy. The board was also convinced that a strong economic boom would begin after the inflation period, which turned out to be mistaken. After the beginning of the world economic crisis, Kölnische Rück, like many other companies, made the mistake of stopping the price drop of its own shares by means of acquisitions. As the price continued to drop, ever greater losses resulted while its equity capital continued to lose value at the same time. The U.S. subsidiary purchased with released assets in the U.S. from before the war also piled up further deficits. Finally, three million RM-worth of Kölnische Rück’s securities portfolio had to be written off and another 1.5 million RM in write-offs were taken from its U.S. subsidiary. Colonia held a 20 % share of Kölnische Rück’s share capital, having acquired this block of stock from Iduna Versicherung. As Kölnische Rück was on the brink of collapse, this threatened to be a disaster for Colonia as well. Kölnische Rück’s share capital had only been paid in at 25 %. If it went bankrupt, the entire value would have to be paid, which would generate liabilities of 1.5 million RM for Colonia alone. Lastly, these various strands came together at the Aachener und Münchener Feuer-Versicherungs-Gesellschaft, which was a major shareholder of Colonia and had developed one of the leading German insurance groups in the 1920s, including Thuringia. The Aachener und Münchener Group did not want to let Kölnische Rück fail and decided to restructure the company together with the Cologne bank Sal. Oppenheim jr. & Cie., which also held Kölnische Rück stock. The company’s capital stock was consolidated from 2.5 million RM to 0.5 million RM and then raised to 8 million RM paid in at 25 % by investments on the part of Colonia, the Kölnische Unfall-Versicherungs-AG and the National Allgemeine Versicherungs-AG, the latter of which also belonged to the Aachener

und Münchener Group. Chairman of the board of management Grünwald had to go. Walther Schmidt of the Aachener und Münchener became the new director of Kölnische Rück.⁷⁴

At MR, there was grave concern about what was going on at Kölnische Rück. Kißkalt had doubted that the Cologne consortium would be able to come up with the necessary means for a restructuring and had offered MR's support to the chairman of the board of the Aachener und Münchener Feuer-Versicherungs-Gesellschaft, Wilhelm Spans.⁷⁵ This noble gesture was by no means without self-interest; on the contrary, it was based on a sober calculation. Trust in the German insurance industry had been so eroded by the bankruptcies and scandals of the previous years that another case of this sort would only cause all market participants to lose. At that time, Kißkalt wrote to Carl Schreiner that he had "nothing against Colonia now burning its fingers" and added: "We would certainly gain one or the other contract if Kölnische Rück were to collapse; this, however, would be offset by the hit that the reputation of the German reinsurance industry would take."⁷⁶ In the end, MR's support was not needed since the restructuring consortium managed to save Kölnische Rück. Yet the oldest German reinsurance company had completely lost its independence. The majority of its capital was now in the hands of direct insurers of the Rheinische Gruppe.

A man like Kißkalt lacked any understanding for the behavior of Kölnische Rück's board of management, which Kißkalt rightly regarded the Rhenish competitor's mistake as having been the pursuit of a "fatal prestige policy." In addition, highly regarded Grünwald and his board of management colleague Bloch had approved interest-free loans lasting for years from the company's funds. As a lawyer, Kißkalt found this to be "the ugliest part of the matter."⁷⁷ Now almost 60-years-old, MR's chairman of the board perfectly represented the exact opposite. He preferred to be conservative in his assessments of capital and investments, he was rather deliberate in his business strategy, and hypercorrect in his personal behavior. MR was far removed from any "prestige policy." This could also be detrimental and had also contributed to the company being regarded as somewhat old-fashioned, also in comparison to Allianz. Yet MR, with a fastidious lawyer like Kißkalt at the helm, was armed to the hilt against the world economic crisis.

Another insight emerges from the crises of these years: The German insurance industry, unlike the banks, managed, under its own direction, to react to some of its most important companies collapsing with viable solutions. Although the state supported the credit insurer Hermes, it did not

need to step in for FAVAG or for Kölnische Rück or Nordstern-Versicherung. This was only possible because the sector was dominated after the heavy concentration in the 1920s by a few corporate groups that possessed the necessary means for restructuring large insurance companies and utilized them in the interest of either stabilizing their own group, as in the case of Kölnische Rück, or of acquiring an important competitor below its value, as in the case of FAVAG. In addition to the Allianz/MR Group, which was by far the largest conglomerate, the Rheinische Gruppe around the Aachener und Münchener Feuer-Versicherungs-Gesellschaft, the Victoria, and the relatively new Gerling Corporate Group also counted among these “insurance trusts.”⁷⁸

**Part II:
Munich Re during the
National Socialist Regime
(1933–1945)**

9. The National Socialist Takeover and Munich Re: Business Development, Political Ties, and Management

From the perspective of the insurance industry, the National Socialist takeover did not lead to a dramatic shift in the political and economic framework for conducting business. Thus, MR was able to survive the economic depression of the early 1930s much better than the bank industry or the industrial sector because the demand for insurance benefits was relatively inelastic. In the words of chairman of the board Wilhelm Kißkalt, the business climate for solvent reinsurers in 1930, 1931, and 1932 had even improved, “so that Munich Re can face the future with equanimity.”¹ The noticeable reduction in gross premiums of 23 % (from 1931/32 to 1936/37) occurred with a three-year lag compared to the phases of the larger economy and was thus anticyclical. This reduction in premium revenues was accompanied by a steady rise in net profit, which increased in the same period from 2.2 to 3.6 million RM.

The causes of this positive earnings trend were varied. For one thing, the generally favorable claims experience generated rising underwriting profits. For example, the underwriting profits in the life insurance business in consequence of the falling mortality rate rose from 2.2 % (1932/33) to 3.7 % (1936/37). In contrast to Swiss Re, MR had not invested any of its premium reserves in stocks, which suffered much heavier impairment losses during the world economic crisis than fixed-rate public bonds. Since MR, unlike Swiss Re, was hardly present in the British and American markets, the 40 % decline in value of the British pound (1931) and dollar (1933) played almost no role.

Against all expectations, the clearly rising use of automobiles led to a considerable increase in the net premium revenues, from 44.8 million RM (1932/33) to 58.5 million RM (1937/38), but not to rising underwriting profits. From 1935/36 to 1938/39, the comprehensive motor vehicle segment, however, experienced underwriting losses. The fire insurance industry and the remaining property insurance companies, however, developed in the opposite direction. On account of the considerable competition in premiums and the tendency for an excess supply on the fire insurance market, net premium

revenues dropped despite the sharp increase in industrial investments from 64.2 million RM (1932/33) to 53.1 million RM (1937/38). The modernization of building and machine equipment and better industrial fire prevention provisions were largely responsible for the underwriting profit rising from 5.3 % (1932/33) to 10.2 % (1935/36) and almost reaching 9.0 % in the following two years. For these reasons, the fire insurance business developed into the “cash cow” of the prewar years.

On the capital gains side, the drop in interest rates to 4.5 % for public bonds that took place in 1935 had less of an effect than expected. MR profited in the earnings trend not only from the successes of its own underwriting but also from the large gains in its equity investments in German direct insurers, whose returns from 1933 to 1939 only fluctuated between 6.1 and 6.9 %. Higher returns from equity investments compensated for the falling returns from fixed-rate securities such as Reich bonds, other public bonds, and company bonds.

As MR was traditionally conservative in its financial statements, its real earnings situation was even better than it looked on paper. For example, it assessed its entire real property at the purchase price and not with the much higher tax assessment value. Since the carrying value of the property in 1936 was 9.5 million RM and the tax assessment value was 10.4 million RM, MR had hidden reserves of at least 0.9 million RM in property alone. For equity investments, values were entered according to the strict lowest value principle with the purchase price as long as the actual market value had not fallen below this.² The hidden reserves in security investments rose within only three years from 2.3 million RM (1932/33) to 8.7 million RM (1934/35) and never fell below 5.8 million RM before the start of the war.³ The losses from direct insurers defaulting on their premiums remained within the usual range in spite of the Depression because either side could cancel a reinsurance policy at the end of its term so that payments could not be in default for a span of more than a year.

After the hyperinflation, MR was able to fully restore its underwriting reserves. In fiscal year 1932/33, these reached a level of 133.5 % of the gross premium revenues, allowing MR to signal a high degree of security and solidity to its ceding companies. By 1936/37, the ratio of underwriting reserves to premium revenues even rose to 156.5 %, a clear indication of solid risk provision.

Unlike the large banks, the large direct insurance companies and MR survived the world economic crisis without state funds or liquidity loans. Whereas some leading National Socialist economic policy-makers, calling to “break up

the interest bondage,” demanded that the large banks be broken up and restructured as public regional banks, the existence of large, private insurance companies was not yet being called into question by leading National Socialists in 1933. In MR’s view, a restructuring of ownership relations in the insurance field was no more of a threat than a fundamental shift in the state’s insurance policy. Since the expansion of insurance regulation that occurred in 1931 was regarded as a fundamental and final reform of the state’s supervision of the insurance industry,⁴ MR did not have to expect a paradigm shift in insurance policy. The reform was irrelevant to MR anyway: as reinsurers were not directly responsible for fulfilling policyholders’ claims, their investment activities and rate-setting practices were not subject to state supervision.

In contrast to the banking sector, the insurance industry was not viewed by the National Socialist racist anti-Semites as dominated by Jews [*verjudet* in German, or Jewified]. Thus, it was not subjected to violent pressures from the Gauleiter [regional leaders] or the NSBO (NS-Betriebszellenorganisationen [National Socialist Factory Cell Organizations]) after the consolidation of National Socialist rule in April 1933. There is no indication that MR’s board of management was put under pressure in the spring and summer of 1933 to demonstrate its respect for the “national revolution” by means of symbolic acts such as hoisting the swastika banner or conducting company roll calls.

Demands that Jewish employees be laid off as often made by National Socialist activists at big banks and major insurers like Allianz would have come to naught at MR anyway. At MR, there was one single employee in 1933 who would have been classified as a Jewess according to the “Nuremberg Laws” of 1935. This was a salaried employee in a subordinate position who was pensioned off in 1937 under unverifiable circumstances.⁵ Two other MR employees were considered “non-Aryans” according to the “Nuremberg Laws,” but they were probably so-called half Jews with one Jewish parent, and they were not laid off.⁶ The very small number of Jewish employees in a firm with 346 staff members (in October 1933) does, however, raise the question of whether there was an undercurrent of anti-Semitism in the company culture before 1933, or even an informal barrier keeping Jews from being hired. Since none of MR’s personnel documents survive, the hiring practices cannot be reviewed to determine whether there was hidden discrimination against Jewish applicants.

Although MR supposedly kept its distance from such applicants, this did not prevent the company from approving the appointment of Jewish banker Samuel Ritscher to the supervisory board.⁷ Ritscher did not hold the mandate



Figure 19 Procession of Nazi Factory Cell of MR on 1 May 1933 (“German Labor Day”)

as an individual but rather in his function as a member of Dresdner Bank’s board of management. Even though Dresdner Bank, as MR’s most important banking connection, was traditionally able to dispatch a board of management member to MR’s supervisory board, MR still could have spoken out against Ritscher’s election if it had opposed having Jews in its governing organs as a matter of principle. MR manifested loyalty toward its Jewish supervisory board member. His resignation in November 1936 was due to the fact that the nationalized Dresdner Bank, after the “Nuremberg Laws” were decreed, had to dismiss him from its board of management in April 1936 so that he was no longer able to represent the bank on supervisory boards.⁸

Considering the lack of indirect or direct political pressure, it is all the more astounding that the long-serving chairman of MR’s board of management Wilhelm Kißkalt joined the NSDAP on 1 May 1933 – that is, before a general announcement that admission to it would be restricted.⁹ As his position as the chairman of the board was just as uncontested as MR’s autonomy in relation to state and party institutions, his party membership was an absolutely voluntary decision. It can be interpreted as an act of anticipating and

opportunistically adapting to the new circumstances in order to put MR and himself in a positive light for Gauleiter and Reichsstatthalter [Reich governor] Adolf Wagner. When, in 1945, Kißkalt told the American military government that he had wished to guard MR from “attacks from socialist elements” in the Nazi Party,¹⁰ this was a tactical maneuver to protect himself and gain his release from American house arrest.

The invitation of a total of 76 foreign business partners to visit Munich in October 1933 for the laying of the cornerstone of the “House of German Art” also served this pandering to the new National Socialists in power in the Gau of Upper Bavaria, in Bavaria, and in the Reich. This event, which was staged elaborately and solemnly as a showcase project of National Socialist art policies, was supposed to “convince” representatives of foreign insurance companies “of the desire for peace, the unity of sentiment among the people, and of the prevailing order” along the lines of National Socialist propaganda, as an internal report from within MR’s leadership that was not signed by anyone had put it.¹¹ It was probably chairman of the supervisory board August von Finck who initiated this invitation to an unusually high number of MR’s foreign business associates. He had been a member of the Nazi Party since 1933 and made an open display of his political affiliations as the chairman and treasurer of the board of trustees for the future “House of German Art.” Without Finck’s good connections to the Gauleiter and Reichsstatthalter, MR would not have been able to purchase particularly good seats for the celebration of the laying of the cornerstone, the parade afterwards, and the festival of artists, as MR’s report proudly remarked. MR thoroughly appraised the thank-you letters from its foreign guests and noted with evident pride that, by means of this invitation, the group of “conscious friends of Germany” had grown larger, guests who had previously been neutral had joined the cause of National Socialist Germany, and guests who had originally rejected it had “at least been won over to the neutral camp.”

These invitations, aside from serving to foster political ties to the Nazi Party, also helped to maintain existing business relations. MR regularly invited the members of various boards of management of important ceding companies to Munich. Moreover, in light of alarming press reports about supposed anti-German boycotts abroad, MR’s board of management also wished to convey a positive image of National Socialist-led Germany to its foreign ceding companies. Fears of a possible economic boycott that would damage MR, however, proved to be unfounded. Kißkalt reported in the supervisory board meeting of 14 November 1933 that MR had “not lost a single

foreign contract, but rather that the foreign business ... had grown more than the German business.”¹² Board of management member Gustav Mattfeld’s travel report of September 1934 reinforces this impression. Although the Swedish public viewed, above all, the church policies of National Socialists with “strong animosity,”¹³ he noticed no change in the positive attitude toward MR among its Swedish business associates. In 1934 MR lost only two contracts in its foreign business due to cancellation. These had a premium volume of 25,000 RM, whereas MR’s premium revenues from foreign business overall were 75 million RM.¹⁴

The surviving minutes of MR’s National Socialist consultative council give no indication of tensions between MR’s board of management and the Deutsche Arbeitsfront [German Labor Front] (hereafter DAF). After the freely elected workers’ councils were abolished, DAF’s consultative councils were supposed to represent the interests of the *Gefolgschaft*, or following (a typical National Socialist term for staff) to the “company leader” [*Betriebsführer*], which in MR’s case was Kißkalt.¹⁵ MR’s board of management pursued a strategy of buying a conciliatory attitude from the DAF by providing voluntary additional material benefits to the salaried employees and making symbolic political concessions. For example, MR presented DAF members with dress uniforms including a cap and swastika armband for the National Socialist procession on 1 May 1934 (the “German Labor Day”) to represent the works community that had formed at MR. By no means would the DAF have expected the company leadership to finance these dress uniforms.¹⁶ Aside from the uniformity of the clothing, the cap and swastika armband contributed to standardizing the appearance of the MR staff for the outside world. This image of uniformity, however, was tempered a bit in that some workers wore a coat over their uniforms or carried them over their arms, purposefully or accidentally covering up their swastika armbands.

Among the voluntary and by no means mandatory advanced benefits to the DAF, in addition to acquiring the political *NS-Schulungsbriefe*, or monthly Nazi newsletters, was that MR workers were given time off for Nazi training courses, the cost of which was even subsidized. Hanging portraits of Hitler in every office at MR was a symbolic act of political conformity; companies like MR were in no way forced to do this. Cleansing the company library of politically and aesthetically undesirable literature and buying several copies each of National Socialist political literature (“Books of the Movement”) in August 1934 were acts performed not under police pressure but rather as voluntary adaptation to the wishes and expectations of National



Figure 20 Procession of workers of Munich Re on 1 May 1934

Socialist activists. Voluntary donations – to Gauleiter Adolf Wagner’s contingency fund of 10,000 RM (1935/36), 15,000 RM (1936/37), 10,000 RM (1938/39) and 20,000 in both 1939/40 and 1940/41, to SS-Oberabschnitt Süd [Elite Unit South] (1936/37: 3,000 RM) and to the “House of German Art” (1936/37: 5,000 RM) – fostered political connections and were supposed to secure the Gauleiter’s favor.¹⁷ These donations were hardly an exception among Munich firms but were expected by the Gauleiter.

Traditional company events, such as a celebration in honor of Kifkalt’s 25th anniversary as member of the board on 1 October 1934, were placed within the conceptual framework of National Socialist ideology as “company roll calls” without being National Socialist celebrations in their form and content. For the annual company Christmas celebration, however, when employees opened their gifts, the cafeteria was decorated with a Hitler portrait framed with a wreath and a large swastika flag – props that allowed the company to stage a ritual of gratitude to the “Führer.”¹⁸ The annual company outing introduced in 1934 was an apolitical event meant to motivate the staff, and it contributed little to the development of a National Socialist tradition. Traditional social company gatherings such as an evening for the whole staff at the grand “Bayerischer Hof” hotel adapted to the political language of the National Socialists with the new name “Comradeship Evening” and took



Figure 21 Munich Re lakeside vacation home in Neuhaus on Schliersee

place on deeply symbolic “German Labor Day.” In spite of being thus loaded with political symbolism, they remained in their substance unpolitical elements of corporate social policies. The board of management regarded the conflict-reducing strategy of providing special material benefits, staging unpolitical displays of community and conforming in symbolic matters as well worth it. Kißkalt reported at the supervisory board meeting on 3 July 1934 that there was an “especially harmonious relationship” between the “Führer” and the *Gefolgschaft*, that is, between the company leader and his staff.¹⁹

While the company leadership continued to put on traditional company celebrations, the consultive council organized an ample number of company roll calls whose primary purpose was to mobilize the staff to engage in National Socialist politics. For example, in 1935 alone, there were five company roll calls and one official MR visit by the leader of the DAF Reich Company Group Banks and Insurers Rudolf Lencer. This visit by DAF functionary Lencer was a highly political event for MR’s board of management: In May 1933 DAF had expropriated the assets of the unions that had been forcibly disbanded; these included the life insurance fund *Volksfürsorge*. Private insurers were critical of DAF’s interference in the insurance market and feared it would try to gain influence over the Reich



Figure 22 “Sports Roll Call” on the Allianz sports field, photo dated 26 September 1941

Group of Insurers.²⁰ The invitation to Lencer was supposed to develop a good relationship with this influential and self-confident functionary who had little knowledge of insurance matters and had expressed strange ideas about the structure of the insurance industry that seemed potentially threatening to the private insurance industry.

Other MR fringe benefits to its staff included the rental of a sports field, supporting company sports and subsidizing evenings in the theater, day trips and vacations arranged by the DAF organization “Kraft durch Freude” (KdF) [Strength through Joy]. Although company sports was among the most important areas of activity for DAF at the company level, MR’s DAF group did not establish any fundamentally new forms of company social policies. At the time of the Nazi takeover, MR already owned a ski lodge on Schliersee that workers were able to utilize for weekends of hiking and skiing. The rental of the sports field was paid for by the company.²¹ Company sports were broadened and laden with symbolic meaning by means of free passes for ice skating on Kleinhesseloh Lake, the purchase of ping pong tables and the endowment of trophies for sports tournaments, but none of this constituted a genuinely National Socialist personnel policy. Investments in improved working conditions and social spaces like modern lighting for offices



Figure 23 The DAF Band performing a concert in Munich Re's garden, photo dated 7 April 1938

and a shower for the women who worked in the kitchen, which the company had already intended to implement, could be sold to DAF as a contribution to its nationwide campaign “Beauty of Work.”²² On the other hand, MR did increase its expenditures on company social policy quite considerably when it purchased a guest house for 70,000 RM in July 1939 in Neuhaus on Schliersee that was supposed to serve as a recreation site for its employees.²³ Since accounting was moved to Neuhaus during the war due to air attacks and remained there for several years after the war ended because MR's alternative accommodations did not have enough space, this recreation site could not fulfill its purpose until the 1950s.

On account of its tradition of social policies, MR was under less pressure, with regard to the expectations of its employees, than DAF, which had to legitimate the contributions workers were forced to make with subsidized cultural events and favorably priced trips with KdF. DAF thanked MR with symbolic distinctions such as the “Gau Diploma for Outstanding Performance in the Program to Improve the Performance of German Companies” and the “Performance Badge for Model Support of the KdF's Efforts.”²⁴

DAF claimed to be responsible for its involuntary contributors receiving additional voluntary social benefits from the company like higher Christmas bonuses, which were doled out especially to married workers with children



Figure 24 Christmas celebration at Munich Re in 1936

in accordance with National Socialist family policies. For MR, these additional voluntary social benefits did not increase its financial liabilities. It profited from the salary development among its salaried workers resulting from the dissolution and prohibition of free unions. The Reich Labor Ministry and the Reich Economics Ministry had succeeded in denying DAF the status of a partner in forging collective wage agreements. Thus, determining salary rates lay exclusively in the hands of the trustees of labor who were appointed by the Reich labor minister. As the economy was beginning to recover and employment figures had improved, the insurance industry would have had to accept higher wages from 1935 under the conditions of union freedom and wage autonomy. By contrast, state-led wages were subject to the primacy of wage and price stability and pushed the wage level below the equilibrium price of labor in a free-market economy.

MR's good relationship with DAF was well worth its costs in business terms, as well. In 1934 MR received an 80 % share of the higher-risk small-life policies (for insured sums up to 2,000 RM) of DAF's own life insurer Volksfürsorge. In 1936 the Volksfürsorge that had once been the union's own company expanded its business relations with MR, ceding 80 % of its ordinary higher-risk life insurance policies to MR.²⁵ The business with the two large life insurers of DAF – Volksfürsorge and Deutscher Ring – proved to be lu-

crative for MR. With an annual premium volume of 1.0 million RM (1938), MR earned underwriting profits from these reinsurance policies from 1936 to 1939 of 1.2 million RM.²⁶ The business with the small-life insurance policies brought in constant underwriting profits in which MR had a share.

In October 1935 the boards of management of Volksfürsorge and MR were allies for a short time. At that point, Volksfürsorge was not yet fully under DAF control since the former union-owned retail company GEG (Großeinkaufsgenossenschaft [or bulk purchase cooperative]) still retained a slim majority. In order to prevent DAF from gaining a controlling interest in Volksfürsorge, it offered MR a 15 % stake.²⁷ This transaction did not come to pass, however, because DAF's house bank – the Bank der Deutschen Arbeit secured the block of shares and provided DAF with a direct majority stake of Volksfürsorge. MR's business relations with Volksfürsorge were not, however, undermined. Although many unpolitical and formerly Social Democratic managers of Volksfürsorge were replaced by less qualified National Socialists, to MR's dismay, this customer relationship remained intact.²⁸

At MR, the portion of active National Socialists in leadership positions was relatively low. Aside from the chairman of the board of management Wilhelm Kißkalt (by 1937) and his successor Kurt Schmitt (by 1938),²⁹ Alois Alzheimer was the only other ordinary board member to join the Nazi Party. Common to all three of these board members was that they had applied to join the party in April or May 1933 and had acted out of personal conviction.³⁰ Deputy member Robert Schneider (born in 1900)³¹ was among the “Old Fighters” of the party because he had joined it early on, on 1 August 1930, before its breakthrough to a mass party.³² Schneider never held an office in the Nazi Party. As he was not a conspicuous National Socialist activist at MR and since there was no need to appoint a “token Nazi” on account of Schmitt and Alzheimer's party membership, Schneider certainly owed his professional rise from a simple agent to deputy board of management member between 1935 and 1943 to his professional achievements.³³ This sort of rapid rise was no exception at MR: Alois Alzheimer, who was indubitably outstanding, rose from 1929 to 1933 within just four years from newly hired agent to deputy board of management member. The four remaining board of management members in office at the end of war never did join the Nazi Party.

On the level of the 17 executive managers, department directors and authorized representatives, the proportion of Nazi Party members was low.³⁴ Since only two of them had joined the Nazi Party, it appears that a special declaration of loyalty to National Socialism in the form of joining the Nazi

Party was irrelevant to a career at MR. Kißkalt and the other board of management members could be reserved in maintaining contact with the Gauleiter and Reich governor since the chairman of the supervisory board August von Finck, who had belonged to the Nazi Party since 1933, was considered a “steadfast and enthusiastic National Socialist” (as judged by the general director of Allianz, Hans Heß, who was critical of the National Socialists), fulfilling this task with eagerness and personal involvement.³⁵

Outside MR and its supervisory board positions, Kißkalt only took over the chairmanship of the committee for stock corporation law in the Akademie für deutsches Recht [Academy of German Law]. This de jure state academy was newly founded by the National Socialists under the aegis of the party functionary and later war criminal Hans Frank (1900–1946), who became notorious less in his function as the leader of the National Socialist Association of Legal Professionals than as the governor general of occupied Poland (1939–1945). Kißkalt, with his advanced degree in law, was a member of the association and was one of the cofounders of the academy. The Reich Ministry of Justice tasked the academy’s committee for stock corporation law with drafting a new stock corporation law.³⁶ Alongside Kißkalt, most of the eleven committee members were top managers and entrepreneurs (like Hermann Schmitz, Herbert von Breska and Carl Friedrich von Siemens), managing directors of chambers of commerce and industry, or professors of commercial law. National Socialist functionaries were only invited as guests.

Just how close the stock corporation law committee was to the company and its interests can be discerned from the fact that it met in 1934 and 1935 under Kißkalt’s chairmanship in MR office space. At the committee’s meetings and in the subsequent discussion with the Reich minister of justice Wilhelm Gürtner, Kißkalt advocated moderate reform.³⁷ In contrast to the staunch ideological stance of the party functionaries, he rejected the idea of transferring the National Socialist leadership principle [*Führerprinzip*] into company law and argued for the supervisory board to make its own decision on whether to apply the collegial principle (with board of management members with equal rights) or solo leadership by one chairman of the board of management.³⁸ His demand for incentives to transform anonymous unregistered stock into registered stock by giving registered, long-term stockholders a double right to vote accommodated the National Socialist demand to push back anonymous share capital, but it was not ideologically motivated. Having had good experiences in the insurance industry with registered shares, Kißkalt was interested in strengthening reg-

istered shares compared to unregistered shares. Registered shares were an effective tool for keeping unwanted shareholders at bay and preventing a hostile takeover.

In contrast to the incumbent economics minister Schacht, Kißkalt supported the idea of strengthening the position of the board of management in relation to the stockholders by granting it 20 % of all the voting rights and transferring the approval of the yearly balance sheet and the profit dividend from the general stockholders' assembly to the supervisory board. The board's strengthened vote was intended to compensate for the planned elimination of shares with multiple votes (privileged shareholders had multiple votes in the shareholders' assembly). His agreement with weakening shareholders' rights was apparently conditioned by his positive experience with crossholding entanglements of capital and supervisory boards between Allianz and MR, which precluded the possibility of coincidental majorities or free shareholders forging their own majority. The strong, reciprocal cross-holdings excluded conflicts of interest between the major shareholders and the boards of management in the Allianz/MR Group anyway. Removing some of the shareholders' powers seemed to him to be sufficiently justified from his experiences with business practices. In his view, Allianz and MR were entitled with their 30 % share each of the other insurer to utilize their dominance to the advantage of the other company. Kißkalt assumed that all of the minority shareholders were more interested in deriving high dividends than in the long-term development of the company, to its detriment. His demand for a significant reduction in the size of the supervisory board to maximally seven members exceeded the suggestion of the Ministry of Justice and had the same motivation – to strengthen majority shareholders at the expense of the minority shareholders. The final version of the new stock corporation law of 1937 nonetheless bore the mark of Reich Economics Minister Schacht, who was opposed in principle to weakening the shareholders in relation to company boards and cut the voting right of the latter from the draft.

The board of management had a stronger political position after the supervisory board had elected former Allianz general director Kurt Schmitt to be Kißkalt's successor at the end of 1937. Schmitt, who had only spent a few months at the beginning of his career at MR, was purely a direct insurer in terms of his professional experience, which made him an atypical member of MR's board of management. With a doctorate in law, Schmitt had quickly launched a career after starting at Allianz in 1913, advancing after only eight years in 1921 to being appointed the general director of the largest German



Figure 25 Hitler and August von Finck at the groundbreaking ceremony for the House of German Art on 15 October 1933

direct insurer.³⁹ He resigned his post as the general director of Allianz in June 1933, when Hitler appointed him the Reich economics minister.

Not only did Schmitt's professional success in managing MR's affiliate Allianz make him a favorable candidate to replace Kifskalt. He was highly regarded by foreign insurance managers and was, thus, entirely suitable to representing MR in its foreign markets. His personal contacts in British government circles and with the American ambassador William Dodd strengthened the impression among foreign business partners of the company's ability to stand its ground in diplomatic circles, as well as its cosmopolitanism.⁴⁰

It was important to Schmitt's domestic standing that he had a powerful long-time friend in leading National Socialist circles: Hermann Göring. After Schacht resigned from his position as Reich economics minister in October 1937, Göring, the commissioner for the Four-Year Plan, became the undisputed leading figure of German economic policy. In the view of MR's supervisory board, it was politically advantageous to have a chairman of the board of management with personal ties to Göring in order to ward off possible initiatives to gradually nationalize the insurance industry.

Schmitt had met Hermann Göring in November 1930 through one of Allianz's directors and quickly became friends with him. In spite of his per-

sonal liking for Göring and his growing partiality toward National Socialists, Schmitt avoided taking any official position in favor of Hitler or the Nazi Party until the takeover, in consideration of business opportunities.⁴¹ Schmitt's friendship with Göring made him one of the small group of top managers who were supporters of the National Socialists already in February 1933. Together with two dozen top managers and powerful entrepreneurs, Schmitt and MR supervisory board chairman August von Finck participated in an event at Göring's house on 20 February 1933, where Hitler presented his economic policy ideas for the first time to German economic elites.⁴² Although Hitler explicitly announced the abolition of parliamentary democracy and remained vague concerning his economic policy program, von Finck and Schmitt responded positively to his 90-minute speech. Hitler's rhetorical panegyric on entrepreneurialism reinforced their expectation that neither experimental economic policies nor a pseudo-socializing course for insurance was to be expected.⁴³ Schmitt and von Finck donated 10,000 RM to the Nazi Party for the Reichstag elections; one-third of this sum came from MR. Since both companies had remained unusually solvent in the world economic crisis and only donated a fraction of the overall pledge of three million RM, Allianz and MR's contributions should be regarded more as a cautious agreement than as an emphatic avowal of the Nazi Party.

Yet already in May 1933, Schmitt did publically profess his support of National Socialism by joining the Nazi Party and demonstratively raising his right arm at an Allianz company assembly. His friendship with Göring charted the further course of his career. On 28 June 1933 Göring, who had momentarily assumed authority for setting economic policy guidelines, offered Schmitt the position of Reich Economics Minister – this was not entirely a surprise.⁴⁴ As von Finck and the majority of his colleagues on the board of management emphatically advised him to accept Göring's offer, he did so despite fundamental reservations about the politics. He certainly took on the ministerial office in the expectation that he could prevent the advocates of an authoritarian corporate state [Ständestaat] among the middle-class activists in the Nazi Party from possibly succeeding and that he could steer economic policy onto business-friendly and predictable paths. He was active in this office for exactly one year, from 30 June 1933 to 28 June 1934, during which time he successfully restructured the trade associations.⁴⁵ The law passed in January 1934 to prepare the way for the organic development of the German economy prevented trade associations from organizing to advance professional aims. Through the newly founded Reich groups and trade groups, the once



Figure 26 Chairman of the board of management Kurt Schmitt (1938–1945)

self-governed trade associations [berufsständische Organisationen] were conveyed as public bodies under the supervision of the Reich Economics Ministry. This solution blocked Nazi and DAF influence on the self-governing bodies of trade.

Schmitt failed, however, in trying to moderate arms production and prevent the Reich from taking on excessive debt. In late March 1934, he did not manage to convince Hitler during a visit to Obersalzberg of the threat that excessive arms expenditures could present to the balance of payments and state debt. Schmitt determined that Reichsbank President Schacht had stabbed him in the back, and that he was isolated on this core issue of economic policy. His attempt to win Hitler over to his position by inviting him to his estate Tiefenbrunn am Ammersee, however, came to nothing.⁴⁶ In June 1934 he disclosed his frustration about the increasing tension in foreign trade and the unwillingness among those involved in German foreign trade policy to put the relationship to the U.S. in order in two lengthy personal conversations with American ambassador William Dodd.⁴⁷

On 28 June 1934 Kurt Schmitt, who was athletic and otherwise healthy, collapsed after a talk in Berlin. He was psychologically and physically worn down less by the conflicts with Schacht and some Gauleiter than by the ever more serious problem of the balance of payments. The German economy had grown less competitive in consequence of the worldwide autarky policy as well as of the devaluation of the dollar and important European currencies. Since Germany's economic surge preceded the economic recovery among its most important trade partners, the German economic boom was entirely domestic. Increasing imports of raw materials for industrial production for the domestic market were accompanied by lower export revenues. The previous surplus in the trade balance also disappeared on account of the greater demand for imports for the emerging arms production, which was not offset by any exports. Although checkpoints for imports were founded and diminished their rise, this did not eliminate the problem in the balance of payments. When the Reich Economics Ministry was only able to make foreign currency available for imports in the amount of foreign currency receipts for exports and foreign exporters demanded cash payment ever more often, Schmitt had reached the end of his possibilities and his strength.⁴⁸

While he was recovering in July 1934, Schmitt finally resigned himself to the problems of his office and gave up his plan to return to the Reich Economics Ministry,⁴⁹ which Hjalmar Schacht took over. Despite Hitler's request that he remain, Schmitt insisted after his recovery on being released from the duties of his office as Reich Economics Minister. In 1935 he returned to Allianz as the deputy chairman of the supervisory board and, in November of the same year, he also took up a position on MR's supervisory board.⁵⁰ Since these tasks did not exhaust his professional capacities, he also took over the chairmanship of AEG's and the Deutsche Continental-Gas-Gesellschaft's supervisory boards in 1935. Schmitt acquired these chairmanships personally rather than as a representative of Allianz, which was either not at all or not significantly invested in these companies. After his appointment as the chairman of MR's board of management, Schmitt also assumed the chairmanship of Südzucker AG's supervisory board, of which the general director of its affiliate insurance company Allianz disapproved. Out of vanity and a need for prestige, Schmitt violated the rule still valid at that time that the chairman of MR's board of management was to concentrate entirely on his office and was not to take on the chairmanship of any supervisory boards outside the Allianz/MR Group. Purely from a business perspective, it was relatively irrelevant for MR that Schmitt was significantly more con-

nected to major industry than Kißkalt had been. Since there were no direct business ties between reinsurers and industry, insider information about business developments in industrial companies was not important to MR's operations. Nonetheless, they could potentially be helpful when it came to making decisions about investments in stocks and in company bonds.

Whether Göring offered Schmitt the office of Reich Economics Minister as Schacht's successor in the summer of 1937, as he asserted in his denazification proceeding after 1945, is very questionable.⁵¹ There is every indication that Göring had decided early on on the compliant Walther Funk and did not consider Schmitt. Since Kißkalt had earned significantly less than Schmitt in his office as chairman of the Allianz's board of management with an annual salary of 72,000 RM (without profit-sharing), Schmitt had his annual salary raised to 120,000 RM. His greater need for prestige made itself felt in 1938 when he had the offices of the board of management renovated at a total cost of 72,000 RM.⁵²

Schmitt had fully withdrawn from politics and was not interested in taking on an office in the Reich Group of Insurers. Exasperated by the unpleasant and fierce arguments with the functionaries of the public insurers, his former board of management colleague Hilgard made his office as Reich Group Leader available in early November 1938.⁵³ Schmitt categorically rejected the offer to take over this office that Rudolf Schmeer, the chief department head in charge at the Reich Economics Ministry, had made to him. His argument that he, as the chairman of the board of a reinsurance company, could not lead the Reich Group dominated by direct insurers, could not be denied – but it was merely a feeble excuse. His comment that he did not wish to get sucked into the “dirty zone” exposed his true motive.⁵⁴ Schmitt was wary of the conflict with the public insurers and their protagonists in the Nazi Party and did not wish to allow himself to get trapped in a political office once again. The conflict ended with the leading representatives of the private and public insurance industry declaring their trust in Hilgard. Göring, too, emphatically supported him.

Schmitt's membership in the SS had more than just symbolic meaning for his activities in the political realm. In August 1933 he accepted Reichsführer SS Heinrich Himmler's offer to become an honorary member of the SS at the high rank of an SS Oberführer.⁵⁵ The black SS uniform and the high honorary rank in an elite National Socialist organization not only flattered his vanity but also gave him a certain protection against attacks from the party. During his term in office as the economic minister, Schmitt frequently

appeared at official events in his uniform and purposefully used his membership in the SS for political networking. In 1935, at the invitation of leading SS functionary Fritz Kranefuß, Schmitt joined the “Circle of Friends of the Reichsführer SS Heinrich Himmler,” where more than a few prominent National Socialist businessmen and company board members were represented. His contact with Kranefuß, who was the guiding spirit of the Circle, proved to be helpful in suppressing attacks against Allianz in the SS magazine *Das schwarze Korps*.

The appointment of a politically more exposed chairman of MR’s board of directors like Kurt Schmitt did not have any effects on the political climate of the company or on how it presented itself to the public. MR’s public image as a supposedly unpolitical company would have been damaged, however, had Heinrich Himmler taken up Schmitt’s invitation to pay an official visit to MR in the summer of 1939.⁵⁶ Since Himmler seldom visited a private company, this would have given the public the impression that MR was particularly close to the SS. Only the beginning of the war prevented Himmler from visiting.⁵⁷ A tragedy for the Schmitt family would raise Schmitt’s reputation with Himmler even further. Schmitt’s oldest son Günther was an Obersturmführer of the elite SS unit “Leibstandarte Adolf Hitler” and fell in September 1939 during the attack on Poland in combat at the Bzura River.⁵⁸ After Schmitt’s son was buried near his Tiefenbrunn estate, Hitler had a wreath laid on his grave.⁵⁹ This was a clear sign that Schmitt was still appreciated by Hitler, and the “hero’s death” of his son raised his political prestige. The symbolic valorization of being the father of a fallen SS officer would last for a long time. In 1943 Himmler protected Schmitt for this reason from a personal attack of Gauleiter Franz Schwede-Coburg.

From fiscal year 1938/39, Schmitt transferred 6,000 RM annually in his capacity as a member of the Circle of Friends of Heinrich Himmler from MR’s donation budget to a discretionary account of the Reichsführer SS, which Himmler used, above all, to finance high-ranking SS leaders.⁶⁰ In comparison to the obligatory donation to the National Socialist Winter Relief Fund and the Adolf-Hitler Donation to the German Economy to the Reich Treasurer of the Nazi Party, this purely voluntary political donation was not high. On account of Schmitt’s membership in the Circle of Friends of Heinrich Himmler, however, MR was the only insurance company that donated to the “Reichsführer SS.”

Schmitt’s attitude toward National Socialism, toward National Socialist policies, and toward Hitler and Göring was contradictory in itself.⁶¹ In 1933

and even in 1934, Schmitt displayed his enthusiasm for National Socialism in word and deed publicly as well. All surviving personal testimonies from him indicate that he admired Hitler, that at least until 1942 he believed in the politics of the statesman and commanding officer, and that he did not lose his trust in the charismatic personality of the "Führer." Despite his increasing doubt about the sense and the consequences of economic policy and the arbitrariness and self-importance of National Socialist party functionaries, his image of Hitler and Göring remained positive. After he was appointed chairman of MR's board of management, however, Schmitt intensified his ties to Göring in order to get him to ally with private insurers against the influential Gauleiter Franz Schwede-Coburg and the functionaries of the public insurance sector, who were striving to nationalize the industry.

A look at Schmitt's circle of colleagues and friends yields a different impression. Among his colleagues on MR's board of management and supervisory board, the apolitical managers outweighed the unenthusiastic opportunists. There were hardly any staunch National Socialists present on the board of management or supervisory board. Schmitt, who lived in Berlin-Dahlem until 1937, had been friends there since 1934 with the parish pastor Martin Niemöller, who was one of the most prominent and polemical leading figures of the Confessing Church. This acquaintance developed into a close friendship of both families. One of Niemöller's sons was a close friend of Schmitt's younger son and lived for years almost like a foster child with Schmitt's family on the Tiefenbrunn estate.⁶² While Schmitt did not once suggest even slight doubts about National Socialist policies on public occasions, he did express increasing skepticism from 1934 in confidential conversations with critics of the National Socialist regime like Niemöller and the American ambassador William Dodd. Although Schmitt and Niemöller no longer met personally from 1936, the former German ambassador and conservative Hitler opponent Ulrich von Hassell was among Schmitt's regular conversation partners from 1938 to 1944. According to Hassell's descriptions, which were in no way airbrushed or uncritical, Schmitt was already showing his desperation about the domestic situation and the Reich government's economic policy course in late December 1938. His emerging doubts about National Socialist policies toward opponents of the regime grew stronger when he tried in vain to negotiate the release of two high-ranking Czech officials who had been arrested by the Gestapo and imprisoned at the Buchenwald concentration camp with Reich protector Konstantin Freiherr von Neurath.⁶³ Schmitt's intervention with the Reich protector was honorable, even if it was not entirely without self-interest. The arrested

men were related by marriage and friends, respectively, with the general director of the largest Czech insurance company Slavia Mutual Insurance Bank, and Schmitt wished to retain this director's favor for business reasons.

It was characteristic of Schmitt's inner conflict between his ability to criticize policy and his personal loyalty that he did not utter a single negative word about his friend Göring, despite his criticism of the economic and armaments policies Göring was responsible for. Although Göring's greed and corruptibility disturbed him personally, Schmitt followed the dubious example of many other businessmen in large companies and gave him very generous birthday presents up to 1943 in order to retain his favor.⁶⁴ The astute observer Hassell characterized Schmitt as being "easily impressed" and repeatedly allowing himself to be taken in by Göring's optimism and charisma.⁶⁵ Schmitt's criticism of the domestic policies of the Nazi regime also stood in stark contrast to his personal trust in the Reichsführer SS and chief of the German police Heinrich Himmler; Schmitt disliked only Himmler's radical anti-religious positions.⁶⁶

There are no clues that Schmitt was aware of this cognitive dissonance between his political discernment and naïve trust in charismatic, leading political figures. Schmitt's positive opinion of Himmler only began to waver when Himmler suggested to him in the fall of 1939 or the following winter that Hitler had tasked him with eradicating the Polish intelligentsia.

Diverse evidence suggests that Schmitt's membership in the Circle of Friends of Heinrich Himmler was, above all, of instrumental significance. To a certain extent, Schmitt wished to reinsure himself with his paid membership against SS attacks on the private insurance industry. For example, he used his personal relationship to Himmler to get entry permits from the Reich Main Security Office just a short time after the Wehrmacht marched into Norway, the Netherlands and Belgium and to secure an advantage in the race to take over the most lucrative reinsurance policies in these countries.⁶⁷ In the summer of 1942, however, Schmitt came to doubt whether he remained in Himmler's favor. He openly asked Fritz Kranefuß, the guiding spirit of Himmler's Circle of Friends, whether he ought to interpret his lack of advancement to a higher SS rank as a criticism on the part of Himmler.⁶⁸ Although Schmitt was vain and would have liked to advance to a higher honorary rank in the SS, the missing promotion was less the reason than the occasion for his concerned question.

Himmler saw no cause to promote Schmitt. But Schmitt had not fallen out of Himmler's favor. His good reputation with Himmler was of use to him

when his adversary in insurance policy matters, Schwede-Coburg, denounced him in March 1943 to the Reichsführer SS on account of an article that Schmitt had published in 1930 in a standard work of the insurance industry by the renowned Jewish insurance scholar Alfred Manes (1877–1963).⁶⁹ Although Himmler thanked Schwede-Coburg for this information and was annoyed that Schmitt had not personally admitted this to him,⁷⁰ the Reichsführer SS demanded that the Gauleiter “avoid personal attacks on Party Member Schmitt, who belongs to the SS and whose son ... fell as an SS-Obersturmführer, if at all possible.”⁷¹ On the other hand, there is no known case of Schmitt using his membership in the Circle of Friends of Heinrich Himmler to develop business with the SS. Allianz insured numerous SS companies located near concentration camps like Auschwitz, Buchenwald, Dachau, and Sachsenhausen, which almost exclusively employed concentration camp inmates. In Allianz’s invoices with its reinsurer MR, these insured objects did not appear. These policies came into being without MR’s participation through the involvement of Allianz subdirector Max Beier, who was employed at the Allianz branch in Berlin.⁷² Schmitt was not involved in the development and maintenance of business ties to the SS.

Schmitt exercised his membership in the Circle of Friends of Heinrich Himmler rather sporadically and only irregularly participated in its events. Fritz Kranefuß reported to Himmler in April 1943 that Schmitt had only attended 12 of a total of 38 meetings. Since Schmitt, in Kranefuß’s view, was not a National Socialist and had little love for the interests and positions of the SS, he should not be invited in the future.⁷³ Kranefuß continued: “When one converses as a National Socialist and SS man with Dr. Schmitt on political and economic issues, one has the feeling of living on two different planets.”⁷⁴ He criticized Schmitt’s attitude in SS terms as “leaving something to be desired.”⁷⁵ In Kranefuß’s eyes, Schmitt was a typical businessman who thought and acted like a manager of a company and not like a political soldier of the National Socialist ideological elite. Schmitt had never hidden his attitudes about economic policy from Kranefuß. In March 1941 he had sent Kranefuß a detailed memorandum against a (partial) nationalization of direct insurance companies, the original copy of which was addressed to Göring.⁷⁶

More concrete and serious, however, was an accusation related to Schmitt’s role as the supervisory board chairman of the Deutsche Continental-Gas-Gesellschaft AG. In 1942 Schmitt left a thank-you letter of Himmler to Eduard Schalfjew, chairman of the Contigas board of management. Schmitt had received this letter for a donation that he had given in his func-

tion as the supervisory board chairman. Schalfejew used this thank-you letter from Himmler to intervene with another member of the Circle of Friends for the sake of a half-Jewish Contigas employee, Graf von Westarp.

After German Jews began to be deported in October 1941, Schmitt repeatedly asked the Munich Police Chief and Higher SS and Police Leader Karl von Eberstein in vain to strike the names of Jewish people he knew from the deportation lists. He was moved, above all, by the fate of a Jewish widow who was married to the head of his unit from the First World War. Two Jewish women begged him before their deportation to supply them with poison to commit suicide. In front of his friends who were opposed to National Socialism, like Ulrich von Hassell, he displayed his deep horror in August 1942 about the murder of deported Jews.⁷⁷ Such contradictions between his demonstrative loyalty to the SS, his futile interventions for Jewish acquaintances and his horror over the Holocaust were quite typical of Schmitt's split political personality. The high-ranking member of the SS was, in any case, a moderate anti-Semite and quite capable of empathizing with Jewish people. He made no known anti-Semitic remarks nor took anti-Semitic action against Jewish employees in his roles as Allianz general director, Reich Economics Minister, or chairman of MR's board of management.

MR exerted no influence on the economic policy of the government and was not involved in conceptualizing and implementing National Socialist racial policy. Nonetheless, the radicalization of anti-Jewish and economic policies domestically did impact business development at MR. In order to be able to finance their emigration and a new beginning abroad, Jewish emigrés had to cancel their German life insurance policies. This was reflected in rising cancellation figures at life insurance companies, which paid their customers the so-called surrender value, which was lower than their previous revenues comprised of closing fees, premium payments and interest gains. Thus, life insurers and their reinsurers enjoyed significant profits from these surrendered policies. Even though MR was not itself involved in the cancellation of life insurance policies, it profited from its stake in the life insurance business of its ceding companies.

During and after the world economic crisis, surrendered policies were an important seismograph indicating the development of income and the overall economy. At MR, life insurance policy surrenders rose from 1930 to 1932 from 4.2 to 10.5 million RM; in 1933 they dropped slightly to 9.9 million RM, and in 1937 had once again reached the level they had before the Great Depression, with 4.3 million RM.⁷⁸ Rather than continuing to fall in accordance with how

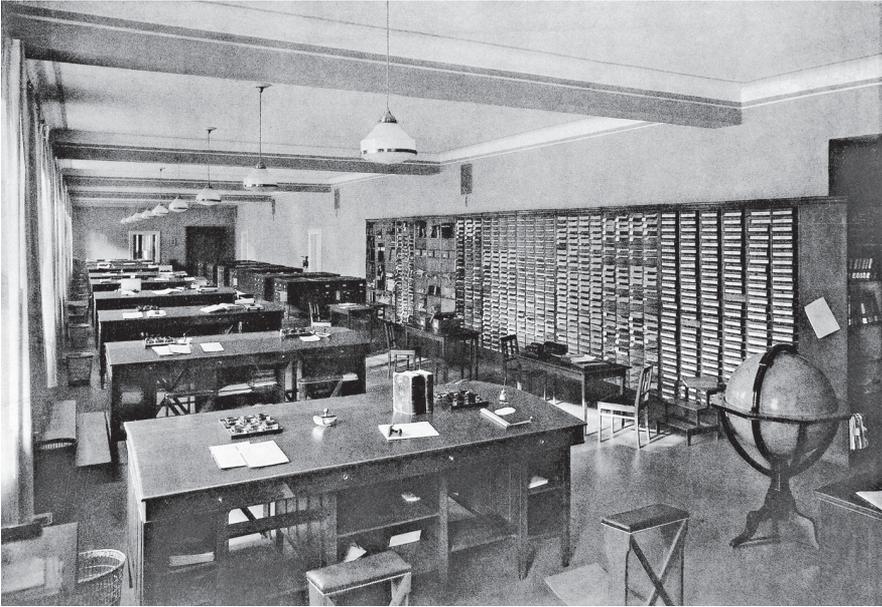


Figure 27 An office at Munich Re in the prewar period

the greater economy was doing, surrenders rose in 1938 to 7.6 million RM and in 1939 even to 7.7 million RM. An unknown author, probably the board of management member for the life segment, in his annual report for 1938/39, attributed the entire rise in cancellations to Jewish customers: “The result of the last fiscal year 1938/39 was remarkably good ... We regarded it as a record that could not be achieved again.”⁷⁹ In the remainder of his report, the writer used the callous-sounding term *Judenstorno* [Jew cancellation.]

The writer and his colleagues in the life segment and in MR’s board of management must have been perfectly aware that their Jewish customers had to flee before the increasing pressure of discrimination and persecution of the state racial policy and of German society, and that was why they were canceling their life insurance policies. For many Jewish customers, this was the only way to come up with the so-called “atonement payment” amounting to 25 % of their assets. The radicalization of anti-Jewish persecution after the pogrom on the 9 and 10 November 1938 could easily be discerned in the further rise in surrendered policies. The high underwriting profits in MR’s life segment (1938: 3.1 million RM, 1939: 3.3 million RM) were based to a considerable extent on the profits from cancellations from the surrendering of



Figure 28 Munich Re's cafeteria in the prewar period

“Jewish” insurance policies. In 1939 profits in the life segment (in relation to net premium revenues) reached the unusually high value of 8.7 %, whereas the yearly averages from 1934 to 1938 had been only 5.5 %.⁸⁰ All totaled, MR calculated its profits from the cancellation of “Jewish” insurance policies for fiscal year 1938/39 to be 500,000 to 600,000 RM, a seventh to a sixth of its net profit.⁸¹ However, it must be taken into account that the early surrender of policies was reflected in declining premium revenues, which hurt the long-term business development in the life segment.

In addition, Munich Re profited from the seizure of “Jewish” insurance policies by the Reich treasury. On the basis of the 11th Decree to the Reich Citizenship Law (25 November 1941), the Reich appropriated the assets of Jews who were deported to the ghettos, and concentration and extermination camps beyond the Reich border.⁸² The Gestapo and the Chief Finance President for Berlin-Brandenburg in charge of collecting the assets assigned the life insurers with the time-consuming task of identifying the Jewish customers who had emigrated or been deported and to transfer the surrender value of these insurance policies to the Reich. Since insurers were not overly

quick and eager to search for the remaining Jewish customers on account of their tangible shortage of personnel, they did not transfer all “Jewish” insurance policies to the Reich. Thus, despite a comprehensive empirical reconstruction of “Jewish” policies at Allianz, it is not possible to determine the surrender value of the transferred policies and, from that, to estimate the profits from cancellations at Allianz or other life insurers. Since a large portion of Jewish customers still living in Germany had to cancel their insurance policies already before 1941 on account of money shortages, the cancellation profits of direct insurers and reinsurers from the complete confiscation of assets of German Jews may be much lower than those from the formally “voluntary” cancellations in the years up to 1939.⁸³

The anti-Jewish pogroms on 9 and 10 November 1938 and the failure to fulfill the terms of the insurance policies of the Jews who suffered losses only had a slight influence on MR’s profit development in fiscal year 1938/39, according to various indications. Hermann Göring himself, on 12 November 1938, ordered in a meeting he chaired that Jewish customers were to receive no payments from glass, burglary, household contents, or fire insurance, and that their insurance claims would be seized by the Reich.⁸⁴ For direct insurers, this meant that they were freed from having to make any payments to Jewish insurance customers. The leader of the Reich Group of Insurers and member of the Allianz’s board of management Eduard Hilgard, however, failed in his attempt to deny non-Jewish policyholders with losses from receiving compensation. In terms of insurance law, Hilgard was actually right because losses caused by a riot, which the pogrom on 9 and 10 November indubitably was, were generally excluded in German insurance policies. Only a small portion of the damages was covered by fire, burglary, or household contents insurance policies. On the other hand, the German insurance industry would have damaged its international reputation if, out of absolute power and with reference to this clause it had denied its Jewish customers their loss settlements. Göring’s prohibition to compensate Jewish customers provided convenient financial relief for the insurance companies.⁸⁵

Göring ultimately demanded as compensation that Hilgard pay a small portion of the withheld insurance benefits in the form of a windfall profits tax to the Reich treasury. This sum was extraordinarily low for the insurance industry. Had all the losses been settled, Jewish customers would have had a claim to insurance benefits of 46 million RM.⁸⁶ The settled claims of “Aryan” Germans and Jewish as well as non-Jewish foreigners amounted to only 3.4 million RM. After lengthy negotiations with the Reich Economics Minis-

try, Hilgard reduced the payments insurers were required to make to the Reich to only 1.3 million RM, of which 1.1 million RM had to come from private insurance companies.⁸⁷

Because direct insurers had hardly reinsured their glass insurance policies, MR was only indirectly involved – and merely via burglary and fire insurance policies – in the non-settlement of the pogrom claims.⁸⁸ MR's financial contribution to the Reich tax cannot be determined since the surviving files contain no documents with meaningful figures from which more general statements could be made. 50 % of the 1.3 million RM payment was levied on the premium revenues from the fire, burglary, and glass insurance policies and the other 50 % on the actual losses of the direct insurers.⁸⁹ Reinsurers' portion was determined by the size of the premiums they had taken in from direct insurers in these business segments.

It is not known whether MR acquired a large packet of shares or shares in a company from a Jewish owner who was forced to sell his investment assets. At least, within the files of MR, the American military government and the German denazification proceedings, no documents can be found pointing to a known acquisition of company shares from Jewish ownership. MR had banks carry out purchases of stocks and bonds, with the Dresdner Bank traditionally acting as the main bank connection. Only for purchases of registered shares would MR have been able to determine that an acquisition came from Jewish ownership. The chairman of the board of management in 1947, Eberhard von Reininghaus, ruled out any MR purchases of share certificates from Jewish ownership. Since MR's shares were registered, the board of management would certainly have noticed if the previous owners had had supposedly Jewish family names.⁹⁰

For purchases of real estate, however, MR was aware of the Jewish or non-Jewish provenance of the previous owners. Its interest in purchasing real estate in Munich rose as its liquidity increased and there were ever fewer company bonds and stocks in the market. For example, in June 1939, MR bought rental properties – four on Edelweißstraße (3, 5, 7, and 9) and one at Elisabethstraße 37 in Munich for 490,000 RM from the Urbana Liegenschaften GmbH [Urbana Real Estate Company]; this was 28,400 RM below the official estimated value of 518,400 RM.⁹¹ The Urbana GmbH was acting on behalf of Jewish owners whose names were not known, who had been forced to sell their buildings to finance their emigration.

At first glance, this real estate purchase looked like a fair deal. The assessment office of the city of Munich, however, did not determine the estimated

value according to the usual procedure for calculating the value of real estate, but subtracted on average 30 % of the assessed value, in this case from 746,100 RM.⁹² Munich Re acquired its five new real estate properties for more than 250,000 RM below the market value it would have had to pay in a context free of discrimination. In this case, though, one must consider that the sale of “Jewish” real estate from 1938 was subject to the approval of the district president [Regierungspräsident]. Since the sales price of real estate from Jewish property was not allowed to exceed the official assessed value and the Munich assessment office had set the highest value at 518,400 RM, an attempt to purchase the property at a somewhat fair price – that is, close to its market value – would have failed because the district president would not have allowed it.

In addition, MR acquired ten other rental properties in Munich from Jewish ownership on Oberländerstraße and on Dänkelstraße. No files from the district president or from MR survived from this procedure, so the conditions of this real estate purchase cannot be reconstructed. An audit report from the early 1950s, however, mentions that MR had planned for a restitution claim of the former Jewish owners of 100,000 DM.⁹³ At first glance, this amount conveys an impression of the profit MR made on the “Aryanization” of these real estate properties. Since the buildings were damaged in the war and their value had declined since 1939, MR’s Aryanization profits may well have been quite a bit greater.

10. Munich Re in the Economy of the Third Reich: Business Policy, Foreign Currency Restrictions, and Participation in Financing Armaments

The mutual capital ties and close personal connections between Allianz and MR remained stable through 1945 (and beyond). As Allianz had grown more rapidly than MR, the size relation between the direct insurer and the reinsurer had shifted considerably since the early 1920s. Whereas the valid association agreement of 1931 still guaranteed MR a reinsurance ratio of 50 %, Allianz reduced this after merging with the Stuttgarter Verein (1928) and taking over FAVAG's policies (1929) to 37.5 % by consent. In light of Allianz's size and financial strength, a ratio of 37.5 % was obsolete by the late 1930s as well. In spring 1940 Schmitt negotiated a new association agreement with Allianz's chief executive Hans Heß (1881–1957) that took the change in the size relation into account and assuaged Allianz's fears of a possible hostile takeover by MR.¹

The initiative for a new association agreement came from Schmitt, who, as a former "Allianz man" could easily perceive the long-term interests and anxieties of his negotiation partner. On 16 April 1940 he declared to MR's supervisory board that Allianz's dependence on reinsurance through MR no longer fit with Allianz's economic status. The close business ties with Allianz, in Schmitt's words, should "be based on mutual friendship and trust." The new association agreement, which, like the old one, was to cover a period of 50 years (until 1990!), took account of the changed size relation by reducing the reinsurance ratio from 37.5 % to 30 %. The existing crossholdings between the two insurers were asymmetrical since MR owned 28.8 % of Allianz, but Allianz owned only 7.5 % of MR. Whereas MR was obligated to keep no more than 30 % of the Allianz shares in the association agreement, Allianz was able to increase its share of MR to 30 %. In the words of the former director and deputy chairman of MR's supervisory board Kißkalt, MR was transformed by the mutual equitable shareholdings "from Allianz's mother to its sister."

In the interest of MR and its appearance of independence, it was to remain secret if Allianz acquired a share of more than 10 % by "depositing"

the capital shares with holding companies. MR supervisory board chairman August von Finck was the only person who expressed concern about Allianz as a future major stockholder of MR. There was a self-serving reason for Finck's concern: as he held one of the largest individual shares of MR, he saw his strong position on the supervisory board endangered. MR's supervisory board approved the draft of the new association agreement, which was signed on 11 November 1940.² All other elements of the old association agreement remained unchanged. Both sides were obliged to help the other in purchasing domestic or foreign insurers as before with a 50 % share. In order to coordinate the two companies better, Allianz and MR formed a common executive council, which the two chairmen of the boards of management and one other management board member each belonged to. This purely advisory body met a total of eight times through December 1944 but was not revived after the war.³ The two chairmen settled urgent and especially important questions directly with each other. In truth, MR did not stick to the agreement not to purchase more than 30 % of Allianz's shares but rather held 34.2 % of its share capital at the end of the war.⁴

MR's business development was not harmed by the increasing worldwide tendency toward autarky nor by the foreign currency exchange control. The foreign currency law and the guidelines for exchange control released insurance companies from the obligation of offering the Reichsbank their premium revenues and actuarial reserves (premium deposits).⁵ The Reich Economics Ministry, despite increasingly restrictive foreign currency distribution practices, recognized reinsurers' interest in being solvent for their foreign cedents. Several declarations for the German and foreign press were supposed to dispel any doubt about them fulfilling their contractual obligations. Reinsurers were also free in their choice of securities for their foreign premium reserves. Despite these freedoms concerning premium revenues and reserves, reinsurers did have considerably more bureaucratic burdens. MR had to present the Reich foreign currency office with a monthly audit of how it used its foreign currencies. The Reich foreign currency office's distrust concerning possible hoarding of foreign currency abroad was reflected not only in the short intervals between checks. Premiums deposits not necessary for actuarial reserves, reserves from expired reinsurance policies, and underwriting profits that were not reinvested – all had to be offered to the Reichsbank. Since officials at the Reich foreign currency office lacked the necessary expertise to judge the size of the premium reserves, they brought in assessments from the Reich Supervisory Office. Yet state officials involved in supervising insurance companies

had understanding for the security interests of these companies and were more likely to feel obligated to the insurance business than to the foreign currency office, so that the expertise of the Reich Supervisory Office mostly favored reinsurance companies. Reinsurers did not face the risk of losing premiums as a result of protectionist economic policy.

At least in the first two years of National Socialist rule, MR managed to maintain considerable foreign currency reserves by providing excess endowment for its foreign commitments. In November 1934, shortly after foreign currency controls grew stricter under the “New Plan” of Reichsbank president and Reich economics minister Hjalmar Schacht, MR had more than enough foreign currency to cover its liabilities – worth 20 million RM.⁶ Fearing that foreign currency transactions might be restricted, MR stuck to keeping this foreign currency cushion despite the danger that some European currencies could lose value, such as those in France, Switzerland, the Netherlands, Czechoslovakia, and Belgium, where they had not yet been devalued. Losses generated by excess foreign currency reserves, in MR’s view, were more tolerable than the danger of not being able to fulfill its payment and reserve obligations abroad and put its reputation on the line. Unlike in industry and trade, MR did not require permission from the foreign currency offices to make use of its foreign premium revenues. Since the insurance industry was not impacted by the strict foreign currency restrictions, MR was able to continue to put its foreign premium revenues into foreign securities and cash reserves without having to engage in time-consuming application and permission procedures at the foreign currency offices. Nonetheless, insurers were required to document their use of foreign currency for the foreign currency offices and to hand over all foreign currency excesses not needed for claims settlement or premium reserves abroad. MR found itself in a strong position with the Reich foreign currency office because it was able to hand over more than 1 million RM worth of foreign currency each year from 1934 to 1936 to the Reichsbank and did not have to apply to receive any foreign currency transfers.⁷ Despite the Reich foreign currency office’s strict and thorough controls, MR managed in 1941 as well to maintain considerable hidden reserves in foreign deposits and, above all, in its foreign investment, with a total worth of 2 million RM.⁸

There were several reasons for the insurance industry to have enjoyed being exempted from state foreign currency distribution requirements that had to do with its structure. If the state had restricted accessibility to companies’ own foreign currency revenues, it would have significantly limited rein-

surers' opportunities for action and thus their competitiveness abroad. Protectionist isolation of the German insurance market from foreign direct and reinsurers would have led to counter measures in countries like Switzerland that exported direct insurance and reinsurance services to Germany. Out of well-founded fear of counter measures on the part of their Swiss colleagues, MR and other German reinsurers also ignored the Reich Group of Insurers' wish for them to reduce their foreign retrocessions. MR found itself in a strong position with the Reich foreign currency office because, although it paid 480,000 RM in premiums for retrocessions to foreign countries in 1934, it transferred on balance 2,141,000 RM in foreign currency to the Reichsbank.⁹ In 1935 and 1936 as well, it was able to transfer freely available foreign currencies worth more than 1 million RM each year to the Reichsbank.¹⁰

Whereas the larger portion of retrocessions were with Swiss insurance companies, until the beginning of the war MR placed excess loss cover with the London insurance broker Cecil Golding on the London market to reinsure major natural hazard claims.¹¹ Thanks to the Anglo-German Transfer Agreement of 5 November 1934, the transfer of insurance premiums to the insurance pool at Lloyd's remained unproblematic until the beginning of the war. Since the German Reich was allowed to export almost twice as many products to Great Britain as the latter could export into Germany,¹² German direct insurers and reinsurers could continue to insure ships, ship cargo, and excess loss cover in the largest international insurance market in the world in London. Only after the war began did MR place its retrocessions in the natural hazard segment with Generali in Italy.¹³

Although MR's net foreign currency excesses dropped significantly to below 1 million RM after the war began, it could still maintain its strong negotiating position with the Reich foreign currency office. It justified its high premium reserves with its Zurich subsidiary Union Rück by pointing out its comprehensive hidden transactions in Switzerland. The largest losses abroad that MR had to contribute to covering at that time were generated in Reichsmark: the explosion of the "Hindenburg" airship as it landed at Lakehurst airport near New York on 6 May 1937. Of the insurance payments of a total of about 73 million RM, about 600,000 RM had to be covered by MR.¹⁴

From fiscal year 1934/35, the consequences of the armaments policy could be noticed at MR as well. On account of the Dividend and Bond Law [Anleihestockgesetz], the dividend distribution was limited to 8% of the share capital.¹⁵ Higher dividends had to be deposited into a state-run bond fund, which invested the incoming funds for several years in Reich bonds

and tax credits, thus helping to finance the military build-up. The Dividend and Bond Law served another purpose as well: the economic sectors that were not relevant to waging war were to take pressure off the capital market and the banking sector for the Reich's benefit and finance their investments with undistributed profits. With the Dividend and Bond Law, the Reich government gave MR an incentive to build up hidden reserves to the detriment of the shareholders and to raise its level of shareholders' funds. The additional dividend that was withheld was considerable: while MR paid its shareholders a yearly dividend of 8 % up to fiscal year 1939/40, the equivalent of 6 % of the share capital flowed in 1934/35 and 1935/36 into the bond fund, and from 1936/37 and 1937/38, it was even 8 %. The sum from the distributed dividend and the withheld portion conveys a reliable impression of MR's high profitability in the 1930s. The treasury took a sum of 6.1 million RM in profits that was available for financing the war.¹⁶

The tax pressure on shareholders increased in 1941 when the Reich government issued a decree requiring a duty to be paid on dividends. A capital gains tax of 50 % on all dividend payouts over 6 %, which was perceived as prohibitive, was to push companies even more than before into providing their own financing with undistributed profits.¹⁷ The problem of a factual limit on dividends, however, could be gotten around by means of a capital increase from available savings and hidden reserves. Since MR already had hidden reserves of 6.8 million, 2.3 million, and 0.5 million RM in securities, capital stock, and real estate alone for fiscal year 1939/40,¹⁸ it could finance the capital increase on its own. In early October 1941, the board of management decided to build up the share capital from 20 to 32 million RM, which MR was able to finance from its available reserves and special savings.¹⁹ This meant that the nominal value of stocks rose by "stamping up" from 200 to 275 RM (for registered shares), or from 200 to 350 RM (for bearer shares).²⁰ The higher nominal value made it possible to raise the nominal dividend per share by an average of 60 %. MR thus balanced out the consequences of the legal dividend limit of 6 % for its shareholders. MR's increased profitability was also reflected in the hidden reserves of its securities and its capital investments; these rose to 19.8 million RM in fiscal year 1940/41 and reached 23.2 million RM on average in the following years.

From 1 May 1935, MR was also assessed for the export tax. On the initiative of the Reich Economics Ministry, the Reich government introduced a tax levy on companies, the proceeds of which were to subsidize German exports. The export tax compensated, especially, for the competitive disadvantages to

German industry that emerged from adherence to the RM exchange rate and the devaluation of many European currencies as well as of the dollar. The export subsidizing levy of the insurance sector amounted to 5 million RM from 1935 to 1938 and was even raised to 6 million RM in fiscal year 1938/39 and correspondingly passed on to the premium revenues of the insurers.²¹ Since subsidizing exports was tantamount to the export dumping despised in trade policy and trade law, the export levy was subject to secrecy. Only the supervisory board members were allowed to find out the amount they had to pay, which rose from 182,000 RM (1935/36) to 244,000 RM (1938/39).²²

The military build-up and the strict regulation of the capital market had a noticeable effect on the investment behavior of MR and other insurers. Since the capital market committee of the Reichsbank almost only approved the issuance of company bonds and new shares for companies relevant to the war industry, and since other public regional authorities like the states and districts no longer had access to the capital market, the available fixed-interest securities were limited largely to Reich bonds. The Reich Group of Insurers took over the function of a transmission belt and, on behalf of the Reich Finance Ministry and the Reich Economics Ministry, had to accommodate a fixed portion of a new bond or an entirely new issue in the insurance industry.²³

From May 1935 the insurance industry was increasingly under the pressure of expectation from both ministries "to make all of its funds that can be used in any way available to the Reich in awareness of its national duty."²⁴ In December 1937 the Reich Finance Ministry issued a Reich bond of 125 million RM, which the Reich Group of Insurers had to place in its full amount.²⁵ The increasing pressure from the Reich on insurers to purchase Reich bonds manifests itself in the following number. From 1 July 1938 to 31 March 1939 alone, MR's security portfolio rose by 10.6 million RM, of which 8.2 million RM could be attributed to the Reich bond tranches of the insurance industry.²⁶ The traditional options of investing money in corporate bonds and mortgage loans were increasingly restricted by the Reich Economics Ministry. In August 1939 Reich economics minister Walther Funk prohibited the insurance companies from making funds available to the construction industry for new construction.²⁷ Financial regulation in the interest of Reich finances grew even more strictly in March 1939. On the order of the Reich Economics Ministry, the insurance industry in the future had to invest at least two-thirds of its available liquid funds in Reich securities such as the Reich treasury bonds and Reich bonds.²⁸ Even regulation of the "free" third

was stepped up. Although the capital market committee approved the issue of an AEG bond in the summer of 1939, MR first had to wait for this bond to be released for insurers seeking to invest.²⁹ At this point in time, MR already was having problems investing its increasing liquid assets so as to earn a reasonable return. Since it was allowed to invest its premium reserves for foreign policies outside Germany, it had more investment options than the direct insurers.

Unfortunately, the surviving files of MR do not allow any conclusions concerning when the board of management first began to doubt the long-term repayment of the Reich bonds. In light of their low interest rate of 4.5 %, in November 1937 MR changed the statute that limited capital investments in non-insurance shares to maximally 10 % of the share capital including the open reserves. At the request of the board of management and the supervisory board, the general shareholders' meeting of MR lifted this restriction because MR was interested in a greater diversification of securities on account of the lower bond yields.³⁰ The secretariat of MR's board of management, already ahead of the statute change, gave the banks the task of purchasing shares of reputable companies to the amount of 750,000 RM. MR focused in this on energy companies like Contigas, RWE and Badenwerk, and steel producers like Mannesmann and the Ilseder Hütte. Since these shares maintained their value beyond 1945, unlike the Reich bonds, MR profited from the diversification of its investment strategy.

Whereas the increasing money creation by the Reich was reflected in the strongly growing total assets of the banks, the state-induced economic armaments boom hardly left any traces in MR's annual financial statements. The premium revenues of direct insurers and reinsurers were dependent in property insurance on the development of the insured values, which increased much less than the quantity of money. The considerable rise in the insured sums in industry were balanced out, in part, by the frozen insurance sums of residential housing and corporate real estate and by the decrease in the premium volume in motor insurance. Despite the rising savings of the population in regular savings accounts and the "Iron Savings" promoted with tax incentives,³¹ private asset investment in life insurance policies rose much less on account of the war surcharge on premiums.

Even though MR's gross premium revenues rose from 1936/37 to 1939/40 from 190.4 to 218.3 million RM (+ 14.7 %), the premium growth was relatively low in light of the increased territory of the Reich and the heavy new investments in industry. The war-caused interruption in direct busi-

ness ties with insurers in France, Great Britain and many neutral states was reflected in fiscal year 1940/41 in a steep drop in the premium volume to 186.1 million RM, which MR quickly balanced out by expanding into the occupied states of Europe. While MR took over British insurance and reinsurance positions in the occupied states in Western and Northern Europe (France, Belgium, the Netherlands, Denmark, and Norway), it continued to expand its leading position in the states occupied by Germany (the Protectorate of Bohemia and Moravia, the General Government of Poland, Lithuania, Latvia, and Estonia) or those economically dependent on Germany (Slovakia, Hungary, Croatia, Romania, and Bulgaria). The premium volume rose in 1941/42 to 214.0 million RM and, in 1942/43, just exceeded its former maximum value from 1931/32 at a level of 249.6 million RM. Whereas MR's disclosed net profits (without retained earnings) remained at an almost constant level from 1937/38 to 1944, the gross premium revenues reached an absolutely new high point of 267.7 million RM in fiscal year 1943/44.³²

During the war, the distribution of actuarial profits shifted considerably to the individual insurance segments. Comprehensive automobile coverage, which had regularly caused losses in peacetime, generated the highest excesses percentage-wise during the war. In addition to the strict speed limit on country roads and highways, the fact that numerous vehicles remained unused and gasoline was rationed was, above all, responsible for this development, as it reduced the volume of traffic and, consequently, the frequency of accidents drastically. Although the risk of war was excluded from property insurance policies, the increase in the number of railway accidents and maneuvering damages led to high actuarial losses in transit insurance up to 1942. Only from 1942 did the premium increases keep up with the loss development. From 1941/42 the increasing death rate caused by the war also impacted the actuarial profits in life insurance, which fell below the prewar average despite the war surcharge on the premiums (0.6 % of the insured sum). Regardless of the sharply rising number of deaths on the front and in the bombed cities, MR achieved an actuarial profit of 1.3 % of the net premium even in 1943/44 in its life insurance segment. The war economy of MR was a volume market that was characterized by a considerable rise in the premium revenues as the percent of actuarial profits declined.

The development of actuarial reserves during the war gives the impression that MR set priorities and had very solid provisioning for risk. Whereas the relationship between the actuarial reserves and the gross premium reve-

nues had reached a very high level at 159 % already in the last peacetime fiscal year 1938/39, this relationship stood in fiscal years 1940/41 to 1943/44 at an average value of 181.8 %.³³ Since the profit dividend was restricted to 6 % of the share capital and the possibilities for building up hidden reserves were also limited, MR decided to overfund its actuarial reserves. In doing so, it demonstrated, above all, the solidity and reliability of its commitments to its foreign cedents.

A new risk was that the state policies for structuring the insurance industry were unpredictable. The institutional form and the material content of the state supervision of insurance largely remained unchanged and insurers were able to come to terms with the increasingly directive control of their investment policies. Yet the sector's mixed economic structure, being comprised of private and public insurers, was increasingly called into question by a few influential National Socialist party functionaries. Among the most important advocates of nationalizing the direct insurance sector was, alongside the well-known Pomeranian Nazi Gauleiter Franz Schwede-Coburg, the much less known Georg Amend, who headed the insurance office of the Nazi Party and, in 1939, was appointed by Reich economics minister Walther Funk the president of the Reich Supervisory Office.³⁴ Schwede-Coburg's influence on insurance policy grew considerably when Funk appointed him in December 1939 chairman of the Reich insurance committee. This committee, *de jure*, only had an advisory function for insurance questions as a common advisory board of the Reich Economics Ministry and the Reich Supervisory Office, but it gave Schwede-Coburg legitimacy as an official state officeholder and as an actor in insurance policy questions.³⁵

Although this committee did not question the existence of the exclusively private reinsurance companies, nationalizing the private insurers would have had profound consequences for the reinsurers. The public insurance companies had their own reinsurance association and did not transfer their policies to private insurers until the early 1960s. Had direct insurers been nationalized, it would have endangered the economic foundations of reinsurers' existence and made them dependent on foreign business, which was liable to experience political disturbances.

Schwede-Coburg's and Amend's growing power became dangerous to MR in 1940. On 26 January 1940 they presented the draft of an amendment to the insurance supervision act (VAG) at a meeting of the Reich insurance committee. It would have made reinsurers henceforth subject to the control of the Reich Supervisory Office and their policies subject to approval by the

Insurance Supervisory Office. Alzheimer and the leader of the Reich Group of Insurers Eduard Hilgard were alarmed and argued that German reinsurers' options and their foreign currency revenues in their foreign business were in danger.³⁶ While Alzheimer factually and systematically explained the negative consequences on the insurance industry of functionally overburdened state supervision in a comprehensive letter to Amend, Schmitt worked on his contacts in high party circles and invited Schwede-Coburg to lunch. He encouraged him in his intent to merge the small and very small private insurers and gave him the sense that he was being taken seriously – and distracted him away from the reinsurers.

Alzheimer's and Schmitt's interventions were successful. Amend and Schwede-Coburg did not put the inclusion of reinsurers in insurance supervision on the agenda of the Reich insurance committee again. The regional leaders and heads of the civil administration were in the process of monopolizing the fire and building insurance segments by state insurance companies in the occupied territories of Alsace (Robert Wagner) and Lorraine (Josef Bürckel). Schmitt rightly saw in these individual measures the intention of nationalizing the insurance industry step by step – and he intervened with his old acquaintance Göring. Schmitt met him to have a conversation in early March 1941. The conversation went according to Schmitt's plan. On 3 March 1941 Göring addressed a directive to the Reich Economics Ministry to prohibit any discussion of nationalizing the insurance industry in order to prevent further unrest therein.

Shortly thereafter, however, Schmitt received the alarming message from Reich Economics Minister Funk that Hitler had supposedly declared himself in favor of preparing to nationalize the fire insurance sector.³⁷ Schmitt then argued not along the lines of regulatory policy but in terms of achieving hegemony in a very long letter to Hermann Göring, the head of the Four-Year Plan and alleged actor in economic policy matters. Schmitt stated that German insurance companies could only take on the inheritance of the British insurance industry on the continent if they were led by insurance sales people and not by public authorities. A nationalization of the fire insurance sector would cause internationally active large direct insurers like Allianz to lose an important part of their risk distribution in their domestic business and they would also forfeit some of their economic size advantage. In his argument, Schmitt cleverly made reference to Göring's imperial interests on the continent. He put his central insurance industry argument – that the other sectors of property insurance (like machine insurance and transit

insurance) needed risk distribution through the “most manageable risk” – behind the meaning of private insurers for a greater German economic area.

Schmitt took the news of a supposed decision by the Führer very seriously and sent transcripts of his letter to Himmler and the head of the Führer’s chancellery, Martin Bormann. Bormann’s answer of 25 April 1941, however, heightened Schmitt’s fears because he placed himself on the side of nationalization advocates and dismissed Schmitt’s greater economic area argument by asserting that the significance of the international insurance business was overrated.³⁸ The German Reich after the war – in respect to the “Final Victory” – in any case, Bormann claimed, would be in a position to disable foreign insurers in the German realm. Funk’s information about a possible decision by the Führer turned out to be false, though. On account of his Darwinistic understanding of politics, Hitler fundamentally refused to play the role of referee in institutional conflicts. Moreover, Hitler was not the least interested in questions of regulatory policy within economic policy. From Hitler’s perspective, all that mattered was whether the insurance industry benefited the priorities of the wartime economy and contributed to financing the war. The directive control of capital and premium investments by the Reich Economics Ministry was entirely sufficient, independent of the structures of ownership and legal forms of the insurance companies, to guarantee that the insurance sector would support the wartime economy.

Despite Göring’s directive, Schwede-Coburg did not give up his plan to nationalize insurance. On 17 June 1941 he announced in the Reich insurance committee that he would entrust the economics scholar Professor Klaus Wilhelm Rath with conducting a study on insurance reform.³⁹ The financial scholar Rath had proven himself in the field of insurance in that he had been named the director of the seminar for the insurance industry after being appointed to a chair at the University of Göttingen. His scholarly reputation in this area, however, was modest: he had only published a single and very short article in insurance studies in *Neumanns Zeitschrift für Versicherungswesen*, but, as a staunch National Socialist, he enjoyed the favor and trust of Schwede-Coburg. Since Rath advocated nationalist economic policy and always asserted the primacy of state interests over those of private industry, the insurance industry had to expect a vote for nationalization from him. Hilgard, the Reich Group leader and member of Allianz’s board of management, protested at the Reich Economics Ministry, but in vain. Rath was well connected at the ministry,⁴⁰ where the responsible department head Friedrich Landfried was on Schwede-Coburg’s side.

Klaus Wilhelm Rath completed the 162-page study by the fall of 1942, confirming the negative forebodings of the private insurers.⁴¹ As expected, Rath came to the conclusion that a nationalized insurance industry with a larger public institution would have lower administrative costs than a competition-oriented insurance industry with many competitors, and thus would be less expensive for the “people’s community” [*Volksgemeinschaft*]. Like many National Socialist economists of the Historical School of the National Economy, Rath rejected the neoclassical economic axiom that only free competition would enable capital and labor to be efficiently allocated and for innovative potential to be fully utilized. Rath did not advocate the nationalization of reinsurance companies because there were no state reinsurers in Germany. A state monopoly in the most important property insurance segments, however, would necessarily have pushed reinsurers out of the domestic insurance business because public direct insurers exclusively re-insured in a reciprocal liability pool and did not transfer any contingents or excesses to reinsurers.

Rath made pointed remarks about the “overbred reinsurance industry in Germany” and asserted that reinsurance was a “pricy stopgap” measure for correcting bad developments in the structure of the insurance market and was only of use to “private capital interests” and not to the domestic economy. This thesis of the “overbred reinsurance industry” alluded to the fact that small and supposedly inefficiently run private insurers, in his view, needed to reinsure a higher portion of their policies than average in order to compensate for their risks, and there would be no functional need for this in a nationalized insurance industry. Rath purposefully masked the negative consequences that driving out the German reinsurers would have on their international competitiveness in his purely domestic assessment. His critique that the dividend payments in the insurance industry were too high was out of date, as was some of his statistical material since the dividends had been restricted to 6 % of the share capital in 1942.⁴²

It was understandable that Kurt Schmitt complained to Göring about Rath’s assessment in December 1942, characterizing it as “one-sided, unobjective and tendentious.”⁴³ More annoying and problematic than the content of the assessment, however, was its public distribution in bookstores and the daily press, even before the Reich insurance committee had dealt with it. Schwede-Coburg had violated Bormann’s directive to treat the assessment in a strictly confidential manner.⁴⁴ With this targeted indiscretion, the Gauleiter achieved his aim of gaining a broad public platform for his nationaliza-

tion program, underpinning it with the scholarly legitimization of an economist. Excerpts from Rath's assessment appeared on 10 and 11 December 1942 not only in the widely read *Hamburger Fremdenblatt* and in Essen's *Nationalzeitung*, which both belonged to the Nazi Party, but also in the economic newspaper *Wirtschaftsdienst*.⁴⁵

Incensed, Schmitt fired off an unusually severe verbal attack and accused Rath of having "no inhibition of becoming tendentious in these publications and insulting the professional honor of members of the private economy."⁴⁶ Hilgard and Schmitt, however, received unexpected support from the DAF, which, as the owner of *Volksfürsorge* and the *Deutscher Ring* had become one of the largest German insurance concerns. Schwede-Coburg's demand for the public insurance companies to get a monopoly presented a potential threat to DAF as well. Thus, it made sense that the manager of the National Economy Department in DAF's *Arbeitswissenschaftliches Institut* [Industrial Science Institute], its "think tank," rebuked Rath's assessment as a "biased report" and as a "botched effort" that was "entirely untenable" in both scholarly and political terms. He topped off his criticism with these biting words: "The assessor confuses – as can easily happen to scholarly beginners – the abstract theoretical model of the competitive economy with the capitalist reality."⁴⁷

The writer of this position paper was Hans Peter (1898–1959), an economist who had been promoted to professor. He counted among the German pioneers of mathematically grounded economic theory and took positions as a scholar that were absolutely contrary to those of Rath, an economist whose positions reflected National Socialist ideology.⁴⁸ Peter's position paper, in addition to pointing out numerous methodological shortcomings of Rath's assessment, contained a scathing criticism of Rath's prejudices against an economic market structured around competition. With his irrefutable thesis that the National Socialist thought of competition for benefits was incompatible with a monopoly position for the public insurers, Peter struck Rath and Schwede-Coburg with the ideological weapons of the National Socialists. Peter had been working for DAF since 1940, but he was not a staunch National Socialist. His opponent Rath had launched a fierce politically motivated attack on him in a research debate. Using his influence in the National Socialist Lecturers' League and by denunciatorily suggesting that Peter professed "Jewish economic science," Rath prevented Peter from being appointed to a professorship at the University of Tübingen.⁴⁹ Peter's response to Rath's assessment was a form of revenge that was by no means subtle but quite effective.

When the powerful DAF leader Robert Ley took up Peter's arguments and positioned himself clearly against Schwede-Coburg,⁵⁰ Reich Economics Minister Funk also swung over to opposing Schwede-Coburg. At Göring's behest, Funk made it clear on 2 February 1943 that "any theoretical remark about restructuring the insurance industry [is] prohibited until further notice in the circles of the offices under my authority and the branches of economic organizations."⁵¹ The phrase "until further notice" silenced Schwede-Coburg in public without eliminating insurers' uncertainty. With this, Göring retracted the statement he himself had made at a meeting in Hilgard's presence on 12 December 1938. At that time, Göring had said that Hitler had declared all discussion on the future of private insurance finished for the next ten years.⁵² Rath refused to be defeated, though, and sent Schmitt an angry letter on 12 March 1943, in which he reproached him in a perceptibly threatening tone for previously supporting the private insurance industry for the "Jew Manes" and other Jewish insurance economists.⁵³

The conflict with Schwede-Coburg showed Schmitt that he and his colleagues could not rely solely on Göring's protection and even less on a verbal statement by Hitler that they had only heard second-hand. Although Schwede-Coburg had likewise been present at the meeting on 12 December 1938, he no longer saw himself as tied to its contents. Hitler's statement had not been written down anywhere and did not have the status of an untouchable Führer order. Hitler himself was not interested in this matter, on which he had never taken a clear political stance. Since Göring suffered a loss of prestige in Hitler's eyes after the Luftwaffe's failure in providing for the 6th Army in Stalingrad and in defending German air space, Schmitt could no longer depend on the protection of his old friend.

Schmitt accepted the suggestion of his old Allianz colleague Hilgard to commission the widely acknowledged economist Jens Jessen with providing a counter-assessment. Since even party functionaries would find it difficult to attack the Berlin professor on account of his many years of Nazi Party membership, Hilgard and the other managers among the largest insurers who commissioned the report accepted Jessen's very high price tag of 100,000 RM for the task.⁵⁴ Although MR contributed a 10,000 RM advance without any further questions and promised another 10,000 RM after the completion of the report, Schmitt was quite reserved toward Jens Jessen at first. After a first personal meeting in early March 1943, Schmitt regarded Jessen as arrogant and a know-it-all, and even feared that Jessen might assess the matter contrary to the wishes of those who commissioned him.⁵⁵ Schmitt's colleague

Alois Alzheimer appeared to be satisfied, except for a few reservations, with the first draft of the report, which Jessen completed in June 1943. And indeed, Jessen's statement that reinsurance companies could take on the function of balancing peaks in the insurance industry contradicted MR's own interest in using a fixed percentage in sharing the amount of insurance with its cedents.⁵⁶

Since Schwede-Coburg did not attempt any further steps toward nationalization, the never fully completed report was not used in the political debate about the future of the private insurance industry. Jens Jessen belonged to the conservative resistance to Hitler and was arrested after 20 July 1944, sentenced to death by the People's Court [Volksgerichtshof] and executed. In July 1943 Hilgard was informed about Jessen's ties to Ulrich von Hassell and other members of the conservative resistance, but he purposefully withheld this knowledge from his colleague Kurt Schmitt. In his opinion, Schmitt would not have been capable of maintaining this sort of secret.⁵⁷

11. Foreign Business, Foreign Investments, and the Expectation of War

Relations to Swiss Re under the Conditions of Foreign Exchange Control

As early as in July 1931, foreign exchange controls were introduced in Germany. In order to stop the flow of capital abroad, the Reich government at that time had revoked the convertibility of the Reichsmark. Now the possession of foreign currency, gold, and foreign securities required registration and acquiring foreign currency was only possible with the permission of the Reichsbank. On the basis of a moratorium with the creditor nations, foreign deposits and short-term foreign credits were frozen. The German Reich was not alone in resorting to such measures. In reaction to the world financial crisis, a total of 35 countries introduced foreign exchange controls between 1931 and 1934, sometimes in draconic form.¹

The hopes that a viable world economic order could be restored were dashed with the failure of the London world economic conference in July 1933. Rather, autarkic efforts gained traction, particularly in Germany, where they came to determine foreign economic policy not only because of the notorious foreign currency shortage there but also as a fixed component of National Socialist ideology and for strategic arms-related reasons. In Kurt Schmitt's short term as Reich Economics Minister, the tight foreign currency reserves of the Reichsbank were further reduced, and in August 1934 they were almost entirely used up. Thereafter, Schmitt's successor Hjalmar Schacht announced a program extending government control to nearly all products (the "New Plan"). Imports were restricted, and exports came to be more oriented toward the states of southeastern Europe and Latin America, which exported raw materials.²

MR's board of management lamented already in a report on fiscal year 1932/33, presented at the end of 1933, the "[business] traffic-crippling foreign currency regulations" and established that "autarkic thought processes are gaining ground and also justification."³ In the supervisory board meeting of

14 November 1933, there was talk of “political difficulties” and also of a “boycotting fever in numerous foreign countries.” Kießkalt, however, was able to emphasize that no foreign insurer had canceled its contract with MR up to that point.⁴

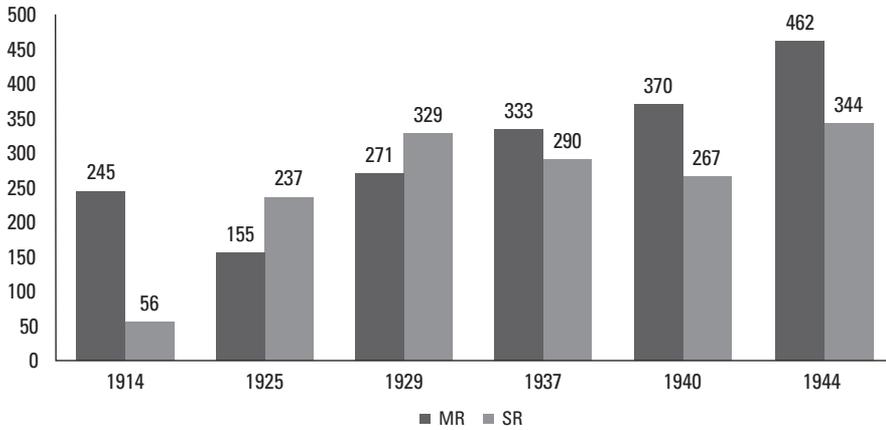
The insurance industry reacted sensitively to the so-called *Volksverratsgesetz* [Law against Betrayal of the German Economy] of 12 June 1933 and the provisions passed for implementing it. The law, which required all the values of assets owned by Germans abroad to be registered, was also supposed to apply to life insurance policies with foreign companies. Whoever violated this provision was committing a foreign currency crime that special courts were responsible for. The Swiss insurance companies assumed – probably not without justification – that this regulation was primarily directed against their business in Germany because they had a large market share in life insurance there. German private insurance companies wished to prevent discrimination against or even the driving out of Swiss insurers under all circumstances, not only because of their old business partnership and their own interests in Switzerland but also because they saw in them strong allies against the public insurers and their demand for socialization of the insurance industry. Kurt Schmitt was probably also of this opinion. The Reich Economics Ministry positioned itself behind the foreign insurance companies with an unusually sharply worded notice: “In reference to the regulations of the *Volksverratsgesetz*, it has recently and not seldom been characterized as a sin against the German domestic economy for Germans to take out insurance policies with foreign insurance companies that are authorized domestically. As long as such elisions do not present unnatural competition [*Entartung*], they obviously are based on a lack of awareness of the legal and economic contexts. With the authorization – mostly based on trade agreements – of a foreign insurance company to operate domestically, it is incompatible if those who participate in taking out policies with the companies are scorned or even prevented from conducting their business because of threats; moreover, such behavior, as is obvious, indirectly endangers the foreign business of German insurance companies.”⁵ The clear position of the ministry was acknowledged in Switzerland with relief.⁶ Nonetheless, German branches of foreign insurers were not put on an equal footing in terms of foreign currency law until the fall of 1934.⁷

Swiss Re was heavily involved in the German reinsurance market and also participated in the direct insurance business via its German subsidiar-

ies.⁸ Conversely, Switzerland was an important insurance market for MR. Thus, Swiss authorities would have been able to respond to German insurance protectionism with countermeasures that would have primarily affected MR. For the internationally oriented Swiss Re, which gained 90 % of its premium revenues from abroad, Germany was the most important foreign market, particularly since it had suffered some setbacks in the U.S. market. In 1938, 24 % of its gross premium revenues derived from Germany.⁹ Had Swiss Re retreated entirely from Germany, this, in turn, would have left a large gap in coverage in the German reinsurance market. Yet Swiss Re achieved yearly profits from 1933 to 1939 of CHF 3 to 8 million (2.4 to 6.4 million RM) in the German market and, therefore, never considered leaving the German market.¹⁰ With gross premium revenues of 30 million RM or CHF 40 million (1933), the premium revenues of its German direct insurers were also too important for it to give up the German direct insurance market.

Swiss Re's and MR's gross premium revenues from 1933 to 1936 were about the same, although significantly lower than in the years before on account of the world economic crisis. Kißkalt was able to report proudly at the supervisory board meeting on 9 July 1935 that MR's premium volume exceeded that of Swiss Re for the first time since the First World War.¹¹ This success was highly symbolic for MR. It reestablished its leading position in the reinsurance market, which it had lost in consequence of the First World War.

It is difficult to determine which company – Swiss Re or MR – was in front each year in this nose-to-nose race because the figures for Swiss Re relate to calendar years whereas those for MR correspond to fiscal years that ended in the middle of the year. MR did not achieve a meaningful lead until the Swiss franc was devalued by 30 % on 26 September 1936 (see Diagram 2). This lead was also conditioned by the changed exchange rate in the following years. In the respective currencies, the gross premium revenues of Swiss Re rose by about 10 % between 1933 and 1939; by contrast, MR's only rose by 0.4 %. If one calculates MR's gross premium revenues in Swiss francs at the exchange rate of 1935, then they lay below those of Swiss Re in 1944.¹² According to statements in the British professional journal *The Review*, German reinsurers in 1935 – that is, before the devaluation of the Swiss franc but after the devaluation of the U.S. dollar – had an almost 40 % share of the premium revenues of the 37 largest reinsurance companies in the world, followed by Swiss (25 %) and U.S. American (12 %) reinsurers.¹³

Diagram 2 Gross premium revenues of Munich Re and Swiss Re in millions of CHF 1914–1944¹⁴

German currency policy had to be considerate of the strong position of the Swiss insurers in the German market. Although the payment agreement (Clearing Agreement) between Switzerland and Germany planned to include product and finance transactions and the Reichsbank aimed to minimize the transfer of Swiss francs, the bank permitted Swiss insurers to transfer their excesses back into francs.¹⁵ After the first German-Swiss clearing agreement was concluded on 26 July 1934,¹⁶ the entire insurance business at first remained free from the complicated clearing regulations. For MR this meant that it could continue to have free access to its underwriting profits and its gains from Swiss securities investments. This regulation still applied without curtailment to reinsurers even after the announcement of the Four-Year Plan and the beginning of the economic war preparations (1936/37). On the basis of the German-Swiss reinsurance agreement, Swiss reinsurers could transfer 66 % of their account balances into Germany from March 1940 to mid-1941, and MR could do the same to Switzerland. After a revision to the agreement in mid-1941, direct insurers and reinsurers could even transfer 75 % of their account balances.

Solely in the fall of 1934 did the Reich Group of Insurers under its chairman Eduard Hilgard cause a brief but severe upset in the otherwise harmonious relations between MR and Swiss Re. On 11 September 1934 the Reich Group, in a newsletter, called upon German direct insurers and reinsurers to “scale back” assignments and retrocessions to foreign reinsurers “to the least

possible amount” in order to reduce the need for foreign currency.¹⁷ The Reich Group’s newsletter appeared at the same time as the Reichsbank experienced increased scarcity of foreign currency and also because of this. The Reichsbank president and acting Reich economics minister Hjalmar Schacht had announced fundamental changes in Germany’s foreign economic policy to more consistently applied import controls and bilateral payment and trade agreements in his high-profile “Leipzig Speech” on 26 August 1934.¹⁸ The day before, at the meeting of the Economic Group for Private Insurance, Kißkalt was able to add the attenuating phrase that insurers should be able to check beforehand “whether the assignment to foreign reinsurers remains within appropriate limits.” MR’s chairman of the board of management used the large number of long-term business ties to the Swiss insurance industry and especially to Swiss Re in his argument. After the newsletter had been sent, MR and all other German reinsurers offered their services to direct insurers to cover canceled reinsurance policies with foreign insurers on 13 September 1934. In order to dispel irritations at Swiss Re and its suspicion that MR was deliberately “unhitching” it from its German customers, MR informed its Swiss colleagues of its motives for taking this step. Understandably, Swiss Re was annoyed by this poaching of its German cedents and arranged for the Schweizerische Lebens- und Rentenversicherungsanstalt [Swiss Life and Annuity Insurance Company] to cancel its reinsurance contract with MR and to hand it over to Swiss Re instead.¹⁹

Not until 29 January 1935 did MR board of management member Gustav Mattfeld manage, in a personal conversation with the general director of Swiss Re, to quell the accusation that MR had acted disloyally toward its competitor. General director Bebler reported to his German colleagues only one larger German cedent – the Nordstern – had canceled its reinsurance contract with Swiss Re. German direct insurers had not followed the demand to cancel their contracts out of loyalty toward their Swiss reinsurers.

In accordance with German foreign trade policy, MR decisively expanded its presence in Latin America in 1934 by acquiring the Argentine reinsurer El Fénix Sudamericano Cía. de Reaseguros S. A. This company had been founded in 1920 by the Mutzenbecher Group in Hamburg as the first professional reinsurance company in South America. It had a major branch in Rio de Janeiro, which was the only professional reinsurer in Brazil at that time.²⁰ The Mutzenbecher Group, which had once been MR’s first general agency, had suffered heavy losses in the world economic crisis and had not been able to fill the reserves of its stricken North American companies. The

holding company of the group, the Hamburg, had been offered up for purchase, including the shares of Fénix Sudamericano, to the MR at that time, but Kißkalt had regarded a takeover as too risky.²¹ After the collapse of the Mutzenbecher Group, MR acquired 95 % of the share capital of Fénix Sudamericano for the bargain price of 220,000 RM – a third of its nominal value.²² MR quickly brought the loss-generating Fénix Sudamericano into the profit zone and introduced its “export hit,” higher-risk life insurance, in Argentina via its new subsidiary. Theodor Wand, the head of the MR’s Paris office, took responsibility for the expansion of Fénix Sudamericano. He transferred to Buenos Aires in 1938, took over the management of the subsidiary and introduced machine insurance and liability insurance, which was still largely unknown in Argentina.²³

The Phönix Scandal and Its Consequences

On 16 February 1936 Wilhelm Berliner, the 54-year-old manager of Lebens-Phönix, died unexpectedly in Vienna. Under his direction, this company had developed into one of the largest insurance companies in Europe. A successor had to be found within a few days. The administrative board (the supervisory board) decided on the general director of the Wechselseitige Brandschadens-Versicherung [Mutual Fire Damage Insurance Company] in Vienna, Eberhard von Reininghaus, who was already appointed chairman of the board of management on 24 February. In light of the close ties between Lebens-Phönix and MR, Reininghaus had informed Kißkalt about his job transfer beforehand. Kißkalt discouraged him from taking over the management of Lebens-Phönix.²⁴ But Reininghaus had already decided and could not know at this point what awaited him. Already on 28 February he found out that Lebens-Phönix was insolvent and unable to come up with employees’ wages for the next month. Reininghaus received an envelope containing the “correct balances” from the head accountant, thereupon deciding to bring in the finance minister and the president of the Nationalbank.²⁵ The Phönix scandal that was now exposed was much larger than any previous insurance scandal, also in terms of its consequences.²⁶ Lebens-Phönix’s collapse shook the first Republic of Austria in its foundations two years before it was annexed by Hitler and led to far-reaching changes within the European insurance industry a few years before the beginning of the Second World War.

MR had long been closely tied to Lebens-Phönix. As previously mentioned, MR, from 1898 onward, had owned a significant share of this company, sometimes comprising more than 50 % of its share capital. Lebens-Phönix assigned 50 % of its business to MR, thus decisively contributing to the growth of its life insurance business.²⁷ Carl von Thieme had long been a member of Lebens-Phönix's administrative board, and now Wilhelm Kießkalt was a part of this body. That Lebens-Phönix had managed not only to survive the division of Austria-Hungary unscathed but also, in the following period, had grown to become the third largest insurance company in Europe with business in 22 countries, was the achievement of its tireless general manager Berliner, who was also called the "Napoleon of the insurance industry."²⁸ According to Gerald D. Feldman, Berliner was "equally gifted as a linguist, mathematician, financial expert and lawyer equipped with the best connections to the Austrian government."²⁹ Berliner's lifestyle as a "workaholic" was legendary; he resided in a furnished room near his office. The journalist Hans Habe mentioned this in his memoirs: "One of the most powerful men in Europe, he possessed no home; he slept on a banana-shaped leather couch in his Viennese office, in hotel rooms, or in sleeping cars."³⁰ Mathematician Eduard Helly, one of the founders of functional analysis, was among his colleagues. Another brilliant mathematician, Alfred Tauber, was an advisor to Lebens-Phönix.³¹

Since the stabilization of the Austrian currency at the beginning of 1926, people at MR had regarded the tremendous growth of Lebens-Phönix with increasing skepticism. Berliner's business model was a sort of public insurance at giveaway conditions, thus creating competition for the savings banks. He also achieved a high volume of premiums with innovative models of group insurance and with one-premium insurance policies. Lebens-Phönix issued many policies with low premium rates and discounts, paid high commissions to its brokers and demonstrated goodwill toward its customers.³² Yet this business strategy could not generate profits simply because of the high administrative costs. Like a snowball system, the low premium rates were only profitable if new policies were added at an ever increasing rate. People at MR grew more convinced that Berliner did business at any cost and took on bad risks. The reinsurer also bore the expense of the low premiums. The poor profits were lamented in Munich, and repeated credit requests from Vienna were rejected. When it came to light that Berliner also engaged in financial transactions on a large scale, it was decided at MR that Lebens-Phönix's activities should be more closely watched. In any case, Berliner per-

ceived the control on the part of its reinsurer and major shareholder from Munich increasingly as a burdensome obstacle and therefore asked MR to relinquish its investment in Lebens-Phönix.³³ On 12 October 1927 both sides agreed that MR would sell its approximately 30 % of Lebens-Phönix's shares to the latter at a considerable accounting profit. MR did not want to give up its reinsurance cessions. It retained a 40 % proportion and also the position on the administrative board that Kißkalt held.³⁴ Two years before, MR had handed over its shares of the Viennese insurance company Allianz und Giselaverein to Lebens-Phönix. It retained its investment in the German subsidiary, the Gisela Deutsche Lebens- und Aussteuer-Versicherungs-AG.³⁵

Later on, MR's sale of its shares to Lebens-Phönix turned out to be a stroke of good fortune, even though it had not initiated this move. As Kißkalt remarked in a letter later on, MR sold the shares "at the request of Lebens-Phönix's management."³⁶ Even the cautious Kißkalt did not expect the collapse of Lebens-Phönix at that time. He relied upon the judgment of Rudolf Schmidt, MR's board of management member in charge of the life insurance segment, who continued to trust in Berliner's skill. He was convinced that Berliner would succeed in finding a new path for Lebens-Phönix.³⁷ This was among the reasons that its reinsurance rate was only lowered to 40 %.

In December 1929 Schmidt died.³⁸ Six months before, the new board of management member Gustav Mattfeld had already taken over the management of the life insurance department, and upon Schmidt's death, he became his successor. Mattfeld was very good with numbers, having been the head actuary at another insurance company before. He had a more realistic assessment of the conditions at Lebens-Phönix. Moreover, the general framework had worsened meanwhile on account of the emerging world economic crisis. After Lebens-Phönix generated no capital gains for the first time in 1929, "difficult and at times very heated negotiations" took place in Vienna between Kißkalt and Berliner, resulting in the reduction of MR's reinsurance share to 25 %.³⁹ Mattfeld had reviewed Lebens-Phönix's balance sheets in the mean time and had determined that MR would continue to suffer losses from its share and even "catastrophic shortfalls" for the retention of its cedit. Mattfeld regarded the main cause as Lebens-Phönix's excessive production, which had to lead to losses on account of the high administrative costs and the low, discounted premiums. He suggested that the Viennese life insurance colossus throttle production immediately and restrict its business henceforth to Germany and the states in the former territory of Austria-Hungary.⁴⁰ Kißkalt was alarmed. He sent Mattfeld's report with an accom-

panying letter to Vienna on 12 July 1930, demanding that these suggestions be implemented and declared that he would otherwise resign his position on the administrative board of Lebens-Phönix.⁴¹ By 17 July already, Berliner came to Munich to dispel the reinsurer's fears, which he did not entirely succeed in doing. Thereafter, Kißkalt resigned from Lebens-Phönix's administrative board, and MR's reinsurance share of Lebens-Phönix's direct insurance business was reduced to 10 %. People at MR were certain that MR would not suffer significant losses should Lebens-Phönix pursue "even the most unreasonable business policy."⁴²

None of this became public knowledge. MR kept its knowledge of the extremely critical situation at one of the largest European insurance companies to itself. When its connection to Lebens-Phönix was mentioned in the press, it did not deny this but merely pointed out that it had no equity investment.⁴³ Confidential inquiries from banks and insurers were answered in a similar way. It even responded with great reservation to inquiries from the Reich Economics Ministry and its major shareholder Merck, Finck & Co.⁴⁴ In light of the catastrophe that Lebens-Phönix's collapse had to mean for its customers but also for the entire insurance industry, the reinsurer's silence is incomprehensible. MR had access to enough channels through which it could have discreetly spread the word to regulatory authorities in Vienna and Berlin. Why didn't it do this? Kißkalt's hands were tied until his resignation from the Lebens-Phönix's administrative board because as a member of this committee he was obliged to maintain confidentiality. That Kißkalt and Mattfeld remained silent in the following years as well could perhaps be explained by the close ties to the Phönix Group that had existed for decades. Lebens-Phönix was also a major shareholder of Elementar-Phönix, which MR had acquired in 1921, and it ceded its casualty and liability business at a rate of 100 % to this company.⁴⁵ In addition, MR had to expect that a hint to the authorities would become public knowledge, which would have severely damaged MR's reputation. It was still one of Lebens-Phönix's reinsurers, and discretion is expected of a reinsurer. Finally, there was a lot at risk for the whole industry since about two-thirds of all life insurance policies taken out in Austria were with Lebens-Phönix.

Possibly, those at MR also realized that hints about Lebens-Phönix's poor state would not have done much good. Berliner, by means of corruption and bestowing favors, had generated an entire system of accomplices that extended into the highest circles of Austrian politics, Viennese society and its press. After the collapse of the *Österreichische Creditanstalt* in the spring of 1931,

there were apparently several initiatives to scrutinize Lebens-Phönix's balance sheets, all of which were hamstrung by the federal chancellery and the Ministry of the Interior.⁴⁶ Any attempt to make Lebens-Phönix's poor state public would either be stopped or lead to a sociopolitical earthquake with unforeseeable consequences. At the same time, only very few people knew just how critical the situation was at Lebens-Phönix. Even MR only knew its official balance sheets, which were bad enough, but already doctored. In order to compensate for the deficits in Lebens-Phönix's core business, Berliner had engaged in risky speculative financial transactions, which led to further heavy losses. He had been able to postpone bankruptcy again and again by falsifying the balance sheets and falling back on premium reserves. After his death, Lebens-Phönix collapsed like a house of cards. It turned out that the company had accumulated losses of a total of 478 million schillings, of which 253 million schillings alone were attributed to the business in Austria.⁴⁷

The Austrian government official in charge of regulating the insurance industry, Heinrich Ochsner, had been bribed by Berliner. He was fired immediately after the Phönix scandal broke and committed suicide. The editor of Vienna's *Sonn- und Montagszeitung*, Ernst Klebinder, also committed suicide after it was made known that Berliner had financed this newspaper. Berliner had generously supported many across the political landscape. The Christian Socialist Party [Christsoziale Partei], the Home Guard, the National Socialists and the Zionists – he had given all of them donations, but especially the Rural Federation [Landbund], a small party that had for years appointed the minister of the interior in charge of regulating the insurance industry.⁴⁸ All the administrations of the First Republic had stood behind Berliner because they needed his professional expertise and because he had served them well in financial diplomacy. He had already been an expert member of the Austrian delegation in the negotiations for the peace treaty of St. Germain (1919).⁴⁹ The disclosures and trials associated with the Phönix scandal provided copious material for radical right- and left-wing agitation. The former federal chancellor Karl Buresch and his death in September 1936 were associated with the scandal as was the agreement of the Austrian fascist Schuschnigg administration with the Third Reich, which contained important concessions to Hitler.⁵⁰ The National Socialists made use of the fact that Berliner had Jewish heritage and that some of the implicated Phönix managers belonged to the Jewish community in their anti-Semitic rabble-rousing.⁵¹

After the collapse of Lebens-Phönix, the Austrian government promptly announced a legal regulation to maintain the company's approximately

333,000 policies, which were to be taken over by a rescue company. Lebens-Phönix was to be liquidated and its employees were to be fired.⁵² The rescue company was founded as a sort of private-public partnership under the name of Österreichische Versicherungs-AG (ÖVAG) on 29 April 1936. It took over all the Austrian life insurance policies but only 200 of the 1,300 employees of Lebens-Phönix. The casualty and liability business were transferred to Elementar-Phönix. ÖVAG's largest shareholder was the Wiener Städtische Versicherung [Viennese City Insurance] – and thus indirectly the city of Vienna – which subscribed to 37.14 % of the share capital. The next largest shares were acquired by Assicurazioni Generali (14.86 %) and the Österreichisches Kreditinstitut (11.14 %). MR contributed 3.57 % of the share capital and concluded a reinsurance contract with ÖVAG.⁵³ ÖVAG acquired obligations from an insurance fund with a nominal value of 250 million schillings. The funds for this were obtained by raising the policy fee. In this way, the entire Austrian insurance industry, which also provided a collective guarantee for ÖVAG, had to participate in the clean up and restructuring following Lebens-Phönix's collapse. Above all, life insurers suffered from this as their business took years to recover from the loss of trust it engendered.⁵⁴ In Czechoslovakia, the government likewise organized a collective solution to the Phönix debacle in April 1937.⁵⁵

Lebens-Phönix's German business, which comprised about 20 % of its policy portfolio, remained undamaged. Berliner had not been able to utilize "creative accounting methods" here as he had in Austria because of the stricter conditions and controls of the regulatory authorities. The Reich Supervisory Office now took credit for this.⁵⁶ Lebens-Phönix's German policies were acquired by a company founded in Munich, the Isar Lebensversicherungs-AG. Contrary to early press reports, this rescue company was not part of the MR/Allianz Group but rather part of the so-called Swiss Club, Swiss Re's German subsidiary and investment companies.⁵⁷ According to statements by insurance historian Ludwig Arps, this connection had come about by means of an agreement between the German authorities and Swiss Re. Because there was a gap in cover funds for the German Lebens-Phönix policies of 7 million RM, contrary to the assurances of the Reich Supervisory Office in March 1939, it was suggested in Berlin that Swiss Re be brought in so that, in contrast to the Austrian pattern, the entire German insurance industry would not have to contribute to covering the shortfall. Swiss Re, Arps holds, had been granted an appreciation in its blocked accounts in Germany for investing this money in the rescue company for the German Phönix policies.⁵⁸ It was not permitted

for balances in the blocked accounts (“blocked marks”) to be transferred abroad and, thus, they were traded at a rather reduced rate with the Reichsmark.

However, the files of the Reich Supervisory Office indicate that Isar Lebensversicherung was founded by the Bayerische Rückversicherungsbank and four other German subsidiary and investment companies of Swiss Re. Payments in blocked marks were only supposed to be possible if Swiss Re also invested directly in the new insurance company. In June 1937 Swiss Re then held 10 % of Isar Lebensversicherung’s share capital.⁵⁹ The Reich Economics Ministry was prompted by its experiences with the German Phönix policies to tighten the regulations for the cover funds with its ordinance of 21 April 1936.⁶⁰

MR had limited the damage caused to it by the Phönix scandal by selling its shares of Lebens-Phönix at the right time, completely without planning. But it did not escape entirely unscathed. Its Phönix business at the end had nonetheless been large enough that the share of its foreign business on its total premium volume dropped from 35.4 % to 29.4 % after the collapse of Lebens-Phönix.⁶¹ Its small share of the Viennese rescue company ÖVAG affected its accounts less than the contract to reinsure 10 % of Lebens-Phönix’s policies. As a major shareholder of Elementar-Phönix, MR had to pay for a portion of the losses this company suffered on account of the collapse of its namesake. Elementar-Phönix had reinsured 100 % of Lebens-Phönix’s casualty and liability insurance business. Since Lebens-Phönix had also been a major shareholder of this company, Elementar-Phönix now had to be restructured with MR investing in it. At the same time, this opened new strategic options so that MR was among the few who were able to benefit from Lebens-Phönix’s collapse.

Elementar-Phönix was in critical condition in the early 1930s, and MR had been obliged to come to its rescue at that time with guarantee declarations and subsidies.⁶² In the spring of 1932, MR would have preferred to sell this investment, but no buyer could be found in the middle of the world economic crisis. Three years later, Assicurazioni Generali, located in Trieste, was interested in the company; similar to Riunione sixteen years before, it wished to expand its presence in Vienna.⁶³ In September 1935 the chief executive of Generali, Sulfina, came to Munich to negotiate with Kißkalt about Elementar-Phönix. Kißkalt offered Generali a partnership concerning Elementar-Phönix, and Sulfina immediately accepted.⁶⁴ The chairman of the board of management at Generali was apparently quite well informed about Mussolini’s plans. Already on 3 October, Italian troops attacked the empire

of Abyssinia, which was then annexed after Mussolini led an extremely violent campaign of conquest against it. The Western powers and the League of Nations distanced themselves from the fascist dictator, who then tried to ally himself with Hitler and moved away from his previous insistence on Austria's independence as a "buffer state." In his discussion with Kißkalt, Sulfina emphasized that Generali placed great value in MR maintaining its association with Elementar-Phönix and wished to engage with it jointly in Vienna "because no one could know what would happen in Austria and, in case of an annexation, the German partnership at Phönix would be valuable for Generali's own business in Austria."⁶⁵ Kißkalt may have seen things in a similar light, because he no longer wished to sell MR's share of Elementar-Phönix; indeed, he no longer wished even to reduce it. Generali would only have been able to acquire shares from Lebens-Phönix or from the Österreichische Creditanstalt – Wiener Bankverein, the third major shareholder. Wilhelm Berliner rejected both and, without his approval, the Creditanstalt was not able to sell its shares either since Lebens-Phönix possessed a blocking minority of Elementar-Phönix's shares. No doubt, Berliner also mobilized his good political connections against Kißkalt and Sulfina's plans.⁶⁶

After Berliner's death and Lebens-Phönix's collapse, the path for MR and Generali to forge an alliance was clear. Generali took over Lebens-Phönix share of Elementar-Phönix. After that, the shares were redistributed among the three major shareholders in a syndication contract of 22 April 1936. MR and Generali each received 56,000 shares of Elementar-Phönix, and the Creditanstalt received 27,555.⁶⁷ On the same day Eberhard von Reininghaus was appointed the new general director of Elementar-Phönix's; he had only taken over the management of Lebens-Phönix two months previously. But meanwhile, no chief executive was needed there anymore since the company was in liquidation. Reininghaus was not considered for the management of ÖVAG because the Wiener Städtische Versicherung rejected him and the Austrian radical right-wing parties deemed him partly responsible for Lebens-Phönix's disreputable demise.⁶⁸ From MR's point of view, by contrast, he had proven himself worthy of another top position by disclosing the Phönix scandal. Reininghaus also possessed knowledge that would be useful in the impending restructuring of Elementar-Phönix. Elementar-Phönix closed out fiscal years 1935 and 1936 each with heavy losses, which required a consolidation of capital and drastic cost reductions.⁶⁹ When Reininghaus came under political pressure after the annexation of Austria in March 1938, MR continued to stick with him.

He was able to transfer to MR and became a senior executive manager for negotiations about reinsurance contracts.⁷⁰

The alliance between MR and Generali, which grew out of the ruins of Lebens-Phönix, arose at almost the same time as the political axis Berlin-Rome and was set up as a parallel to it. In the following years, both companies expanded their cooperation to insurers in several countries. MR took over shares of Generali subsidiaries Erste Allgemeine Unfall- und Schadens-Versicherungs-Gesellschaft [First General Casualty and Indemnity Insurance Company] in Vienna and Deutscher Lloyd in Berlin. Generali had already invested in Pilot in New York and now acquired a share of the MR/Allianz subsidiary La Pace in Madrid as well. At Steaua Romaniei and the Dacia Romana in Bucharest, as well as at their investment companies in Warsaw, Generali became MR's new partner instead of Lebens-Phönix.⁷¹

Only in Prague did Generali not succeed Lebens-Phönix as MR's partner, and there were good reasons for that. Disguised, MR had founded Slovanska there together with Lebens-Phönix after the First World War via Czechoslovakian straw men.⁷² To the outside world, the company belonged at first to Atlas in Stockholm, and their Czechoslovakian straw men had been on the administrative board. In 1925 MR had sold half of its shares to Lebens-Phönix. The shares were kept at the Zemska-Banka in Prague in deposit accounts held jointly by the two major shareholders and the chairman of the board of management Jaromir Rašin.⁷³ Slovanska's operational business was managed by Lebens-Phönix, which made sense because the company had taken over Lebens-Phönix's policies in the territory of Czechoslovakia that formerly belonged to Austria-Hungary. Later Slovanska also took up the fire, casualty and liability insurance business.⁷⁴ After Lebens-Phönix's collapse, its Czech and Slovakian policies, which made up about 20 % of its entire business, were transferred to a rescue company founded by the Zentralbank Deutscher Sparkassen of Prague, Star Versicherung.⁷⁵ Slovanska's chief executive Rašin acquired Lebens-Phönix's majority stake in Slovanska.⁷⁶

In June 1937 MR board of management member Alois Alzheimer traveled to Prague in order to get an idea of Slovanska's situation after this company had once again generated heavy losses. While there, Alzheimer received a night-time visit from board of management member Jaromir Dvořák and from the head actuary of Slovanska, who urged him emphatically not to pay the balance presented to him before an audit could be done. Slovanska was "a big pig sty," they said, and chief executive Rašin had suffered serious losses on the stock exchange. It was assumed, they continued, that he was speculat-

ing with company monies, allowing Slovanska to pay for losses, and pocketing profits for himself.⁷⁷ In the audit conducted by MR head clerk Robert Schneider that same month, it turned out that things at Slovanska had not been much different than at Lebens-Phönix in Vienna. Chief executive Rašin and the head manager Poustka had tried in vain to compensate for the losses generated in the life insurance business with speculative transactions. When the losses grew ever larger, they had doctored the balance sheets and had allegedly hidden sold securities in secret accounts in order to avoid bankruptcy.⁷⁸ The president of the administrative board, Count Kolowrat, did not pick up on much of this because he had gained this position primarily to make Slovanska appear to be a Czechoslovakian company. In his audit report, Schneider wrote that Slovanska had “the posture of a venture bank [Spekulationsbank], but not that of an insurance company.”⁷⁹ Slovanska officials tried to pin everything on the departed chairman of the Lebens-Phönix’s board of management. Berliner, they claimed, had siphoned funds to a transitory account and directed them not to inform MR about it.⁸⁰ But Rašin, unlike Berliner, had also enriched himself personally with tremendous commissions totaling 2.1 million korunas. He had gotten Slovanska to reimburse him for his income taxes.⁸¹ After this audit, it was clear that Rašin had to leave the board of management. Yet he was allowed to fall lightly; he was able to transfer to the administrative board and even became its vice president. MR was not interested in another scandal and desperately wanted to avoid its investment in Slovanska from going public. Rašin was their most important disguise and the formal owner of its shares.

In May 1938 MR picked up the pace. A new audit by Robert Schneider revealed that Rašin and Poustka had made false statements in the previous audit. A further deficit of millions was uncovered in a guarantee account that had remained unknown up to that point. Schneider informed MR that Slovanska’s losses amounted to 17 million korunas in excess and another 14 million-koruna deficit could be attributed to the risk MR had assumed.⁸² MR could have paid these losses and ended the contract with Slovanska. That would certainly have been the end of this company. Schneider pointed out that a collapse would be associated “with all the aspects of a Phönix scandal.” He suggested pushing the blame for the deficits in Prague to the departed Berliner and to continue managing Slovanska under strict conditions.⁸³ Rašin now had to leave the administrative board.⁸⁴ But the dissolution of the reinsurance contract was only presented as a potential threat.

An old MR contractual partner in Prague, the Slavia Mutual Insurance

Bank, had already indicated its interest in investing in Slovanska in 1937. Now MR pursued this interest. Slavia was better positioned and also larger than stricken Slovanska. By joining together with Slavia, MR could not only dispense with the problem of Slovanska and its problems in disguising this capital investment but also gain a new, strong partner in Prague. In February 1939 Slavia acquired 80 % of Slovanska's share capital.⁸⁵ A few weeks later, German troops marched into Prague.

Disguises and Expectations of War

German companies had learned from the experiences of the First World War to protect their foreign assets in the future from seizure and expropriation. Henceforth, they wished to transfer these assets in a timely manner before a war to firms or persons from countries not expected to be engaged in the war, even if only to disguise them, that is, with a secret buyback clause. For MR this was an especially attractive solution on account of its many international ties.

That MR disguised numerous capital investments abroad was related at first, as described above, to the fact that most neighboring countries did not wish to have or even prohibited direct investment by German companies after the First World War. By founding Union Rück in Zurich in 1923, MR had intended, primarily, to secure its ability to pay abroad, which was threatened by the German inflation. But this meant that, for the first time, it possessed an almost 100 % subsidiary in a neutral and politically stable neighboring country to which contracts with insurers in third countries could be transferred at any time. In case of war, Union Rück was in a position to maintain business ties with foreign cedents and take over MR's ownership and disposal rights over its assets outside German-controlled areas.

Some Western European insurers like the Portuguese company Mundial and the Dutch company Providentia asked MR rather quickly after the National Socialist takeover to transfer their contractual rights and responsibilities to Union Rück in the case of an international conflict.⁸⁶ As early as April 1935, MR began to take steps to prepare for a potential war and seizure of its assets abroad. It granted Union Rück general power of attorney that enabled it to have control over MR's foreign assets in case of war and to transfer MR's contracts with foreign cedents to itself.⁸⁷ Although this overlapped with the reintroduction of conscription in March 1935, it is not clear whether MR

expected a coming threat of war on account of the beginnings of the military build-up in Germany or whether this was just a coincidence. Already in January 1934 MR had transferred its shares of its French subsidiary Les Réassurances in trust to the Schweizerische Bankgesellschaft (SBG) and five other companies with close ties to this bank. If SBG were to experience difficulties with the French treasury on account of this, MR had given it the power to declare that it only held these shares in trust.⁸⁸

When the “Sudeten Crisis” started up in August 1938 and there was a general expectation of war soon starting between Germany and the Western powers, MR renewed Union Rück’s power of attorney.⁸⁹ A memorandum from Union Rück’s chairman of the board of management Hans Grieshaber of 24 August 1938 indicates that MR expected a war and was therefore specifying its powers of attorney for two different political scenarios. The first scenario was the cessation of diplomatic relations with Czechoslovakia as a prelude to a possible German-Czechoslovakian war. The second power of attorney related to the worst-case scenario of a war with Great Britain and France.⁹⁰ Union Rück informed MR’s cedents in Czechoslovakia. One of these – the Nationale Versicherungsanstalt AG in Prague – continued its reinsurance with MR via Union Rück for security’s sake.⁹¹

The fear of an impending war did not dissipate among MR’s management team despite the appeasement of the British and French governments in the Munich Agreement of 29 September 1938. In mid-October 1938, Kurt Schmitt privately shared his fear with the former German ambassador and conservative Nazi opponent Ulrich von Hassell that “Hitler would only briefly leave things in peace” and that he was “setting a new chess move in his sights” that could lead to war.⁹²

In April 1939 MR and Allianz began selling their Pilot shares to its reliable partner Atlas in Stockholm and to two other Swedish insurers, Svenska Veritas and Atlantica, as well as to the Dutch insurance companies Merwede and Providentia with a buyback clause.⁹³ This is worth noting in that a war between Germany and the United States was not expected at that time. The transaction, however, also served another purpose: MR wished, as Herzog writes, “to give its Swedish business associates sufficient security in valuable foreign currencies in case Munich Re were no longer in a position to fulfill its obligations.”⁹⁴ At MR, it was expected that sanctions or other Reichsbank measures could easily lead to difficulties in making payments abroad.⁹⁵ Not until the summer of 1939 were concrete plans made to transfer the shares of the French subsidiaries Les Réassurances and La Cité to others. Eberhard

von Reininghaus made an agreement to this effect with the head of the British reinsurance company Victory, Cecil Barley. A personal friendship linked the two. Victory was the only independent reinsurance company in Great Britain. It did good business in London but only had a few ties to the continent and thus relied upon cooperating with MR. Barley and Reininghaus also forged plans to help MR once again gain its earlier position in London by means of an alliance with Victory.⁹⁶

When Barley visited Munich in mid-July 1939, it was agreed that Victory should take over a majority of Pilot and “in case of emergency” also take its management. In addition, MR wished to transfer a third of its shares of Les Réassurances and La Cité to Victory. In return, MR would have an investment in Victory.⁹⁷ The idea that MR would be able to protect the share packets from being seized by the Allies by means of transferring them immediately before the start of the war to a British company was bold – and even almost naïve – after the experiences of the First World War. Barley probably would have implemented this agreement, but Victory’s administrative board did not wish to go along with it.⁹⁸ Now time was growing tight. Union Rück was given the power of disposal over the shares in Les Réassurances on 21 August 1939, with the shares remaining in a deposit account of the SBG.⁹⁹ On 1 September 1939, the day Germany invaded Poland, Union Rück took over the guarantee for all MR’s reinsurance obligations with its foreign cedents.¹⁰⁰

The anticipation of war also prompted intense consideration in the insurance industry of how the risk of war should be treated in the business before 1939 as well. In the First World War, property insurers in most countries had declared the risk of war uninsurable. Life insurers had had a variety of approaches. Some of them insured the risk of war only for members of the military, others also for civilians; some of them required an extra premium for this, and others didn’t. There were also different views on whether the risk of civil war should be regarded as a risk of war or not.

In MR’s life insurance department, Mattfeld and Brix had worked out a new concept for covering the risk of war in 1924/25. They assumed that the former division between members of the military and civilians was outdated and that they should be able to offer insurance for war risks to everyone during peacetime at a fixed premium of 5 % of the insured amount, although they recommended that this amount be limited to 100,000 RM.¹⁰¹

Such proposals were worked out in other countries as well. They were similar in their basic structure and, like Mattfeld and Brix’s concept, set the

course for new actuarial regulations for the risk of war. The Spanish Civil War, which began in July 1936, provided the last push for this. Soldiers from half of Europe fought in this war. The rebels under General Franco nonetheless demanded that the riot insurance policies cover the losses. The Spanish “riot insurance business,” in turn, was 80 % reinsured abroad. The affected reinsurers established a *comité juridique* that agreed in May 1937 that an insurance policy covering riot risks (*motin*) only had to cover losses resulting from violent conflicts if these were of a limited duration and size, but not when they resulted from a revolution or a civil war.¹⁰²

Just a few months after the beginning of the Spanish Civil War, British insurers agreed categorically to deny coverage for the risk of war and civil war. An example of this was the resolution drafted by the Fire Offices Committee in London on 16 December 1936: “No company, from a day yet to be determined, will take on any insurance that includes the risk of war or civil war (not directly, in any form of reinsurance or by a new policy, acquisition declaration, prolongation certificate, or in any other manner).”¹⁰³ The entire world was declared the affected business area, with the exception of the United States and Canada. Word of the Fire Offices Committee’s resolution soon spread to Germany as well. MR found out about it via Les Réassurances. In June 1937, like Allianz, it distributed a newsletter in which it emphasized its agreement with the Fire Offices Committee’s resolution and called upon its fire insurance cedents to confirm that they were also of this opinion and that they would not transfer any war or civil war risks to MR for reinsurance.¹⁰⁴

In the transit insurance segment, additional clauses were added to policies in Great Britain and Germany for coverage of risk of war at sea. After heavy losses arose in the Spanish Civil War from the destruction of harbor warehouses, the war clause of the British Waterborne Agreement of 1937 excluded coverage of ships’ cargo on land.¹⁰⁵ The basic principle of “no war risk on land” was later transferred to air freight, and it still applies today. In Germany, a “German War Clause of 1938,” regulating coverage of “risks of war, civil war, and war-like occurrences” like the Waterborne Agreement, was enacted during the “Sudeten Crisis.”¹⁰⁶ In this, too, coverage was limited to goods on board. The insurance companies only appeared to take on this risk in their name. They actually transferred it to the German War Insurance Association, which was formed with the introduction of the war clause, in which all German transit insurers, reinsurers, as well as some foreign insurance companies participated. The Reich, in turn, had promised the War

Insurance Association that it would cover losses beyond a certain level.¹⁰⁷ The Reich Supervisory Office eliminated the exclusion of war risk from life insurance after the war began. Old and new policies had to cover the risk of war now up to an insured amount of 100,000 RM. For this, the insurance companies received cost apportionments to cover the “mortality loss.” The distribution of the war risk among direct and reinsurers was stipulated by guidelines from the Reich Supervisory Office.¹⁰⁸

12. Occupation Rule and the War Economy: Munich Re in the Europe of the Third Reich

“Prudent Cooperation”? The Company’s Involvement in Vienna, Prague, and Southeastern Europe

The Third Reich’s annexation of Austria on 13 March 1938 led to far-reaching changes at Elementar-Phönix as well. Kurt Schmitt, who had only been appointed chairman of MR’s board of management a few months previously, wanted to set up the MR/Allianz Group anew under the changed conditions in Vienna as quickly as possible. He was determined to secure Allianz a dominant influence over Elementar-Phönix. From then on, it would set the business policy of the Viennese property insurer and appoint the chairman of its board of management. MR and Generali were to remain invested as part of the Allianz group, but Allianz was to take the reins. On 23 May 1938 Schmitt met with the chairman of the administrative board and the chief executive of Generali in Venice in order to share his ideas with them. According to Schmitt, Elementar-Phönix’s share capital could be equally distributed in thirds among Allianz, MR, and Generali or, if Generali wished to get out of the arrangement, in halves to Allianz and MR. The Österreichische Creditanstalt – Wiener Bankverein’s approximately 16 % share was to be transferred in equal parts to Allianz and MR, or in thirds including Generali if the company remained.¹ Schmitt knew that the Creditanstalt could not oppose this because Austria’s largest bank had by this time become a plaything among those from the “Old Reich” interested in taking it over.²

There were good reasons for Schmitt’s intention to have Allianz take the reins at Elementar-Phönix which were grounded in this company’s problems. Elementar-Phönix had not been particularly successful in the direct insurance business for some time and had never overcome the setback it suffered when Austria-Hungary was divided. Instead, it had expanded its reinsurance business. As a direct insurer, Allianz was in a better position than MR to get Elementar-Phönix back on track. Yet this was not Schmitt’s real aim. Primarily, he wished to have Allianz run Elementar-Phönix, which

would only have the structure of a free-standing company, similar to the Allianz subsidiary Bayerische Versicherungsbank. He was not only interested in further expanding Allianz's business by means of a significant acquisition. His considerations concerning the struggle for market share with the public insurers, which carried over into Vienna after the annexation of Austria, may well have played an almost more important role. The public insurers had a strong political influence in Hans Fischböck, the economics minister in the new National Socialist government in Vienna. Fischböck had become minister at the instigation of Göring. He had previously headed up ÖVAG, the rescue company for the policies of Lebens-Phönix after its collapse, where a public insurance company, the Wiener Städtische, held sway. In the fall of 1937, Fischböck had planned for ÖVAG to take over Elementar-Phönix, but he failed in this because of MR and Generali.³ Schmitt must have known that the DAF insurers (Deutscher Ring, Volksfürsorge) had been interested in ÖVAG since Austria's annexation and that one of them would probably win the bid. He wanted to set up a strong private insurance group to present a counterweight to this power block. For this, too, Allianz was better suited as the largest European direct insurer than a reinsurance company without its own direct insurance business. Similar to after the FAVAG scandal, Schmitt was once again able to justify a considerable expansion of Allianz with the interests of the entire private insurance industry.

In Venice, Schmitt also spoke with the head of Generali about appointing a new chief executive at Elementar-Phönix. The Italian partners agreed with Schmitt's suggestion that the new chairman of Elementar-Phönix's board of management be appointed by Allianz. However, Generali's chairman of the administrative board, Edgardo Morpurgo, only found out that Schmitt had chosen Hans Schmidt-Polex, a deputy member of Allianz's board of management, from a letter Schmidt wrote on 3 June 1939.⁴ Just as this way of dealing with another major shareholder was quite unusual, so was Schmitt's simultaneous refusal to allow Generali to have a share in Allianz's reinsurance business, as Generali had wished.⁵ Morpurgo now decided against a *ménage à trois* at Elementar-Phönix. In his reply to Schmitt, he wrote that Generali had decided to give MR its share of Elementar-Phönix.⁶

In Trieste, the vision of cooperating with the German partners in Vienna after the annexation of Austria had been different. Morpurgo had been convinced that Generali would be in a good position because of its tie to MR. Now he knew better. It was probably less Schmitt's dominant behavior than the prospect of having no influence on Elementar-Phönix's business policy

even with a third of the shares that clinched it. An equal involvement, as had been agreed upon in 1937 with Kißkalt, was reasonable for Generali, but not playing the role of a minority partner to the Allianz/MR Group.

This process did not call the partnership between Generali and MR into question. Both sides knew too well the advantages that cooperation in the prevailing political climate offered. They continued to cooperate closely in their common investment companies in Warsaw and Bucharest. The “cross-holdings” they had entered into together at their subsidiaries La Pace/Pilot and the Erste Allgemeine/Deutsche Lloyd remained in place. The contract for the sale of Generali’s shares of Elementar-Phönix was made only on 28 June/6 July. At that time Generali already had a new president (chairman of the administrative board) after Morpurgo had been forced to resign on account of his Jewish heritage. His successor Guisepppe Count Volpi di Misurata supported the alliance between Generali and MR that Rome and Berlin no doubt looked kindly upon. In the contract for the sale of the shares of Elementar-Phönix both parties stated that the agreement was to serve to “solidify the friendly relationship for the long term.” To underscore the good intentions, Generali also received the Budapest Phönix subsidiary Prudentia more or less as a gift and a 10 % share of Elementar-Phönix’s reinsurance business.⁷ At the next general meeting of Elementar-Phönix, this company, which was officially called Allgemeine Versicherungs-Gesellschaft Phönix, was renamed the Wiener Allianz Versicherungs-AG. Allianz held a 48.42 % share of its share capital, and MR held 48.41 %.⁸ The majority of ÖVAG shares, meanwhile, had been transferred to Deutscher Ring, an insurance company of DAF.⁹ Volksfürsorge, in turn, received the insurance company Allianz und Giselaveroin, which was then continued under the name of Ostmärkische Volksfürsorge.¹⁰ MR now sold its ÖVAG shares to DAF and later also transferred its shares of the Allianz und Giselaveroin. MR wished to retain its reinsurance contract with ÖVAG.¹¹ The surviving records do not indicate whether this came to pass.

Three years after the end of the war, Generali and the Creditanstalt – Wiener Bankverein applied with the Viennese restitution court to have their shares in Elementar-Phönix that they had sold in 1938 restored. In Trieste, it was believed “that this share transfer never would have been carried out if conditions in Austria had not been so fundamentally altered by the annexation.” At the same time, Generali let Allianz know that the application was not directed against the actions of Allianz and MR at that time, “whose efforts, successful in the end, to keep the insurance industry free of party

influence, are known to us.”¹² As the defendants, Allianz and MR claimed that Generali and the Creditanstalt had “left [Elementar-Phönix] voluntarily and without pressure.” The purchase price had been more than 40 % over the shares’ market price, and, in addition, Generali had acquired Prudentia for nothing. Yet the Viennese restitution commission decided in favor of the application, determining that Generali and the Creditanstalt would not have had “any cause to sell their shares of Phönix (later Allianz) without the National Socialist seizure of power in Austria.”¹³ This justification no doubt applied in relation to the Creditanstalt, but a few questions need to be asked about it in relation to Generali. Generali not only had close ties to another fascist regime but had also invested in shares of Elementar-Phönix in 1937 with the expectation that Austria would be annexed; in the end, it had entered a bad wager by making incorrect assumptions about the consequences that the “annexation” would have.¹⁴ The revenue from the buyback in the amount of 3.7 million schillings was seized in Austria as German assets and would later be forfeited to the Austrian state.¹⁵ In 1954 MR and Allianz once again acquired a portion of these shares from Generali, which had become the largest shareholder of Wiener Allianz through the restitution.¹⁶

In the spring of 1939, Schmitt had also had to act quickly because Elementar-Phönix’s chief executive, Eberhard von Reininghaus, had been required to leave the company immediately after the annexation of Austria. Reininghaus was forced to resign by National Socialist state commissioner Rafelsberger and was even temporarily under arrest.¹⁷ According to the National Socialist racial laws, he was considered a crossbreed in the second degree, or a quarter Jew, but he was not attacked on account of his Jewish grandmother but on account of his political ties and his earlier activity as the chief executive of Lebens-Phönix.¹⁸ Reininghaus had been a member of the Austrian Home Guard Movement and had been close to its federal leader Starhemberg. Austrofascists and National Socialists had tried in vain to frame Starhemberg with a share of the guilt in the Phönix scandal, and now they wanted to make up for this with Reininghaus. Already in 1937, Reininghaus had not been considered for the chief executive position at ÖVAG because of this, as Meuschel stated in a note at that time: “Reininghaus is not feasible in the combination. On the one hand, the Wiener Städtische rejects him outright, but he is also rejected by the personnel at ÖVAG as one of those responsible for the collapse of Phönix. One of his greatest enemies is the foreman of the Factory Cell of the Fatherland Front in ÖVAG, which has outstanding relations with the government and is very influential in the Fatherland Front.”¹⁹

Schmitt decided to keep Reininghaus in the MR/Allianz Group. Allegedly, it was planned for him to take over the reins of the U.S. subsidiary Pilot, which supposedly did not come to pass because of the war.²⁰ Reininghaus moved to Munich and was hired as a senior executive manager. After the war, he wrote that his transfer “occurred overnight, so to speak, because I was in serious danger of being arrested by the Nazis.”²¹ In Munich, he remained undisturbed; people were not interested in the Phönix scandal there. In 1939 the Viennese National Socialists launched a criminal investigation against him, which was ended after some time.²² At MR, Reininghaus was primarily responsible for negotiations with contractual partners in Western Europe. In this position, the fugitive from Vienna with the best connections in London quickly proved to be very useful to the company.²³

Elementar-Phönix’s Jewish employees were furloughed after the annexation of Austria and laid off as soon as possible thereafter, on 30 June 1938. They received only 40 % of the otherwise usual severance pay. It is not known how many such employees there were, but there are “indications,” as Gerald D. Feldman writes, “from which it becomes clear that it was a considerable number.”²⁴ The National Socialist racial laws hardly gave the new chairman of the board of management Schmidt-Polex any room for maneuver on this matter. Only in exceptional cases, such as that of former chief executive Schlesinger were severance packages paid in the amount of an entire year’s salary, which made emigration financially feasible. Schmidt-Polex (1900–1978) was no radical National Socialist but a conservative insurance professional from an old Frankfurt banking family. His grandfather, as the deputy chairman of the supervisory board of the Bank für Handel und Industrie, counted among the cofounders of MR. Hans Schmidt-Polex, who was imprisoned by the Gestapo from 20 July 1944 to the end of the war, became a member of the board of management of the Frankfurter Versicherungs-AG and later the chief executive of the Europäische Güter- und Reisegepäck-Versicherung.²⁵

Among the Viennese insurance companies, the spectrum of directors after the annexation ranged from conservatives of this ilk to radical National Socialists like the new chief executive of ÖVAG Josef Mayrhofer, who boasted that his father was once Hitler’s legal guardian.²⁶ This made no difference for the Jewish employees of Elementar-Phönix and ÖVAG; both employers fired them. Likewise, Jewish customers of the Viennese insurers lost their policies and the accumulated assets of their life insurance policies regardless of the orientation of the respective managers.

In Prague, MR found itself in an entirely different position than in Vienna after the violent occupation of the city on 15 March 1939. Back in February 1939, it had sold its most important equity investment there, the majority shareholding at Slovanska, to Slavia, with which it now wished to cooperate. As a result, MR's position in Prague was relatively weak at the time of the occupation, so that it utilized the changed power relations to push for a takeover. Nonetheless, MR still had an equity investment in a "friendly" insurer in Prague as well, in Čechoslavia. Mattfeld and Alzheimer went to see the management when they traveled to Prague in March 1939.

Čechoslavia was structured like a cooperative. In 1919 it had been founded by the Czechoslovakian consumer cooperatives and had had close ties to the unions. Mattfeld and Alzheimer now pushed the management of Čechoslavia to agree to raising MR's shareholdings to 51 %. In return, MR would declare itself willing to maintain the Czech character of the company. Čechoslavia's board of management and administrative board would not go for this, and they were not intimidated when Mattfeld presented the prospect that Čechoslavia would otherwise probably be taken over by the DAF-owned insurance company Deutscher Ring.²⁷

Apparently, direct pressure could not be applied to Čechoslavia. This was just as remarkable under the conditions of the Protectorate of Bohemia and Moravia as the administrative board's resolve to prevent the Germans from obtaining a majority shareholding. Yet the requirements changed then with a violent crime on the part of the occupying power. The chairman of the administrative board Vesely and his deputy Komeda were arrested as resistance fighters and executed in October 1941. Both of them had managed up to that point to prevent MR from obtaining a majority with the help of voting rights that had been transferred to them. Now the shareholders succumbed to violence. Against the backdrop of the murders of Vesely and Komeda, the declaration of the Gestapo and the delegate of the Reich protector for the insurance industry that Čechoslavia needed to take account of its "new situation" was a blatant threat.²⁸ MR acquired the shares from the shareholders who had thus been made willing to sell, enabling it to raise its investment to 55 % of the share capital. In early 1944 MR distanced itself from its promise to maintain the Czech character of Čechoslavia under political pressure. Čechoslavia was renamed Bohemoslavia.²⁹

By contrast, Slavia Mutual Insurance Bank, which was much much larger, strove to cooperate extensively with MR. The board of management planned to set up its subsidiaries Corona and Slovanska by segments. MR

was to take over 49 % of the share capital of each of them, and Slavia was to retain 51 %.³⁰ These capital ties did not come into being, presumably because of the war. The plan never went beyond a draft contract that was signed in October 1941.³¹ Nevertheless, both sides worked closely together and had a common strategic interest. Ties to MR were supposed to shield Slavia from the expansion efforts of the Deutscher Ring and the Volksfürsorge. These two DAF insurance companies had divided among themselves the significant policy portfolios of the Prague insurance company Star, which had been formed as a rescue company for Lebens-Phönix's Czechoslovakian business and had gone into liquidation after the occupation.³² After that, the Volksfürsorge set up a representative office in Prague. The Czech population boycotted it as a company of a Nazi Party organization with one foot firmly planted in "Sudetenland." It could only expand in the protectorate by taking over Czech life insurer and thus tried to acquire shares of Čechoslavia and Nationale, another large life insurance company in Prague. Like MR, it made headway with Čechoslavia after Vesely's and Komeda's execution. Since Volksfürsorge acquired the shares of Čechoslavia directly from the Gestapo, these were likely confiscated assets of the two murdered resistance fighters.³³ MR had secured a majority of this company; many Czech shareholders probably sold their shares to MR so that these would not wind up in Volksfürsorge's hands. At Nationale, MR gained more control than Volksfürsorge.

As had already happened in Vienna, the MR/Allianz Group and the DAF companies also engaged in a race to "Germanify" the insurance industry. Since the authorities in the protectorate had not granted Allianz a license, MR's cooperation with Slavia was all the more important.³⁴ Slavia became its preferred partner among Prague's direct insurers. Slavia, in turn, was protected from the Volksfürsorge's covetousness by means of the draft contract with MR. In January 1942 the government of the protectorate took over responsibility for insurance companies. A year later, Economics Minister Bertsch asked the Volksfürsorge to come up with suggestions for "restructuring" the insurance industry in the protectorate, pointing out that Slavia and Čechoslavia were not available as an MR "area of interest" or subsidiary.³⁵ The Volksfürsorge nonetheless wished to expand its investment in Čechoslavia and suggested to MR that they found a joint subsidiary in Prague that would merge Čechoslavia, Nationale and Republikanská.³⁶ Kurt Schmitt did not go for it. According to later statements, he was primarily responsible for causing the further "Germanification" of the insurance industry in the protectorate to fail.³⁷ Reininghaus noted in a file memo of

August 1944 that Slavia's chief executive Václav Peca had characterized Schmitt to him as Slavia's rescuer and declared that "one learns who one's friends are in a crisis."³⁸ A statement composed after the war to defend MR held that the Czech mutual insurance companies were supposed to have been transformed into "National Socialist public institutions."³⁹ This is more likely to have been the long-term goal of the protectorate's government, but Slavia and Čechoslavia no doubt had MR to thank that they did not fall under the influence of the DAF companies during the German occupation.

What happened in Prague clarifies what MR meant when it asserted after the war in a statement justifying itself to the military government that it always "worked for the protection of the insurance industry in the occupied territories and of their managers and agents along the lines of understanding and proper cooperation."⁴⁰ MR's protective stance toward Slavia and Čechoslavia arose out of its own interest and not out of solidarity, however. From MR's perspective, the protectorate was too important to leave it to DAF, whose companies private insurers increasingly regarded as a threat. Even Jaromir Dvořák of Slovanska – which went only by the name of Slavic Insurance Institute after the annexation – turned repeatedly to MR when problems came up, for example, when an obligatory tax was to be imposed on the fire insurers in the protectorate.⁴¹ Since his nighttime visit with Alzheimer in June 1937, Dvořák was particularly well trusted at MR and had become the chief executive of Slovanska after Rašin had left. At the same time, he was by no means an assimilated collaborator. In mid-1944 he was arrested on suspicion of high treason. Schmitt and Reininghaus were able to intervene, not achieving his release but postponing his trial, which probably saved the Slovanska's chief executive's life.⁴² No one at MR had even raised a finger to aid the administrative board members of Čechoslavia who were then executed, even though this was one of MR's associated companies, because no one was interested in them.

No statements on MR's actions concerning the laying off and persecution of Jewish employees at Čechoslavia, Slavia and Slovanska have survived. MR was only able to exert an influence in these cases from the end of 1941 when it acquired a majority share of Čechoslavia. A listing by the Gestapo headquarters in Prague of the insurance policies seized on 20 June 1942 indicates that about 2.1 million korunas in life insurance policies were stolen from Slavia's Jewish customers. According to research findings of the International Commission on Holocaust Era Insurance Claims, the value of confiscated policies ran up to a total of about 5.3 million korunas, and at Čechoslavia and Slovan-

ska to about 400,000 korunas. Even Slavia was by no means at the top of the heap of licensed life insurers in the protectorate with this sum. The Jews who lived there had preferred to take out their life insurance policies with foreign companies, with Riunione, Generali, Victoria and Lebens-Phönix, later called Star Versicherung.⁴³

In the justification statements in the immediate postwar period, MR invoked witnesses from Romania and Hungary.⁴⁴ In 1921 it had founded Steaua Romaniei jointly with Lebens-Phönix in Romania as a life, fire, burglary and hail insurer. First, Steaua took over the organization of the Phönix companies in Bucharest, and after Lebens-Phönix's collapse, it took over its Romanian business. Generali and Elementar-Phönix then bought shares of Steaua in the context of a capital increase. In accordance with legal requirements, two Romanian companies held 50 % of the share capital. There was no need to disguise the shareholders in this case as there was in Czechoslovakia and Poland.⁴⁵ On 23 November 1940 Romania entered the war on the German and Italian side. Under the dictatorship of General Antonescu, Jewish persecution increased, which also impacted Frederic F. Kafka, who was the chairman of the board of management at Steaua. Kafka was from Austria, had lived in Bucharest since the 1920s and had been managing Steaua quite successfully since 1940. He was a "half Jew" according to National Socialist racial laws. In April 1943 the German mission in Bucharest gave Kafka the choice of going to the Reich or losing his passport. According to later MR statements, he was supposed to be deported to a concentration camp.⁴⁶ In order to prevent this, Alois Alzheimer intervened with the SS-Sturmbannführer Gustav Richter, one of Eichmann's coworkers who was involved in deporting and exterminating Romanian Jews as a police attaché and "advisor on Jewish issues" in the German mission.⁴⁷ Alzheimer claimed that it was not possible to replace Kafka with another "Reich German," and that the management of Steaua would be transferred to a Romanian or Italian if Kafka left. This at least postponed action until the end of 1943.⁴⁸ Kafka then remained the chief executive whereas Antonescu was deposed and Romania switched sides. In November 1946 he contacted MR again looking for an opportunity to find a position in Austria.⁴⁹ After Steaua was nationalized, Kafka emigrated to Argentina and worked, among other things, at the MR/Allianz subsidiary Plus Ultra.⁵⁰

In Budapest MR, in 1936, had acquired a majority in the insurance company Franco-Hongroise, in which it had held shares for over 40 years. Franco-Hongroise had already generated heavy losses. When this did not change after

the takeover, MR divested itself of this subsidiary half a year later, selling it to the insurer Foncière, which was also located in Budapest. After that, Edmund Veesenmayer, a close colleague of Hitler's economics advisor Wilhelm Keppler, complained to Wilhelm Kißkalt that MR had handed over a German economic position in Budapest.⁵¹ Kißkalt was likely aware that he was dealing with a fanatical SS man from the power center of the Third Reich, and he responded accordingly.⁵² He informed Veesenmayer that the causes of the losses at Franco-Hongroise lay in "truly Jewish mismanagement ... in which all those involved only aimed to shear their sheep at the expense of foreign shareholders." Since almost the entire insurance industry in Hungary was "completely Jewified," MR had not managed to remedy the mismanagement at Franco-Hongroise or to find a suitable replacement to manage the company. Kißkalt thus requested that this reason for selling Franco-Hongroise be treated confidentially "since a large number of insurance companies in the territories of the former Austro-Hungarian monarchy and in the remaining Orient likewise are under Jewish management, from whom we earn money as reinsurers, and these relations could be disturbed if this, our open explanation, were to become known."⁵³ As this tone does not fit at all into Kißkalt's writing style – he was indeed a Nazi Party member but, as a lawyer, he always formulated things precisely – it can be assumed that he wrote this explanation, which accorded with Veesenmayer's worldview, in order to avoid a conflict. Yet his story was not entirely made up. Allianz had had some business problems in some countries, particularly in the Middle East, because of the persecution of Jews in Germany. For example, a Jewish Allianz agent in Egypt had transferred his business to a British insurer, and in Palestine, Allianz had already disguised its business via Schweizer National.⁵⁴ MR had no direct business, but it obviously feared that its cedents could decide to boycott it out of anti-German sentiment. The conflicts in Budapest, where according to Kißkalt there were some tensions between MR and its associated companies, could easily trigger something like this.

A humane intervention in Budapest on Alzheimer's part seven years later should also be viewed against this backdrop. In March 1944 Edmund Veesenmayer arrived there, now as an envoy of the Foreign Office and an authorized representative of the Reich for the deportation of Hungarian Jews.⁵⁵ Up to that point, the Horthy regime allied with the Axis Powers had not been willing to deport Hungarian Jews to the concentration camps. It was not least because of this that Hungary was occupied by the Wehrmacht in March 1944. Two months later, the deportations began there as well; cargo

trains departed daily for Auschwitz. The longtime chief executive of the Europäische Güter- und Reisegepäck-Versicherung in Budapest, Josef Szöny, was a Jew, and he was to be deported, too. In June 1944 Alois Alzheimer traveled to Budapest and negotiated with several agencies to keep Szöny and his brother on as accountants. MR's management also intervened on behalf of the former chief executive of the First Hungarian General Insurance Company, Imre Balaban, and the former chief executive of Franco-Hongroise, Georg Balaban, who were both Jews.⁵⁶

MR's interventions for Kafka, Szöny and Balaban probably saved their lives. These sorts of rescue operations were not in the least a matter of course at that time, which MR was rightly able to point out after 1945. At least in Kafka's and Szöny's cases, however, MR was not acting without self-interest because both of them were practically irreplaceable for the MR/Allianz Group. That Kafka and Szöny held management positions even in 1944 in the group companies in Bucharest or Budapest proves that MR did not conduct an anti-Semitic cleansing of its own accord. Group representatives of Jewish heritage could also by all means be advantageous for the company in these countries, as one can see from Kißkalt's letter to Veesenmayer. The letters of thanks from persecuted Jews that MR presented after the war were all from managers and chief executives. Only one case is known in which MR helped a Jewish employee of a group company who was not a member of the board of management: that of the head accountant of Franco-Hongroise, Tivadar Pogany.⁵⁷ Besides Schmitt, apparently it was only possible for the "travel cadre" of Alzheimer and Reininghaus to intervene. They, in turn, were more likely to have ties to the managers of the numerous group and associated companies than with the local clerks and accountants.

The Group Companies in Occupied Poland

In Poland, MR was not only one of the leading reinsurance companies, but, since 1919, it had invested in three direct insurers with headquarters in Warsaw: the Warsaw Insurance Company, Patria, and Port. In addition, it also had a small investment in the Europäische Güter- und Reisegepäck-Versicherung in Warsaw. The Warsaw Insurance Company was one of the largest and oldest insurance companies in the country and had a significant subsidiary in Krakow, Florjanka. Patria and Port had been founded after the First World War. MR had invested in these three insurers jointly with its Viennese

investment or group companies, Lebens-Phönix and Providentia, in order to carry on their Polish policy portfolios after the division of Austria-Hungary. Whereas the Warsaw Insurance Company took over Lebens-Phönix's life insurance business, Port was purely a property insurer, and took over Providentia's policies as well as those of some German fire, casualty and liability insurers. Since Austrian and German insurance companies were not permitted in Poland, MR's capital shares and those of its Austrian partners were disguised. To the outside world, Polish citizens appeared to be the owners, first of all chief executive Ananjacz Einhorn, who was a member of the board of management at six of these sorts of companies.⁵⁸ Einhorn presented the shares as his own property to the Polish authorities, and MR reimbursed him for the taxes he paid.⁵⁹ In late April 1933, MR held 57 % of Port's capital stock, 29 % of that of the Warsaw Insurance Company, and 22 % of that of Patria.⁶⁰ In MR's company language, these three firms were referred to as group companies, even though MR only held a minority share of Patria. At Port, MR held a majority together with Lebens-Phönix.

MR's Polish investments, which it had purchased more for its Austrian partners and group companies, were not particularly important to it. In the mid-1930s, there was an increased inclination at MR to sell these shares to a Polish buyer. Kißkalt let Port's chief executive Rittermann know "that we were tired of the constant difficulties that we were subjected to as a German company in Poland."⁶¹ Yet there was, in all likelihood, no interested buyer who would offer an appropriate price. Moreover, Ananjacz Einhorn left the company at this time, which did not make a sale any easier because of the disguised owner relations.⁶² The motives for his shift remain as unclear as his further career. In the preceding years, Einhorn had planned to get business going in Palestine with the Warsaw Insurance Company, Port, and Patria, founding a company there like the Europäische Güter- und Reisegepäck-Versicherung in Egypt.⁶³ According to a note from Herzog, he later emigrated with his family to the U.S.⁶⁴

The Polish associated companies were then also impacted by the collapse of Lebens-Phönix. Lebens-Phönix had owned a package of shares comparable to that of MR and had also invested in Port. In the fall of 1936, the situation became more difficult because of a new Polish law that was referred to as "Lex Münchener" [MR Law] at MR.⁶⁵ Obviously, the Polish authorities, meanwhile, were quite familiar with who the real owners of the Warsaw Insurance Company, Port, and Patria were. The law forced insurance companies to raise their share capital, prohibited employing foreigners, and

established draconian punishments for the appointment of straw men or for straw men to exercise voting rights.

After that, MR and Generali formed an alliance in Poland, agreeing to work together on an equal basis. Generali took over Lebens-Phönix's now available share of the Warsaw Insurance Company. It had had its own subsidiary in Warsaw for quite a while, Polonia, which was facing problems similar to Port's on account of the new insurance law. After lengthy negotiations, Generali and MR agreed to merge Port with Polonia. On 17/25 January 1938, the merger contracts were signed. Generali and MR, in the end, each held 41.085 % of the merged company, the Generali Port Polonia Vereinigte Versicherungs-Gesellschaft AG, Warsaw (hereafter GPP). Elementar-Phönix also held 8.5 % and a Polish shareholder group owned 9.33 %.⁶⁶ The merger made it easier to bear the obligatory capital increase. At the same time, this prevented any one of these companies from having a foreign majority shareholder.

At the start of the war, the direct insurers GPP, Patria, Warsaw Insurance Company, and Florjanka in Poland supposedly had a market share all together of over 50 %.⁶⁷ When Poland was invaded by the Wehrmacht in September 1939 and was occupied, MR thus found itself in a position that probably few German companies had. It made no sense for MR to expand in Poland under the German occupation. It was already the market leader there and was interested in maintaining what it had achieved. Founding new firms would only have generated competition for its own group companies. The motto "The salesman follows the flag" that Hilgard, the leader of the Reich Group of Insurers and a member of Allianz's board of management, used as an appeal to get companies to move into the occupied countries, did not fit for MR.⁶⁸

During Poland's occupation, the concern was voiced at MR that its group companies disguised as Polish firms in Warsaw and Krakow could be seized by the German military as enemy assets. Even before Warsaw fell, the company turned on 20 September 1939 to the Quartermaster General in the army's supreme command with the request that GPP, the Warsaw Insurance Company, Patria, and Florjanka "not be treated as enemy but as German companies."⁶⁹ The Polish group companies were subordinated to the general trustee for individual insurance with the governor general of the occupied Polish territories, who then appointed trustees for the individual insurance companies. In spring 1941 the existing account deposits, actuarial reserves and security depots of the Polish associated companies (GPP, Patria, Warsaw

Insurance Company, Europäische Güter- und Reisegepäck-Versicherung Warsaw) were seized by none other than the Main Trusteeship Office of the East [Haupttreuhandstelle Ost, HTO], the central agency for the confiscation and “processing” of Polish assets in the occupied areas. MR submitted complaints about these orders, but the accounts remained frozen for the time being.⁷⁰

In contrast to an enemy company, MR and Generali were allowed to suggest who should be appointed trustees, and these suggestions were followed. Already in late October 1939, these trustees assumed office. In coordination with Generali, MR suggested the former Latvian justice minister Edwin Magnus for the Warsaw Insurance Company; he was a nationalist, liberally oriented, Baltic German, who had formerly held positions as a chief executive and a diplomat.⁷¹ MR’s authorized signatory Robert Schneider was appointed Patria’s trustee upon MR’s recommendation.⁷² At GPP, by contrast, the Generali Group got its say, with the retired government councilor Paul Cuntz becoming the trustee. He was a member of the board of management at the Viennese Generali subsidiary Erste Allgemeine Unfall- und Schadens-Versicherungs-Gesellschaft.⁷³ The trustees were not from the occupation apparatus but were all MR or Generali employees or were disposed to be loyal to these companies. In the annexed areas of Poland around Poznan that did not belong to the General Government but rather to the “Reichsgau Wartheland” [the Reich Region of Wartheland], Allianz’s new branch office Wartheland acted as trustee of the newly created branches of the GPP, Patria, and the Warsaw Insurance Company.⁷⁴

In early 1941 the Krakow insurance company Florjanka, the majority of which was owned by the Warsaw Insurance Company, was sold to Victoria. Victoria had been able to appoint the trustee for Florjanka in Upper Silesia and was very determined to take over this company despite its high deficit. MR’s authorized signatory Robert Schneider, who now represented his employer in the occupied part of Poland, the General Government around Warsaw and Krakow, agreed after some hesitation. One thing that might have played a role in this was that there was already another insurance group among Florjanka’s shareholders. Swiss Re held 15.6 % of the share capital.⁷⁵ The Warsaw company Europäische Güter- und Reisegepäck-Versicherung was divested because its contractual partner, the Polish State Railway, no longer existed.

The surviving documents provide few clues as to how business developed among the group companies in Poland and to what extent these com-

panies were involved in the National Socialist extermination policy in the General Government. Research in several Polish archives has yielded at least some indications of GPP's activities, but in these archives, as well, there is not enough evidence to draw up a more complete picture. No information about employees and their fates can be found in either MR's archive or the Polish state archives. All that can be determined from the surviving business reports and some correspondence is that MR's group companies in Warsaw were headed by the Polish directors Jan Adam Jeziorański and Andrzej Śliwiński during the entire occupation period. Both of them had been members of the management boards of several of MR's Polish group companies even before the war began.⁷⁶ GPP's chairman of the board of management, Henryk Rittermann, by contrast, had fled from the German occupiers to Lithuania because he was a Jew. From Lithuania, he turned in vain to Generali seeking a visa for Italy, and then he asked Alzheimer for help in Munich. Robert Schneider then met with Rittermann in Lithuania and finally found a way to get him and his family to safety in Sweden in June 1940. In contrast to some witness testimonies from the postwar period, this rescue is documented in surviving letters by Rittermann from Vilnius and Kaunas.⁷⁷ MR transferred "commissions" amounting to a total of about 25,000 Swedish krona via Union Rück in Zurich and the Stockholm insurance company Svenska Veritas. Finally, Alzheimer managed to get Rittermann an entry visa for Argentina via the group representative in South America, Theodor Wand of Fénix Sudamericano; Rittermann arrived there in November 1940.⁷⁸

The remaining documents do not reveal how Jewish employees and the policies of Jewish customers were dealt with at GPP, Patria and the Warsaw Insurance Company. Yet the General Government early on issued rigid regulations that German insurers could not get around either, even if they wanted to. Jewish employees were to be fired immediately, Jewish policies were cancelled, and the accumulated capital in life insurance policies was to be transferred at their surrender value to the German treasury.⁷⁹ At GPP, Patria, and the Warsaw Insurance Company, this operated differently than at the newly opened branches of insurance companies from the "Old Reich" in Warsaw and Krakow. The policy portfolios of GPP, Patria, and Warsaw Insurance Company came largely from the period before the German occupation, and there must have been many Jews like Rittermann among their employees.

MR's group companies in Warsaw lost a considerable portion of their policy portfolios through the seizing of the Jewish and non-Jewish popula-

tion's assets. There were also consequences from dividing Poland between Hitler and Stalin. A large part of Polish territory was annexed by the Soviet Union and was then closed off to Warsaw insurers. At the Warsaw Insurance Company, premium revenues for the first quarter of 1940 constituted 58 % of the level from the previous year. Of 116 "agents," 63 had been laid off or had left for other reasons. Chief executive Jeziorański expected a loss of 2 million zloties for fiscal year 1939.⁸⁰ GPP's business had been more drastically affected. Its premium revenues for the first quarter of 1940 comprised only about 28 % of the previous year's level.⁸¹ There are surviving balance sheets for these years for GPP. They show that premium revenues dropped by more than 60 % between 1938 and 1940, from about 2.2 million zloties to about 780,000 zloties.⁸² The drop in the transit insurance business was greatest, where marine transit insurance had completely and motor insurance had mostly been eliminated.⁸³ The fire insurance business had also dropped off. Many companies canceled their fire insurance policies because they went into liquidation.⁸⁴ There are no surviving documents on the life insurance business of the Warsaw Insurance Company. The persecution, in this case as well, would have led to the number of policies dropping off sharply. Yet since life insurers only had to transfer the surrender value to the Reich, which was significantly less than the accumulated value, the cancellations also yielded them handsome profits.

Over the course of 1941, GPP's premium revenues rose again, to around 1.3 million zloties with transit insurance increasing the most. There were numerous trade and transportation companies among its customers.⁸⁵ It cannot be determined whether they had Polish or German owners. In contrast to the newly founded branches of German insurance companies in Poland like the Allianz branch in Poznan, GPP, Patria and, above all, the Warsaw Insurance Company, which had already existed since 1870, could not limit themselves to new customers. They depended on keeping a stock of old customers, and probably continued to be headed by Polish chief executives because of this. At a "partners' conference" held at Generali in Venice in April 1942, trustee Edwin Magnus described the business development of the three group companies in Warsaw as "entirely favorable." The Warsaw Insurance Company was able to derive net profits from the sale of "freed up houses in the eastern territories." By contrast, Magnus expected GPP's share capital of 2.5 million zloties (1.25 million RM) "to be almost fully lost" in consideration of the expected devaluations.⁸⁶ Incidentally, Swiss Re was also one of GPP's reinsurers. The Warsaw MR/Generali subsidiary was able to conclude

GENERALI-PORT-POLONIA
ZJEDNOCZONE TOWARZYSTWA UBEZPIECZEŃ
Spółka Akcyjna
Oddział w Litzmannstadt

Ogn

Ajentura _____
w _____
ul. _____ Nr. _____

Koncept stornowy

Akt Nr. _____
Wolęta P.M.

Storno		Dzien.storn.Nr	Nr.storna	Nr polisy	Signum
całkowite, częściowe, ewidencyjne			285	No. FIF/3939	_____
Firma lub nazwisko ubezpieczonego					
Kommissarischer Verwalter der Firma Izrael Icek Goldberg					
Ryzyko	Województwo	Powiat	Miejscowość	Ulica	Nr.
			Litzmannstadt	Gartensstrasse	7/9
Stornowano na podstawie			Zastąpiono polisą Nr.	Termin storna	
z powodu				za	
Mangels Zahlung				od 10.8. 19 40 lat mies. dni	
				do 10.8. 19 41 1 - -	
Stornowana suma ubezpieczenia	Skrót statyst.	Nr. statyst.	K w i t y r a t o w e		
RM 1.264.--			Termin płatności		
			Ilość	dnia _____ od r. 19 _____ do r. 19 _____	
Składka według polisy za okres, w którym następuje storno				na 100g	naudz. Zjed

Figure 29 Cancellation of the fire insurance policy of Izrael Icek Goldberg from Łódź at Generali Port Polonia, of which Munich Re held shares

a hail reinsurance contract with it in the summer of 1940; the contract was expanded in the fall of 1943.⁸⁷

It is known from Gerald D. Feldman's study on Allianz that MR's group companies in Warsaw also belonged to a consortium led by the Allianz subsidiary Bayerische Versicherungsbank. This consortium had offered the forced labor camp Plaszów near Krakow a 3 million-złoty fire insurance policy. When the policy was concluded, GPP and Florjanka held 12.5 % of the shares of this consortium. After the number of detainees in Plaszów had risen from 2,000 to 12,000, the insured sum was doubled, making it 6 million. Now the Warsaw Insurance Company also joined the consortium with a 12.5 % share.⁸⁸ Another contract was concluded at the same rate in May 1944 after the forced labor camp had been transformed into a concentration camp.⁸⁹

MR reinsured Allianz's much more voluminous business with the SS at the ratio of 30 % then valid between the two companies. These were policies insuring barracks and facilities at the concentration camps in Auschwitz, Buchenwald, Dachau, Neuengamme, Ravensbrück, Sachsenhausen and Stuttgart.⁹⁰ The same applied to the policies taken out by the ghetto administration

of Lodz – which was renamed Litzmannstadt by the occupiers – for insurance against fire, burglary and other risks.⁹¹ In all of these cases, it is not possible to determine from Allianz's invoices with MR what the insured objects were. Policies from direct insurers with SS offices usually came about via connections made in the central offices of the insurance companies. At Allianz's Berlin headquarters, the assistant manager Max Beier, who had close ties to the SS, arranged these transactions.⁹² Despite the fact that chairman Kurt Schmitt was a member of the SS, MR never considered the SS a business customer. MR did not engage in any direct insurance, and the SS, in turn, did not own an insurance company with which one could have concluded a reinsurance contract. In Warsaw, the group companies apparently had no special relationship to SS offices. In any case, there are no indications in any documents – not even in the denazification files of Robert Schneider, who had been an “Old Fighter” of the Nazi party and most likely had the largest number of political contacts among all MR representatives in Poland.

From mid-1943, property insurers in the General Government suffered business losses from an increasing number of attacks by partisans. These losses were not recognized as war losses by the German occupation authorities, so the insurance companies had to cover them.⁹³ During the Warsaw uprising of the Polish Home Army of August/September 1944, business activity came to a standstill. On 27 July 1944 MR and Generali had given Jeziorański and Śliwiński full power of attorney, but the letter granting this power returned as undeliverable.⁹⁴ Magnus reported to Munich on 19 September 1944 that the two managers had managed to leave Warsaw during a ceasefire and were now in Krakow.⁹⁵ Jeziorański informed MR on the same day that he would carry on transactions from there and that the real estate holdings of the group companies in Warsaw had largely been destroyed in the fighting.⁹⁶ It is not known what happened to the managers after this. The Warsaw Insurance Company, GPP, and Patria, like all private insurance companies, were expropriated after the war.

Just a few months after the attack on the Soviet Union, MR turned its attention to the occupied Baltic territories and to White Russia (today Belarus) in September 1941 [Reichskommissariat Ostland]. It wished to found an insurance company jointly with Allianz with headquarters in Riga.⁹⁷ The starting conditions here were completely different from those in Poland. MR hardly had any presence in the Baltic states before the Second World War. Two Latvian insurers that MR and Allianz had invested in had been liquidated after the war began on account of the Soviet Union's annexation of the Baltics. Now,

the monopoly insurer of the Soviet state, Gostrach, was the only remaining insurance company in Estonia, Latvia, and Lithuania.⁹⁸ In the White Russian Soviet republic, MR had never before done any business. But at least it could put forward a well-qualified candidate to head the new company it planned to found in the Baltic German Edwin Magnus, the commissioner of the Warsaw Insurance Company. However, the Reich Minister for the Occupied Eastern Territories and leading ideologue of the Nazi Party Rosenberg decided that the Soviet state insurance company Gostrach should continue under German management. In Berlin, MR vainly pointed out that Gostrach was insolvent in the occupied Baltic and Soviet territories so that there was no more insurance protection there. All of MR's and Allianz's efforts to expand in the occupied Soviet territories were of no use. Hitler bet on the "German Gostrach" planned by Rosenberg, not only in the Baltics and in White Russia but also in the Reich Commissariat Ukraine. On 16 June 1942 the head of the Reich Chancellery informed the Reich minister for the occupied eastern territories that the "Führer has occasionally expressed his wish to maintain the state insurance monopoly established by the Soviets."⁹⁹ Accordingly, the *Versicherungsanstalt Ukraine* was formed in November 1942. Yet now the problem emerged that the German companies expanding in the Ukraine – particularly in heavy industries and trade – had no inclination to take out insurance policies with a Gostrach successor company. The Reich government therefore intended to have public insurers from Germany invest in the Gostrach successor company.¹⁰⁰ MR could easily dispense with conducting business in the Ukraine. It was likely more unsettling to those at MR that Hitler gave preference to a state monopoly insurance company modeled on the Soviet one.

The Subsidiaries in the West and the Association for the Coverage of Major Risks

The drop in premium revenues at the beginning of the Second World War was not as serious as that of 1914. This was due, in part, to the foreign business no longer having as much weight as a consequence of the First World War and to the fact that many policies had been transferred to Union Rück. Another reason was that MR was quickly able to return to important foreign markets because of the occupation of the Netherlands, Belgium and France.

On 10 August 1940 Walther Meuschel paid a visit to the former subsidiary *Les Réassurances*. After mutually expressing their joy at seeing one an-

other and Meuschel's agreement to intervene to get a member of the board of management released who may have been imprisoned, there were also harsh rebukes. MR had clearly expected Les Réassurances to have made quick efforts to take over the policies of British insurers right after France became occupied. There were a number of British companies in France up to the occupation, particularly in transit insurance. The tendency to reinsure with German companies had been very low for a long time on account of the nations being "arch enemies." Since reinsurance companies in Great Britain, as before, did not play a very big role, French direct insurers as a rule had reinsured with British direct insurers. But now the reinsurance contracts between French and British companies had been invalidated. The German occupation, as Gerald D. Feldman writes, had "created something of a reinsurance emergency for the direct French insurance companies."¹⁰¹ Entirely new opportunities were available for a French reinsurance policy, which Les Réassurances had not used well by the summer of 1940, in Meuschel's opinion. Les Réassurances probably had other concerns. Some of the management personnel and also chairman of the board of management Dingler, who was highly valued in Munich, had just returned from military service. Meuschel, in any case, felt obliged to clarify MR's expectations of Les Réassurances in the form of a rebuke: "I told the gentlemen that it would be an absolute mistake if they failed to at least double or triple the portfolio of Réassurances in these days because no other company will have been able to order its retrocession and because, with the French majority, it has to take the demands of all sides into consideration."¹⁰²

In the following months, the issue of how MR could once again acquire its former Les Réassurances shares that had landed elsewhere in the fall of 1939 in various ways was intensively addressed. Before the war began, they had been in a deposit account with a code number at the SBG, and Union Rück had been issued the right of disposal. The French authorities then put pressure on the SBG to transfer the shares to France. After that, the packet was sold to the Parisian bank Demachy & Cie. with MR's consent, most likely with a buyback provision. Demachy & Cie., meanwhile, had resold some of its shares and was only able to offer a small packet for buyback.¹⁰³ In early December 1940, Kurt Schmitt came to Paris, pushing the "share issue." He made it clear "that we cannot guarantee countertrades and other support if we do not have unrestricted influence over this company."¹⁰⁴ During this visit, it was also agreed that the connection between MR and Les Réassurances should no longer be disguised. That same month, MR was able to

buy back a large share packet from Demachy & Cie. at a price it deemed excessive.¹⁰⁵

Business at Les Réassurances developed quite well in the following years. Premium revenues doubled between 1940 and 1942, a considerable part of which likely derived from taking over former cedents of British insurers, as Meuschel had advised.¹⁰⁶ According to later statements by Alzheimer, about 50 % of the policies formerly covered by British companies were taken over by French insurers, 25 % by German ones, and the remaining 25 % by Italian and Swiss insurers.¹⁰⁷ There are no records concerning how the employees of Les Réassurances regarded their managers' collaboration with MR. Nor can it be determined whether this company had employees of Jewish heritage. The boards of management in Paris and Munich saw their cooperation during the occupation as nothing but reestablishing a business and capital tie that was temporarily interrupted by the war.

Another example of close cooperation between MR and a "friendly" French insurance group is the case of *Alsacienne Vie*. In 1928 MR had acquired a 40 % equity interest in *Alsacienne Vie*, which was based in Strasbourg. *Union Rück* was presented to the outside world as the owner of this packet because a German investment in Alsace at that time in France could not be made public. Moreover, the case was particularly explosive because the *Alsacienne Group* had emerged from the *Erste Elsaß-Lothringische Unfall- und Haftpflichtversicherungs-Gesellschaft* [the First Alsace-Lorraine Casualty and Liability Insurance Company], once founded by MR.¹⁰⁸ Before the war began, MR had transferred its share of the Parisian insurance company *La Cité* to the *Alsacienne Vie*.

After the occupation of Strasbourg, *Alsacienne Vie* was subordinated to the German civil administration. It was now called *Elsaß-Lothringische* once again. An authorized representative of MR, Otto Burbach, was appointed as its acting administrator. MR wanted to leave the *Alsacienne Group* in place and give it some portfolios with English and French policies that had become available. But things turned out differently. The civil administration in Strasbourg ordered the portfolios of all Alsatian insurers to be transferred in trust to companies from the "Old Reich." For the *Alsacienne Group* and the *Elsaß-Lothringische*, two public insurers, the *Zentral-europäische Versicherung* and the *Öffentliche Lebensversicherungsanstalt Baden* [Public Life Insurance Company of Baden], came into play.¹⁰⁹ *Alsacienne Vie* had moved its business documents and also its *La Cité* shares to Bergerac before the occupation and now was doing rather good business in

other parts of France – reinsuring these policies behind the backs of French authorities via Union Rück with MR.¹¹⁰

MR's actions with regard to insurers in the occupied Netherlands are not as well documented. Alois Alzheimer was interrogated by Allied investigators after the war. In this hearing, he indicated that an agreement to divide the canceled policies of British (direct) insurers in the Netherlands at a ratio of 50:50 among German and Dutch companies had been made in June 1940. The Dutch insurers had then formed their own organization “in order to take over a portion of their share from this direct insurance company.”¹¹¹ This was the *Verenigde Assurantjebedrijven Nederland N. V. (VAN)*, which, according to its own statements, MR supported from the beginning.¹¹² A similar arrangement was made in Belgium.¹¹³ Accordingly, German reinsurers did not achieve a dominant position in either country during the occupation period. After the war, MR also indicated that it had prevented the founding of a National Socialist public insurance company in the Netherlands by Hans Goebbels, the chief executive of the *Provinzial Feuer- und Lebensversicherungsanstalten der Rheinprovinz* (and older brother of the Reich propaganda minister).¹¹⁴ In the surviving reports, there is no reference to MR's Dutch associated companies, *Providentia* and *Europäische* in Amsterdam. Nor can anything be found about them in the company archive.

The Pilot Reinsurance Company of New York, which Union Rück, Generali and Allianz had invested in, in addition to MR, found itself in a difficult position even before the war. Carl Schreiner did not wish to hand over the management of the company he had founded despite his advanced age – in 1934 he had turned 80 years old – and he had not trained a successor. Pilot had suffered losses of about \$800,000 due to a market slump on the New York Stock Exchange in 1937.¹¹⁵ Lothar Südekum, who was working in New York at that time, got the impression that Pilot was “no longer very active.” After the war began in Europe, there would “no longer be much to do.”¹¹⁶ A few years before, Südekum had had a serious falling out with Schreiner because Schreiner had claimed that Hitler was “a God-sent man.”¹¹⁷ In 1939 Schreiner retired on account of a problem with his eyes – 59 years after he had joined MR. He returned to Germany and lived there until his death, but he continued to determine Pilot's business policy from there.¹¹⁸

Schreiner was certain that the American authorities would not act against the company in the case of a war with Germany because Pilot “was an American company and had American supervisory boards and managers.”¹¹⁹ In the spring of 1939, the shares had already been transferred, also at Schreiner's urg-

ing, to insurance companies in countries that declared themselves neutral after the war began and already had remained neutral in the First World War.¹²⁰ Hans Grieshaber, the chief executive of Union Rück, which likewise had invested in Pilot, felt that Schreiner's calculations were too optimistic and suggested, to no avail, "to get money to South America by any means."¹²¹ Indeed, Schreiner's strategy did not work out. After the United States entered the war in December 1941, Pilot was confiscated. The American authorities and courts were not swayed by the fact that the shares had been transferred to Swedish, Dutch and Swiss insurers. In February 1942 Pilot was liquidated by order of the Supreme Court of New York State. In vain, its Swedish shareholders sued the Office of Alien Property Custodian for restitution after the war.¹²²

In Europe, in the spring of 1942, by contrast, MR's influence was greater than it had ever been before, even greater than in the years before 1914. It profited from the fact that only a few countries – Great Britain, Ireland, Portugal, Sweden, and Switzerland – were not under the rule of the Greater German Reich or its allies, and at the same time it made use of having numerous connections in the neutral countries.

In Berlin, it was widely expected after the ceasefire of Compiègne on 22 June 1940, which essentially amounted to France surrendering, that a peace accord would quickly be reached that would seal German hegemony over the continent. In the Reich Economics Ministry, plans were forged to restructure Europe into one larger economic area of the Reich.¹²³ The changed conditions led to considerations among some at MR to set up the European insurance industry anew under German hegemony – and it was not alone in this. When Alois Alzheimer met with the chief executive of Riunione, Enrico Marchesano, and its former chair of the administrative board, Arnaldo Frigessi, in Venice in October 1940, they both suggested to him that German and Italian insurers should together fill the gap that had been formed by the loss of Lloyd's on the continent. Alzheimer replied that such plans were already in preparation in Munich.¹²⁴ In contrast to Marchesano and Frigessi, however, Schmitt aimed to achieve the greatest possible cooperation among continental insurers that were not to earn a reputation as being a mere arm of the Axis Powers. He, thus, found it particularly important to win Swiss Re over to the project, which he succeeded in doing. At an initial meeting in Munich on 4 March 1941, it was decided that they should found a registered association for covering major risks.¹²⁵ MR, Generali, Riunione and Swiss Re were the primary investors, and MR clearly held the reins. Kurt Schmitt became the president of the associa-

tion, Reininghaus became the general manager, and Munich was specified as its headquarters. In addition, it was decided that an executive committee and a technical committee should be formed.

Officially, the association's task was to fill the gap in the coverage of major risks left by the British insurers – that is where the somewhat cumbersome name came from. In practice, the Association for the Coverage of Major Risks was to step in whenever risks could not be covered in a country. The coverage was distributed among the members according to a quota system. On 29 and 30 October 1941 the first conference of the executive committee took place. At the second conference in Lugano on 7 and 8 May 1942, the members of the technical committee also participated. Another conference took place on 1 and 2 June 1943, in Budapest. At all of these conferences, Schmitt was the totally dominant figure. The other participants competed to be the most obsequious toward him, something to which he was quite susceptible. Yet this was also reflected in the power relations in Europe. An Italian or Frenchman could not have been the chairman of this association, and the fact that Schmitt had once been Hitler's economics minister made him into an absolutely ideal leader in this circle.

Already in his talk at the first conference in Rome Schmitt had emphasized the “unpolitical” character of the association after some press reports of a different tenor had appeared. “The association was formed for purely insurance-industry-related reasons and has no political leaning.”¹²⁶ The Allies saw this differently. A report by the American Board of Warfare characterized the association as “the European Reinsurance Cartel ... combining business organization with Nazi ideology.”¹²⁷ In the minutes of the three conferences, which took place between 1941 and 1943, there are hardly any political remarks, let alone suggestions for newly structuring the European insurance industry. Of course, it can be assumed that these topics were discussed after the meetings, off the record and in a smaller circle, and thus, all the more intensively. Contrary to what one might expect, the committee meetings were not about covering major risks but rather about the most varied aspects and problems of the industry and about comparing the regulations in the individual countries. Topics included the effect of rising prices in the natural hazard segments, the risk of explosion in fire insurance, and war insurance in life and casualty insurance, for example.¹²⁸ The executive committee also passed guidelines, such as those for covering fire and transit risks.¹²⁹

Yet it would be wrong on this account to see the Association for the

Coverage of Major Risks merely as a sort of information platform. Despite all of Schmitt's assurances, this organization was anything but unpolitical. The membership was tantamount to an acknowledgment of the hegemony of the Third Reich over Europe. Nobody joined who thought otherwise. Moreover, from the founding of the association and its concept alone there was an anti-British orientation that did not even need to be pointed out at the conferences. Most of the members came from Germany and Italy.¹³⁰ They were counting on the Axis Powers winning. The others at least expected the war to end in a similar manner. In all likelihood, none of them was the least bit prepared to return the business to the British insurers they had taken it from after a defeat of the Allies. Schmitt was no doubt well aware of these circumstances. Even though he was primarily interested in a continental European "Reinsurance Collective,"¹³¹ a sort of reinsurance cartel, the consequences had to be a permanent shift at the expense of British insurers. Since the 17th century, London had been the center of the European insurance world. However, that could now well change. At the Major Risk Association, no ideological phrases were bandied about, but Schmitt utilized the National Socialist domination of Europe with this organization and worked toward the National Socialist plans for a greater economic area.

Besides, the association had the political task of fighting against state reinsurance monopolies that seemed to be expanding at that time. In Greece, this sort of monopoly had emerged and was broken after the German occupation of the country at the instigation of the Reich Group of Insurers. In Yugoslavia, there were similar plans, and in the unoccupied part of France, the Vichy regime issued a decree about an obligatory state reinsurance company for transit insurance policies.¹³² MR watched these events very closely. "I am most concerned right now about Yugoslavia," Alzheimer wrote on 7 October 1940 to the chairman of the Reich Group of Insurers, Hilgard.¹³³

In order to get new members to join the association, its general manager Reininghaus traveled through Europe repeatedly, and he was quite successful in this. In early June 1943, the association already had 192 members from 13 countries (including the Protectorate of Bohemia and Moravia).¹³⁴ Yet its members were not as widely international as it was presented to the outside world. An overview compiled at MR of the members in the fire insurance segment shows that more than half of the participating insurers and almost half of the subscribed units were from within the territory of the German Reich at that time, that is, including Austria and the annexed Czech and Polish territories.

Table 11 Compilation of the Association for the Coverage of Major Risks, segment fire and operational failure insurance, by country, September 1942¹³⁵

Country	Number of participating companies	Share of subscribed units
German Reich*	51	46.11 %
Belgium	7	2.44 %
Bulgaria	1	0.24 %
Finland	4	1.95 %
France	n/a	15.12 %
Italy	10	22.93 %
Netherlands	1	1.23 %
Protectorate	1	0.24 %
Romania	3	0.72 %
Switzerland	2	6.59 %
Serbia	1	0.24 %
Spain	1	0.24 %
Hungary	2	1.95 %

* Greater German Reich in the borders of 1942 without Protectorate

Just under a quarter derived from Italy. Aside from the two Axis Powers, only France had a larger number of units (see Table 11). There were hardly any Spanish insurers in the association; from the Netherlands only the already mentioned VAN joined in the fire segment, from Belgium, by contrast, seven companies joined, though there were other Belgian companies that strictly rejected membership. Two Belgian insurance companies told Reininghaus that cooperating on the restructuring of Europe was something “no upstanding Belgian could agree to as long as he was a ‘slave’.” That the French behaved differently changed nothing in this, “because they had obviously lost every bit of free will and all their dignity.”¹³⁶

Only two Swiss companies belonged to the Major Risk Association, Swiss Re and Union Rück. Swiss Re organized the conference in Lugano, but it was not represented by its general director Bebler on the committees but by Heinrich Grossmann. Schmitt valued Swiss Re’s membership above all for how it looked to the outside world as proof of the supposedly unpolitical orientation of the association. For this reason, he took care that the articles

of the association were amended by a clause that conflicts between members were to be decided by the Confederate Insurance Office in Bern and not, for example, by the Reich Supervisory Office in Berlin.¹³⁷ Swiss Re may have entered into this because it was the only foreign reinsurer with a strong presence in Germany and, meanwhile, had come under tremendous pressure there. Its transfer ratio had been lowered by German authorities, and foreign currency transactions were no longer freely permitted. Amend and Schwede-Coburg had tried, although in vain, to push Swiss Re out of the German market, and the High Command of the Wehrmacht suspected them of betraying secrets. Thus, it couldn't hurt to keep the influential Kurt Schmitt well disposed toward them by means of a membership in the association.¹³⁸

The end of the association once again clearly revealed that it was no unpolitical professional organization. A few weeks after the conference in Budapest, Mussolini was overthrown. The new Italian government agreed to a ceasefire with the Allies on 8 September 1943 and declared war on Germany shortly thereafter. This put an end to the plans of Schmitt and his comrades-in-arms for restructuring the European insurance market. Moreover, it had turned out that the gap in coverage in continental Europe was not nearly as large as had been claimed in the drafted plans for the association of 1940. The Major Risk Association had taken on rather smaller risks like coverage of a fur warehouse in Norway and wood risks in Finland.¹³⁹ Between May 1942 and June 1943, the association only reinsured sixteen risks. The converted premium amounted to about 61,000 RM. Kurt Schmitt had to admit at the committee meeting in Budapest in June 1943 that they were dealing with "negligible business."¹⁴⁰

The Hub of Masked Business and Window to the World: Union Rück in Zurich

MR had founded Union Rück in Zurich in 1923 in order to secure its solvency abroad during the German hyperinflation. The Swiss subsidiary, however, was also quite useful for other purposes. Already in the year it was founded, its parent company transferred an equity investment to it, and others quickly followed. MR was able to present these investments as Swiss property, particularly in countries with uncertain political circumstances or in which German companies were avoided. For similar reasons, more and more of MR's reinsurance contracts were transferred to Union Rück. Since this was a wholly owned subsidiary, no other insurance company could gain insight

into the masked business. Before 1939, Union Rück had managed to acquire investments in the Erste Rigaer Versicherungs-Gesellschaft, the Basler Feuerversicherung and Les Réassurances. In addition, it had held shares in Pilot since the American subsidiary had been founded.¹⁴¹

When MR began to prepare for the eventuality of war, all the strands came together at Union Rück and its chairman of the board of management Hans Grieshaber.¹⁴² A large number of reinsurance contracts and several equity investments were transferred to the Swiss subsidiary, including MR's 47 % share of Providentia in Amsterdam and its 90 % share of the Dutch company of the Europäische Güter- und Reisegepäck-Versicherung. The largest masking of foreign investments consisted of the transfer of MR's approximately 72 % share of the Argentine reinsurer Fénix Sudamericano, which was dated 26 August 1939. In this way, MR wished to preempt a potential interruption of Argentine-German business relations under British pressure.¹⁴³

As a 100 % subsidiary of a German company, Union Rück, naturally, would immediately have landed on the Allies' blacklist in the case of war, despite being headquartered in Zurich. So in June 1939, the strategy shifted to masking Union Rück itself by "Swissifying" its share capital and its administrative board (the supervisory board). By the start of the war, all of Union Rück's share capital had been transferred to Swiss trustees. On the Swiss side, the SBG took the lead, having long been a close MR business partner, and appointed the chairman of the supervisory board. Kißkalt and Alzheimer left Union Rück's administrative board yet continued to attend its meetings until 1944 without being mentioned in the minutes.¹⁴⁴ During the war, both of them came and went as they pleased at Union Rück's head office in Zurich at Alpenquai 8. Kurt Schmitt, who was politically much more prominent, also gained permission from the Swiss federal authorities to travel to Zurich for talks with Hans Grieshaber.

Union Rück's shares had been sold to the trustees. Thus, these were not trustees in the ordinary sense of the word but rather owners, even though MR had advanced the purchase price to them and they had obliged themselves to exercise their voting rights in accordance with orders from Munich.¹⁴⁵ The "trusteeship" was legal by Swiss law. By contrast, the Allies viewed the masking of German foreign assets as punishable. They perceived such a purchase in which the seller protected himself with a buyback agreement, as a bogus transaction with no legal validity. SBG's ties to MR and Union Rück had more weight than the risk of Allied sanctions. The buyers of Union Rück's shares not

only trusted Swiss banking secrecy. In the end, they also lacked a consciousness of wrongdoing because such transactions were not illegal in Switzerland. Masked deposit accounts had been utilized in half of Europe since the First World War.

SBG became Union Rück's largest trustee, holding 500 shares (20 % of the capital stock), of which it repeatedly sold smaller blocks of shares to customers and business associates. SBG chairman of the board of management Paul Jaberg, who was also the vice president of Union Rück's administrative board, purchased 125 shares himself (5 %). 150 shares were transferred to Hans Grieshaber, director (chairman of the board of management) of Union Rück. SBG president Rudolf Ernst and his deputy Jaberg had had close ties to MR for decades already, first via Schweizer National, and then via Union Rück. It must have seemed entirely natural to them to step in as trustees.¹⁴⁶ Friedrich Arthur Schoeller von Planta, another member of SBG's administrative board, had already held 124 shares of Union Rück since 1923. According to the study of the Independent Expert Commission Switzerland – Second World War on Swiss insurance companies under the control of the Third Reich, a total of 24 Swiss nationals became Union Rück trustees between June 1939 and November 1944, as well as SBG and the Thesaurus Continentale Effekten-Gesellschaft, Zurich.¹⁴⁷

The "Swissification" of the share capital did not protect Union Rück from boycott measures on the part of the Allies. On account of its masking function, which could not be concealed, British direct insurers began a boycott at the end of 1939. In April 1940, the British government blacklisted Union Rück.¹⁴⁸ According to Union Rück figures, gross premium revenues temporarily dropped by more than CHF 3 million because of the start of the war and the boycotts.¹⁴⁹ In the U.S., Union Rück was blacklisted in November 1941 in the context of the "short of war" policy towards Germany – even before the declaration of war.¹⁵⁰ In contrast, it was able to resume its French business by June 1940. MR was more than able to compensate for the loss of its business with Great Britain, the British colonies and the U.S. by means of reinsurance contracts as well as retrocessions and commissions. From mid-1939 to the end of the war, Union Rück took over a total of 475 MR contracts. In addition to contracts with insurers in neutral and Allied states, MR also transferred individual reinsurance contracts with Italian and Swiss insurers to Union Rück, because these contracts covered risks within Allied territories.¹⁵¹

Union Rück's gross premium volume rose between 1939 and 1944 from CHF 19 to 26 million, but its net premium volume only rose from CHF 11.7 to



Figure 30 Union Rück's headquarters in Zurich, Alpenquai 8 (now General Guisan Quai)

13.9 million.¹⁵² In each of the years 1940 and 1941, Union Rück's masked business comprised CHF 1.1 million, thus having a much smaller volume than the net assignments from its regular business, which amounted to CHF 2.9 million in 1940 and CHF 2.8 million in 1941. By early 1940, Union Rück retroceded its entire masked business to MR.¹⁵³ At the request of the Swiss Federal Insurance Office, it reduced its retrocession quota at the beginning of 1940 to 90 % and retained 10 % of the incoming masked business for itself.¹⁵⁴ In order to dispel Swiss authorities' suspicion that Union Rück was merely a one-sided "front" for German insurance transactions, MR agreed to pay a commission of 0.75 %.¹⁵⁵ In 1942 this commission was retroactively raised to 1.5 %.¹⁵⁶

Union Rück did more than serve to mask ongoing business with the neutral states in Western and Northern Europe, which inclined toward supporting Britain and ended their official insurance business ties with the German Reich.¹⁵⁷ Just to be safe, MR transferred its contracts with insurers in Romania and Yugoslavia to Union Rück when the war began. Until Union Rück

was blacklisted by the British government, the company itself carried on the reinsurance business with British insurers.¹⁵⁸ Business ties between MR and Les Réassurances could even be continued until MR was able to return to now occupied France in July 1940. MR's masking of foreign business ties by employing Union Rück turned out to be a remarkably successful strategy. MR informed the Reich Economics Ministry in November 1941 – not without pride – that it had managed to maintain all of its business with neutral states with only “two entirely inconsequential exceptions.”¹⁵⁹

MR and Union Rück's cooperation extended far beyond the masking of transactions. During the war, Union Rück was the last open window to the world for MR. Alzheimer and Schmitt were able to learn about political and economic developments in the Allied states during their regular stays in Zurich from the British and Swiss press. In Germany, they were closed off from reliable information because the Reich Propaganda Ministry's control of the press only allowed for carefully selected and censored information from abroad to be distributed. MR's close ties to Union Rück were also helpful in its humanitarian pursuits. In 1944 MR asked Union Rück to find out from the International Red Cross in Geneva about the fate of some of its employees – Wehrmacht soldiers who had been reported missing in France, Italy and Romania.¹⁶⁰

Union Rück was of essential importance for communicating with insurers located outside German-controlled areas. Since postal services between neutral Switzerland, the other neutral states and Germany's western enemies were functioning, the members of MR's board of management used their regular visits to Zurich to send letters to business partners whom they otherwise would not have been able to reach.¹⁶¹ In order to hide its retrocession relationship better from postal surveillance of the neutral and Allied states, MR sent its bills on stationery with Union Rück's letterhead. Board of management members like Alzheimer and Schmitt took the letters with them on their regular trips to Zurich, and Union Rück then forwarded these bills to the cedents.¹⁶² Since letters from Switzerland to Latin America had to get past the British ship and postal check in Gibraltar, Union Rück sent its letters to Fénix Sudamericano from a disguised Zurich address for added security.¹⁶³ Hans Grieshaber maintained the connection to South America. As a Swiss national, he could travel there without restrictions. In the spring of 1941, he transferred all of Union Rück's U.S. investments to South America.¹⁶⁴ On a visit to Buenos Aires, he also got an overview of Fénix Sudamericano's situation. After his return, he was able to share good tidings with MR.

Fénix Sudamericano, under the management of Theodor Wand, had achieved its best returns since its founding, even though the British government had blacklisted the company.¹⁶⁵ After the U.S. entered the war, the Argentine group company's business then dropped significantly.

Two older MR equity investments in Switzerland, in Schweizer National and in Basler Feuerversicherung, were masked during the war by utilizing Union Rück and SBG. At Schweizer National, MR and Allianz, including several board members of both companies and the CEO of Union Rück Grieshaber, were invested before the war began, holding 40.6 % of the share capital. About half of these shares were then transferred to SBG.¹⁶⁶ MR, Allianz, and Union Rück held about 30 % of Basler Feuerversicherung already before the war.¹⁶⁷ In August 1939 a portion of the shares held by MR and Allianz were transferred in trusteeship to SBG and three other Swiss banks, and the rest were transferred to Union Rück. Basler Feuerversicherung nonetheless worried about its North and South American business – 40 % of which was reinsured with MR. In 1942 it signed a “secret agreement” with Union Rück that the latter would relinquish its share for the sake of appearances and temporarily transfer the business ceded to MR to Swiss Re and the Swedish insurance company Veritas. The situation became even more difficult for Basler Feuerversicherung when it had to undertake a capital increase at the urging of the Swiss Federal Insurance Office. Not until March 1945 did MR clear the path for this by relinquishing its subscription rights.¹⁶⁸

Swiss authorities did not view Union Rück's masking function for German insurance transactions as a danger to its political neutrality. Importing German insurance benefits via retrocessions slightly reduced its constantly increasing trade surplus over Germany of service and products, which would rise by the end of the war to more than one billion Swiss francs. Germany became an ever greater debtor to Switzerland – one that was not willing and was ever less able to cover its trade imbalances for products and benefits. Although the Allied troops freed Switzerland in the summer and fall of 1944 for being surrounded by Axis Powers, Bern officials adhered to the payments and clearing agreement made with Berlin officials. According to Alzheimer, investing new monies from Germany was, of course, “associated with difficulties” from November 1944.¹⁶⁹ Union Rück's gross premium revenues increased dramatically once again then, to CHF 38.7 million for fiscal year 1945 compared to 26.8 million the previous year. This jump, according to Union Rück records, was “partly” caused by its takeover of life and transit reinsurance policies that it had acquired from foreign cedents in 1944 “as MR's successor.”¹⁷⁰

Not until February 1945 did the Swiss Federal Council block the balances of German companies in Switzerland on account of the unrecoverable German debts and increasing pressure from Allies. This was combined with an economic embargo against Germany. Alois Alzheimer, however, was still able to travel to Switzerland in March 1945 in order to sound out the chances of an exception being made for German insurers.¹⁷¹ Thanks to the support of his Swiss business partners, his intervention with the head of the Swiss Federal Insurance Office, Emil Boss, was successful, despite MR's then weak negotiating position. As Alzheimer stated in a report on the trip, he encountered "fully loyal support."¹⁷² The Swiss insurance supervisory authority granted German direct and reinsurers permission to continue their business in Switzerland.

Union Rück held fast to its tie to MR practically until the day Germany surrendered. This is all the more astonishing, since the German insurers already long before had been unable to offset their negative balances at the Schweizer Nationalbank, so that the Swiss were stuck with their debt claims. After the war, SBG at first denied having been involved in the trustee administration of Union Rück shares of MR.¹⁷³ Grieshaber only told the Swiss authorities in the fall of 1945 about the masking operation before the war. After SBG had made credible assurances that it would not return the shares it had taken over at that time to MR, it was able to remain the majority shareholder of Union Rück.¹⁷⁴ In 1953 MR settled out of court with Union Rück for the contracts the former transferred to the latter during the war and the liquidated former balances, receiving a payment of CHF 11 million.¹⁷⁵

MR and Allianz's joint investment in the Spanish reinsurer Plus Ultra developed along a different course. Although Spain remained neutral throughout the war and German-Spanish trade relations were not interrupted until after the Allies landing at Normandy, MR and Allianz's boards of management had been preparing since the fall of 1942 for the investment to be acquired by Spanish minority shareholders.¹⁷⁶ They expected the Spanish government to increase pressure on German companies to at least transfer a qualified minority of the capital to Spanish companies. By February 1944, Plus Ultra's board of management, chaired by German CEO Philipp, transferred pro forma 50 % of the share capital to Spanish shareholders, all of whom belonged to its administrative board. This masking gave the Spanish supervisory authority the impression that the majority of the company was Spanish-owned.¹⁷⁷ After the Allied forces landed at Normandy on 6 June 1944, Plus Ultra's administrative board and board of management put pressure on MR to

make an “effective partial sale of shares.” At first, they were satisfied with the masked Spanish share being raised to 60 % of the share capital; the question of an effective sale was postponed.¹⁷⁸ MR and Allianz then prepared for the eventuality that the regime in Madrid would demand that the company’s ownership be fully transferred to Spanish hands or that the German owners’ investment would be confiscated. A syndication agreement gave the Spanish shareholders the right to buy the remaining shares should the investment of the German owners be confiscated.¹⁷⁹ Since written and telegraphic communication between Munich and Madrid had been disrupted since August 1944, the exact time when the ownership was transferred cannot be determined. It is highly probable that use was made of this authority to sell the remaining German-owned shares before the Spanish state seized the assets of German and Italian companies on 5 May 1945. When the Spanish shareholders officially utilized their right to buy the shares in the administrative board meeting of 17 May 1945, Plus Ultra’s capital was probably already entirely Spanish-owned.

Part III:
Back to the Top of the World Market
(1945–1980)

13. Starting Anew under the American Occupation: The Consequences of War and Denazification

For Munich Re's employees, the war was over on 1 May 1945. As the American military forces entered, the air war came to an end; it had destroyed Munich but left MR physically intact. The company headquarters at Königinstraße 107 had not been damaged.

There were several reasons that a rapid return to normality was out of the question. For one thing, the total collapse of rail traffic and postal service cut MR off from its customers. Whereas postal service was relatively quickly restored within the American occupation zone (Bavaria, Württemberg-Baden, Hesse and Bremen), MR was only able to renew correspondence with its customers in the British and French occupation zones from the fall of 1945. For another thing, the American military forces laid claim to MR's building for the establishment of a military hospital. MR employees had only had two days to clear the files needed for ongoing operations out of the building. Many older and also some newer files were stored in the attic of the building at Königinstraße 107. When the attic had to be rapidly cleared by order of the American military forces in December 1946, a portion of the life insurance division's files were lost. A large quantity of older files weighing more than 15 tons could no longer be stored as the company lacked a means to transport them – by order of the occupation authorities, they were pulped. In this process, historically valuable files from the period before the First World War and from the 1920s were lost which would be missed by later generations researching the company's history.¹ The greater part of the files did survive the building's use by the American occupation force but was destroyed out of ignorance and indifference in 1979.² When former Allianz board of management member Martin Herzog completed his 1,200-page manuscript on the history of MR up to 1945,³ those responsible at MR believed, to the detriment of later generations, that research into the company's own history had been completed so that there was no need to store its old files anymore. Many historically valuable documents from the pre-1914 period were handed over for destruction.

MR had to move into temporary buildings at Theresienstraße 4 and Franz-Joseph-Straße 23. MR operated in these tight replacement offices until 1950, some of which could only be heated insufficiently or with difficulty. After a visit in October 1945, a Swiss courier reported to Union Rück's board of management that MR employees had to work in their winter coats due to the lack of heating.⁴ The urgent problem of space was only solved in 1950 when MR financed the construction of a new building on Tegernseer Landstraße for the state of Bavaria with a loan for 1.8 million DM, into which the American agencies were moved, vacating Königinstraße 107.⁵ Although the building and its furnishings had to be fundamentally renovated at a cost of 1.3 million DM,⁶ the Americans' rearrangement of the space was quickly undone. Prude American officers had covered up the fresco "Kampf der Elemente" with its female nudity out of concern for the morals of the troops.⁷

MR's business relations with its foreign cedents were completely broken off with the German surrender on 8 May 1945. The management had seen Germany's occupation by Allied armies coming for long enough that it created file memoranda in March and April of 1945 concerning the requirements and obligations in relation to foreign insurers in order to reanimate business relations after the war more rapidly.

The American military government, the Office of Military Government for Germany (U.S.) (OMGUS), regarded MR not only as an economically powerful insurance company but also as an institution for spying and masking German foreign assets. Alfred Manes, a German-Jewish insurance scholar who had emigrated, characterized MR in the April 1945 edition of the American magazine *Free World* as "Germany's secret weapon" and had accused it – falsely – of passing on information relevant to armaments about neutral and Allied customers to German military reconnaissance.⁸ Manes' article had weight in the insurance circles of the neutral and Allied states because Manes had been the insurance scholar with the highest reputation in Germany and had been regarded as a proven expert on the insurance industry.⁹

Already in June 1943, the American Board of Economic Warfare had given the American military forces comprehensive information about MR's function in the German economy. In light of the close capital and personnel ties between the branch leaders in the direct and reinsurance fields, MR and Allianz appeared to be the center of power in a rather centralized insurance industry.¹⁰ Whereas MR's strong position in the German reinsurance market was assessed as less problematic from the perspective of competition and

political power, the American foreign intelligence service (Office of Strategic Services – OSS) regarded MR's position in the European market as an “instrument for the economic domination of Europe” and a “source of strategic reconnaissance” for the Wehrmacht. The OSS' draft for the handbook of the future American military government written in December 1944 thus considered a prohibition on foreign activity necessary for all German insurers.¹¹ Although the OSS did not regard MR as a power center of the German economy as it did the big banks, and the Allianz/MR Group did not have access to extensive capital investments beyond the insurance sector, a study in the spring of 1945 recommended that MR be liquidated.¹² This recommendation was based on the assertion that MR had served German spying as an agent. OSS experts nonetheless had a great deal of respect for MR's professional achievements and, in light of the company's importance for insurance companies in neutral and Allied states, they harbored some concern about breaking it up. Yet even the left-leaning employees of OMGUS' Finance Division, who were very critical of big banks, viewed this study as too controversial and decided not to present it to the head of their division, Colonel Bernard Bernstein.¹³ The OSS' study thus had no consequences and landed in the files. OMGUS did not pursue breaking up or even liquidating MR any further, in contrast to its treatment of the big banks.

Despite being a moderate National Socialist who was quite critical of the party concerning questions of economic policy, chairman of the board of management Kurt Schmitt found himself at the top of the American military forces' most-wanted list on account of his exposed position as the former Reich Economics Minister and a high-ranking member of the General SS. Among economic experts in American military intelligence, Schmitt was regarded as the most powerful man in the German insurance industry on account of his dual function as MR's chairman of the board of management and as Allianz's chairman of the supervisory board. This assessment, however, was based on a false interpretation of the power structures in German joint-stock companies. In contrast to the U.S., Schmitt, as the chairman of the supervisory board, had no direct responsibility for Allianz's business operations and did not manage the company. Americans' assessment of MR as the power center of the German and European insurance industry was based on a false appraisal of the power relation between direct insurers and reinsurers. American economic experts believed, on the basis of the much closer ties between direct insurers and reinsurers than in the U.S., that the relationship was like a trusteeship that extended from the underwriting practices to

the selection of personnel and the financial dependency of direct insurers on reinsurers.

Since Kurt Schmitt, unlike the most influential big bank CEOs, only chaired the supervisory boards of a few industrial companies like AEG and the Deutsche Continental-Gas-Gesellschaft, OMGUS investigators did not perceive the Allianz/MR Group as a politically and economically dangerous concentration of power that needed to be eliminated. The suspicion voiced at first that the Association for Covering Major Risks founded in 1941 at MR's initiative had constituted a European reinsurance cartel was shaken off for good shortly before the end of the war. Victoria's former CEO, Emil Herzfelder, who had emigrated to Great Britain in 1935, characterized this association rightly as a "fiasco" with no significant volume of business in a conversation with a worker in the Finance Department at OMGUS.¹⁴

In order to prevent Allied occupation policy from being sabotaged, "individuals with a history of Nazi affiliations" were to be removed from the key positions in the insurance industry. This definition left open the question of whether managers who had only been nominal members of the Nazi Party were also to be counted among the circle of people who needed to be sanitized. As Kurt Schmitt, as a high-ranking member of the SS belonged to an organization categorized as criminal, his dismissal and arrest in the course of the "automatic arrest" of National Socialist-oriented members of the elite were already determined. After Schmitt was suspended in the summer of 1945, the position of chairman of the board of management should have fallen to Alois Alzheimer. As MR's informal "foreign minister" and Schmitt's deputy, however, Alzheimer was more compromised than his other board of management colleagues. Whereas the American experts falsely held Alois Alzheimer to have been a founding member of the Nazi Party before the end of the war, his early membership in nationalistic associations became known to them after the Allied invasion. OMGUS' Financial Investigation Section got hold of a résumé for Alzheimer and a letter by his uncle, from which his membership in the Oberschlesischer Selbstschutz and his leadership position in the nationalist Bund Oberland could be discerned.¹⁵ In 1921/22 Alzheimer had fought in the Oberschlesischer Selbstschutz against the groups of Polish Upper Silesians and had participated after 1923 in the political and cultural agitation among the German minorities in Eastern Central Europe. Up until 1945, the Munich police headquarters had a file on Alzheimer that had been compiled between 1922 and 1926 containing information about his Freikorps Oberland activities in the Weimar Republic. Like many other in-

fluent citizens of Munich, Alzheimer pulled some strings and arranged for his incriminating file to disappear.¹⁶

As Alzheimer was a member of the Nazi Party, counted among the elite of the German insurance industry due to his leading role in MR's foreign business, and was regarded by the Office of Strategic Services in 1943 as a "fervent Nazi," he also came under "automatic arrest." He was suspended from his position in early June 1945, dismissed by order of the military government on 24 July,¹⁷ and arrested on 14 September, remaining incarcerated until the middle of March 1946.¹⁸ There are clear indications that Alzheimer and his colleagues had expected his dismissal and had prepared for his defense. Already on 4 June 1945, several managers and members of MR's board of management sent a petition to the American military government, requesting the complete revocation of his suspension.¹⁹ Only six days after his dismissal, on 30 July 1945, Alzheimer presented the military government with a twelve-page statement of defense written in English with extensive attachments and translations of documents from MR's foreign business.²⁰

Former Victoria CEO Emil Herzfelder did not change Alzheimer's dismissal, either, with his well-meant comment calling Alzheimer the "most capable insurance man in Germany" who was "all right." Herzfelder had been at the helm of Victoria until 1935 and could not be suspected of being too soft on National Socialist insurance management: he had lost his position on account of his Jewish heritage and had had to emigrate to London. Herzfelder's mention of Alzheimer's extraordinary capabilities only encouraged the military government's investigators to look into him more closely. Alzheimer legitimized his joining the Nazi Party with reference to supposed but never actually existing pressure from the Nazi Factory Cell Organization.²¹ Like many other former Nazi members in leading positions, he justified his party membership in terms of the political standing he thus gained, preventing worse things from happening to his own company and to the domestic and foreign insurance industry. In an interrogation by the Financial Investigation Section of OMGUS, Alzheimer talked quite openly about the political "sins of his youth" in the time up to Hitler's coup on 9 November 1923 and did not deny his active membership in the radical right-wing anti-Republican and nationalist Bund Oberland. Alzheimer portrayed himself as a politically reformed Democrat who had distanced himself from the nationalist movement after joining MR (1929) and who had never acted against the interests of direct insurers in occupied Western Europe during the war.²²

In order to get Alzheimer back in his position at MR, his colleagues gath-

ered together an impressive number of positive testimonies to his character intended to help him in his denazification proceeding. The documents that enabled MR to prove how Alzheimer supported the escape of the Jewish insurance CEOs Henryk Rittermann (Generali-Port-Polonia) and Georg Balaban (Franco Hongroise) to Argentina and Sweden were of particular benefit. The CEO of the Swedish Atlas Reinsurance Count Wrede testified before the Financial Branch of OMGUS in September 1945 and tried to cast Alzheimer's Nazi Party membership as the result of involuntarily being admitted by Heinrich Himmler.²³ Many of the more than 40 character testimonies ("white-washing certificates") contained one-sided, positive statements about his political orientation and his behavior under the Nazi regime. His colleagues on the board of management Mattfeld, Oldenburg, and Paul repeated Kifskalt's unimaginative explanation that Alzheimer had joined the Nazi Party "exclusively in MR's interest."²⁴ Since chairman of the board of management Kifskalt had already joined the Nazi Party on 1 May 1933, however, there was no plausible reason that party membership for a deputy board of management member like Alzheimer would serve to protect the company.

Franz Thierfelder's assertion that Alzheimer had gathered former Freikorps members at his residence shortly after the Nazi takeover to discuss propaganda actions against the Nazi Party rang especially hollow.²⁵ It contradicted the sworn statement by the prominent BVP Reichstag representative Hans Ritter von Lex that Alzheimer had completely separated himself from the Freikorps Oberland.²⁶ A euphoric declaration on the part of the MR works council that was rather unbelievable in its details gave the impression that it had been prompted or generated by the board of management.²⁷ Alzheimer and his colleagues on the board, by means of soliciting testimonies out of courtesy, transformed a National Socialist follower into a political resistance fighter. In light of the multitude of seemingly believable exonerating documents the Munich tribunal, on 12 August 1948, even classified Alzheimer as exonerated and certified that he had participated in resistance actions against the National Socialist regime.²⁸ After a vacation for recovery and a stay at a health resort in Switzerland, he resumed his work on the board of management in November or December 1948.²⁹

The situation for chairman of the board of management Kurt Schmitt was more dangerous on account of his former political office as the Reich Economics Minister. Already in the summer of 1945, the military government had suspended him from his office. As a member of the Nazi Party in a leadership position, he was subject to "automatic arrest." At first, Schmitt was lucky be-

cause he was only incarcerated for two weeks in the internment camp of Moosburg, where the U.S. military government was holding thousands of National Socialists. In August 1945 and between October and December 1945 during his first internment, Schmitt was repeatedly interrogated by American officers who gave him the feeling that his case would soon be resolved.³⁰

Like millions of other Germans, Schmitt had to undergo a denazification proceeding before a tribunal. When the public prosecutor categorized him as a major offender according to the law on political liberation, he had to expect the seizure of all of his assets, his permanent exclusion from leading positions and five years in prison. A second period of internment in the internment camp at Dachau on the grounds of the former concentration camp from November 1946 to March 1947 was likely associated with this categorization.³¹ Yet he was not in danger of being convicted by an American military tribunal. Since the American public prosecutors did not regard him as principally responsible for the economic consolidation of the Nazi regime and German armaments, he was never slated to be a defendant in a subsequent hearing at the Nuremberg Trial of Major War Criminals.

Nonetheless, OMGUS' financial experts continued their investigations against him and interrogated him several times in July 1947. These interrogations took place at a time when he was engaged in an appeal against his classification as a "major offender" before a German tribunal. The very critical investigators of the Financial Investigation Section of OMGUS regarded Schmitt as a "major offender" who should be excluded permanently from taking on any leadership roles in the economy.³² From their perspective, he was politically guilty above all because of his early and close friendship with Göring, his high rank in the General SS and his membership in the Circle of Friends of the Reichsführer SS. Although the investigators recognized the instrumental nature of his friendship with Göring – as a protective shield against initiatives to nationalize the insurance industry – the facts of the case concerning his involvement in politically incriminating organizations weighed heavily in their opinion.

Incriminating facts were interpreted in a one-sided fashion against him, whereas exonerating documents were only partially interpreted in his favor. For example, the OMGUS investigators regarded his sharply decreasing participation in the activities of the Circle of Friends of the Reichsführer SS as an opportunistic reaction to the impending military defeat. The investigators solicited testimony from his former opponents, such as Gauleiter Franz Schwede-Coburg and the president of the Reich Supervisory Office Georg

Amend, who both wished to exonerate themselves from their own guilt and responsibility to Schmitt's detriment. Other incriminating witness testimonies came from leading members of the Circle of Friends of the Reichsführer SS like Karl Lindemann (the chairman of Norddeutscher Lloyd's supervisory board) and Kurt von Schröder (deputy administrative board chairman of the Deutsche Reichsbahn-Gesellschaft), who attempted to play down their own roles within the Circle of Friends. Yet even with a very critical interpretation, these examples of misconduct were merely facts pertaining to attitudes and organizational structures and were not sufficient in themselves for Schmitt to be convicted of a crime according to American or international law (conspiracy, preparation for a war of aggression, plundering of foreign property, crimes against humanity).

Since the United States wished to conclude the Nuremberg trials against the German economic elites in 1947 as quickly as possible and were only prosecuting the CEO of Dresdner Bank Karl Rasche from the financial sector, a prosecution of the less incriminated MR representatives was no longer seriously considered. Although Schmitt and Alzheimer were excluded from heading MR, they were not cut off from the ongoing business. They met regularly with the sitting members of the board of management at the home of the board's secretary Eleonore Hahn, who was primarily occupied with acquiring "whitewashing certificates" for Schmitt and Alzheimer.³³

The Starnberg tribunal, in an appeal Schmitt waged himself, classified him as a lesser offender in September 1947.³⁴ Although this classification involved him making a reparation payment of 15 % of his private wealth and prohibited him from holding leadership positions in the economy during a probationary period of two years, the conviction can be evaluated as fair and even as kindly disposed toward Schmitt. The tribunal weighed the incriminating fact of his active strengthening of Nazi rule in his office of Reich economics minister against the exonerating positive testimonies of his character presented by his advocates and certified that Schmitt had taken action against the National Socialist politicization of economic policy, against the arms build-up, and against the discrimination against Jews in the economic sector.

Over the further course of the denazification proceeding, Schmitt profited from the increasing tendency toward wishing to close this chapter of German history within German society. Fewer and fewer convictions on account of passive and even for active membership in National Socialist organizations were accepted in German society. The schematic denazification proceedings increasingly lost acceptance and legitimacy, and came to be viewed as a legal



Figure 31 Walther Meuschel, member of Munich Re's board of management before and after 1945, photograph from the 1960s

farce. It paid off for Schmitt that he had systematically and energetically gathered affidavits in his favor from former business associates since the summer of 1945, which were colloquially referred to as “Persilscheine” [or whitewashing certificates, Persil being a soap brand] with justified sarcasm on account of their purpose as instruments for political purification. Schmitt benefited from the fact that MR had largely treated direct insurers and reinsurers in occupied Europe fairly and had prevented a partial nationalization of the fire insurance industry in the Netherlands. The affidavit of the former Jewish co-owner of the Berliner Handels-Gesellschaft, Otto Jeidels, proved to be particularly valuable. Jeidels took up contact with Schmitt himself, drafted a very positive affidavit of his own accord, and testified that Schmitt had a negative attitude toward National Socialist racist anti-Semitism.³⁵

In his letters to émigré Jewish businessmen, Schmitt lapsed into self-pity, showed little insight into his political misdeeds, and was unshakably convinced that he was innocent. Schmitt sought nothing less than a full acquittal on all political charges, the cancellation of the fine, and an immediate reinstatement of his professional position. His strategy of profiting from the growing interest in closing this chapter of German history among the members of

the tribunals paid off. The appeal heard before the appeals court for Upper Bavaria ended on 18 November 1948 with the one-sided, apologetic judgment that he was “exonerated.”³⁶ Schmitt thus found himself in a category that had originally been intended in the denazification law only for those who could be proved to have been non-National Socialists and for opponents and those persecuted by the regime. The legal farce only came to an end after the appeal by the Bavarian Chief Public Prosecutor forced a new trial before the appeals court. The final judgment of 27 June 1949 categorized Schmitt more correctly but still in a very positive way as a “fellow traveler” and reinstated his civil and professional rights in return for the payment of two-thirds of the high costs of the proceedings (9,400 DM) and a monetary fine of 1,500 DM.³⁷ As his large real estate assets, namely, the Tiefenbrunn estate, had survived the war and the currency reform undamaged, these financial sanctions did not hurt him much. Directly after the conclusion of the denazification proceeding, Schmitt took on the office of chairman of the supervisory board – an office he would hold until his death on 22 November 1950.

Another person impacted at first by the military government’s orders for dismissal and suspension, aside from Alzheimer and Schmitt, was board of management member Walther Meuschel (1896–1979). Meuschel had only been a member of the NSV (Nationalsozialistische Volkswohlfahrt [National Socialist People’s Welfare]) and the DAF. Consequently, he satisfied the least expectations of the regime for political evidence of his loyalty among leaders in private industry. His suspension by the military government could probably be attributed to the fact that he had served as a Wehrmacht officer during the war in occupied France and was suspected of having engaged in economic espionage for the Wehrmacht. After being interrogated by the military intelligence service CIC and submitting the denazification questionnaire, he was finally reinstated by the military government in his board of management position on 7 November 1945.

Of the 370 MR employees and managers captured in the statistics up through October 1945, 25 people were dismissed and two others were suspended. An analysis of this list shows that even simple Nazi Party members lost their positions at MR. Since the majority of those dismissed were ordinary employees below the authorized signatory level, and most of them had not joined the party until after 1933 and had not held offices in the party or one of its branches, their dismissal on the basis of the American denazification law was not compulsory. Occasionally, political reasons were put forward to dismiss redundant employees. Only in two cases was political exposure actually

the decisive reason for the dismissal. MR was betting on the ever milder verdicts of the tribunals making the return of its leading employees possible. The long backlog of proceedings generated by the sheer number of trials worked to the advantage of former National Socialists. Even the deputy board of management member Robert Schneider, one of the “Old Fighters” of the Nazi Party, returned to Munich Re after his denazification was completed.

The loss of all the foreign business reduced the amount of work as well as premium revenues considerably. Although some larger insurance companies like the Gothaer Allgemeine Versicherung were able to transfer their deposits out of the Soviet Occupation Zone and move their headquarters to the Western zones before the Soviet military government froze their accounts, the nationalization of the insurance industry in the Soviet zone led to a noticeable decline in premium income.³⁸ When the assets and liabilities from the current insurance business were transferred to the state-run insurance companies of the five German states in the Soviet occupation zone, MR lost all of its reinsurance business with direct insurers in East Germany. Between April 1945 and June 1947, MR reduced its staff from 425 to 259 employees.³⁹ It reacted to increasing wage costs – in relation to its premium revenues – above all by dismissing female employees who had been hired as temporary workers during the war.⁴⁰ Their number fell from 110 to 74. Since no young men could be hired between 1939 and 1945 and more than a few young men had died in the war, the average age of the staff had risen to 50.

Alzheimer’s dismissal and Schmitt’s suspension left a huge gap in MR’s board of management. In the search for a politically clean temporary successor, the remaining members of the board came across Eberhard von Reininghaus (1890–1950), who had joined MR after the “annexation” of Austria and had held the position of a general authorized signatory for the management up to 1945. He was officially appointed on 1 September 1946⁴¹ and was quite helpful in preventing the military government from utilizing a trustee as it had done in other companies.⁴² Due to his Austrian citizenship, Reininghaus was not considered to belong to an enemy state but rather to a country liberated by the Allies.⁴³ His status as a so-called second-order half-breed, having one Jewish grandparent, protected him from being suspected of having benefited from National Socialist rule. Reininghaus was able to convince the military government that he had taken a stand against the Austrian National Socialists after Austrian Federal Chancellor Dollfuß was murdered, and that he had had to give up his position as the CEO of Elementar-Phönix after the “annexation” under pressure from the at times very powerful National Socialist commis-



Figure 32 Eberhard von Reininghaus, chairman of the board of management from 1946 to 1950, photo from the late 1940s

sioner for economic affairs Walter Rafelsberger.⁴⁴ Since Reininghaus was regarded as an integrated non-National Socialist, MR was able to distance itself from the abomination of National Socialist wrongdoing. Reininghaus contributed social capital with his high reputation abroad to his new position as the acting chairman of the board of management, and this was helpful for negotiations with the Allied military governments. Since he, as an Austrian, could obtain permission to travel abroad more easily from the military government, he was predestined to take on the informal maintenance and reestablishment of foreign business relations. On account of his responsibility for the foreign business in the Romanic countries, Reininghaus had good connections, above all, in the insurance circles in France and Belgium. He remained chairman of the board of management when Alzheimer returned to the board in August 1948 after his denazification proceeding was concluded. Only after Reininghaus died on 18 October 1950 did Alzheimer resume his position as chairman of the board of management.

The personnel problems at MR's helm were to grow worse in 1946. In June 1946 the chief public prosecutor Captain Mondell of the intermediate Ameri-

can military court in Munich brought charges against all the members of the board of management and managers who had signed the affidavit about MR's foreign assets in July 1945.⁴⁵ Managers Franz Buchetmann (b. 1908) and Willy Reichert (b. 1895), as well as the board of management members Gustav Mattfeld (b. 1879), Hans Adam Oldenburg (b. 1881) and Georg Paul (b. 1883) were arrested by the military government and convicted after a ten-day trial before the U.S. military court on 8 August 1946. Buchetmann and Reichert were sentenced to 2½ years in a German prison, while Mattfeld, Paul and Oldenburg each received 1½-year sentences. In addition, MR had to pay a monetary fine of 4 million RM.⁴⁶

In the American judges' view, the five defendants were guilty of deliberately concealing foreign assets. The allegedly concealed assets included MR's investments in Pilot Reinsurance Company in New York, El Fénix Sudamericano in Buenos Aires, and Plus Ultra in Madrid. These investments had, indeed, been in MR's possession before the war began but had changed their owners – in a legal sense – since then. In May 1939 MR had transferred its shares of Pilot Reinsurance (MR's portion of the capital: 72.4 %) to the Swedish insurance companies Atlas (Stockholm), Svenska Veritas and Atlantica (Göteborg) and to the Dutch insurance company Merwede (Dordrecht) as securities for the fulfillment of its payment obligations. Although a buyback agreement had been made, these shares were in the possession of their Swedish and Dutch cedents at the end of the war. As German foreign assets were being seized in Sweden and the Netherlands, MR had a potential but not enforceable claim to the release of its property but no rights of possession or disposal. Aside from that, MR had to assume that the cedents were using the shares to cover their benefit entitlements from MR. Since Pilot had been liquidated by American authorities after Germany declared war on the U.S. in January 1942, the shareholders could merely claim the liquidation value that the American liquidator had deposited in a blocked account in New York.⁴⁷

The situation with the Fénix Sudamericano investment was somewhat different. In order to avoid the confiscation of its shares by the neutral but pro-British-leaning Argentine government, MR sold a 71.5 % share to Union Rück in December 1939 (its total investment share had been 85.7 %) with a buyback clause.⁴⁸ In order to secure the buyback obligation, it deposited the purchase price in a Union account. In the fall of 1944, MR issued Union the legal authority to use these funds to cover MR's obligations from fronting transactions with Union.⁴⁹ During their last visit to Switzerland, Alzheimer and Schmitt had promised the Swiss Federal Insurance Office that it would not

withdraw any assets from Union Rück. MR could no longer fulfill its buyback obligation and had to expect the American government, in the name of the Allied Powers, to demand payment of the purchase price after the German surrender on 8 May 1945. Independently, the Argentine government confiscated *Fénix Sudamericano* in the spring of 1945 as German property.⁵⁰

Whereas MR managed to maintain constant personal and correspondence contact with Union Rück until March 1945, the communication with Plus Ultra (where MR's original capital share was 98.2 %) was cut off in August 1944. Up until that time, MR had sold about 60 % of Plus Ultra's capital to Spanish shareholders and issued the legal authority for the rest of its shares to be sold to these shareholders if necessary to preempt a forced transfer to the Spanish state.⁵¹ Probably CEO Philipp had already exercised his legal authority before 5 May 1945 since the Spanish state seized the assets of German and Italian companies three days before the German surrender. When the Spanish shareholders officially made use of their right to purchase the shares in the meeting of the administrative board on 17 May 1945, Plus Ultra's capital had probably already entirely gone over into Spanish possession.⁵²

Unfortunately, there are no documents in the files of the American military government that provide precise information about the motives of the American prosecutors and judges. According to a note by the later MR board of management member Buchetmann, the American chief public prosecutor charged them with making the contracts with the Swedish and Dutch cedents and Union merely to disguise their foreign assets ("cloaking treaties").⁵³ The head of OMGUS' Financial Department made it clear to MR's legal adviser in a very polite tone two days after the judgment that the military government wished to intervene for MR.⁵⁴ However, a conversation between the prominent war criminal defense attorney Otto Lenz and the Legal Division about an appeal to the Reviewing Board showed that the jurists of the military government were demanding expiation for the cloaking of German foreign assets before and during the war and were not prepared to be lenient with them.⁵⁵ One can explain the zealotry of the military prosecuting attorneys as resulting from their frustration about not being able to prevent MR's masked transactions via Switzerland or trying MR's board of management for masking foreign assets during the war in a court of law. By contrast, false declarations to the military government were legally punishable. The five board of management members and MR managers had to take the fall in Alzheimer and Schmitt's place as the latter had already been suspended and dismissed by the Americans when the declaration of assets was signed.

Regardless of the hard line of the Legal Division, the Reviewing Board of the U.S. military court reversed the judgment in January 1947. Whereas Mattfeld, Oldenburg, and Paul were released from the prisons in Munich-Stadelheim and Bernau after less than a third of their sentence, Buchetmann and Reichert had already served almost half of their sentences and were not released until 4 October 1947.⁵⁶ MR's board of management made sure that a female employee bought food for the prisoners on the black market while they were serving their sentences and visited them regularly.⁵⁷

The arrest of its five board members and managers prompted MR to transform its image during the Nazi era. In letters of justification addressed to the military government, it presented itself as a company that consistently resisted the Nazi regime's political pressure to conform, protected the insurance companies in occupied Europe, and never served as an instrument of the German occupation forces in insurance policy.⁵⁸ The action to maintain its power of disposal over the foreign currency revenues was cast in a different light: it was not an assertion of the company's own interests against state intervention and bureaucratic hurdles but rather an act of resistance, or even intentional sabotage of the German war economy. MR's managers quietly avoided discussing the profits from the favorable purchase of Jewish real estate and from surrendered Jewish life insurance policies.

In 1948 the free state of Bavaria began with the restitution of Jewish assets. This meant that MR had to cancel the purchase agreements of "Aryanized" real estate with the former Jewish owners or pay the difference between the market price at that time and the "Aryanized price." MR returned its Munich real estate properties on Adelheidstraße, Agnesstraße and Edelweißstraße to the Bavarian state or to the former Jewish owners. It paid an additional 115,000 DM total for its "Aryanized" buildings at Oberländerstraße 7–20, Dänkhelstraße 11 and Elisabethstraße 37.⁵⁹ This sum was below the figures that MR had at first committed to paying in a settlement.⁶⁰ Because the restitution payments were considerably lower than MR's Aryanization profits, these reparations may seem slight. Yet it is not possible to make a well-founded judgment of the appropriateness of the restitution payments because the buildings on Oberländerstraße and Dänkhelstraße were damaged by air raids and the building on Elisabethstraße was in ruins. The surviving documents from the Munich Re archive bear no trace of a later sense of shame or guilt. The restitution of Jewish property took place in the context of overcoming the consequences of war and was handled in the same manner as the repair of material war damages.

14. Finding a Way Back into the International Reinsurance Market

Only a few days before he was arrested by the American occupation forces, Alois Alzheimer, on 16 July 1945, tried to resume contact with Union Rück in Zurich via an unknown courier. His first communication with Union's CEO Hans Grieshaber, however, revealed that he had not yet grasped the economic consequences of the unconditional surrender. Alzheimer believed he would at least be able to save a 33 % equity investment in Union Rück.¹ His letter contradicted the legal authority MR had already issued to Union in July 1943. MR had given Union the power "to dispose of our foreign assets in its own name," which included MR's property within Union's.²

After the end of the war, Union Rück was under tremendous pressure from the U.S. to free itself of all ties to MR and to transfer the German capital investment to Swiss and American hands. Although Union Rück had always regarded itself as MR's loyal trustee, it had to sever its ties to MR in a credible way.³ Otherwise, it was under threat of remaining on the "Black List" compiled by the Brits and Americans, which would have excluded it from the world reinsurance market, thus endangering its existence. The attempt by Union CEO Hans Grieshaber to save at least a minority stake of 20 % for MR with reference to capital investments of other German companies in Swiss enterprises failed by a veto of the American and British insurance industry.⁴ Despite this unavoidable pressure on the part of the Allies to dissociate from MR, Grieshaber still regarded the trustee relationship to MR in September 1945 as valid and held out the prospect to MR of continuing to maintain its business ties to insurers in Spain and Portugal.⁵ Yet Law No. 53 of the Allied Control Council, which called for the seizure of all German foreign assets, including all current receivables from business contracts, rendered this promise of loyalty baseless. Under these conditions, MR had no choice but to issue its Swiss friends an agreement to sell its share in October 1945.⁶ The Washington Agreement between Switzerland and the U.S. concluded in 1946 concerning the assessment of German property confirmed the necessity of this move, which executives at MR and Union Rück had already perceived as unavoidable in the summer of 1945.⁷ The friendly relations

between Union and MR were not torn apart despite the forced dissociation, and they were revived officially in 1950. An example of this occurred in the summer of 1946 when Union commissioned a humanitarian Swiss children's aid organization with organizing holiday stays in Switzerland for the undernourished children of MR employees.⁸ When MR was able to return to the international reinsurance business in 1950, the Union Rück retrocessions were, at first, the most important and largest contracts MR had in its foreign business.⁹

Up to 1950, when the Allied prohibition on active participation by German insurers in the reinsurance business abroad was abolished, MR was excluded from any foreign business. The elaborate masking of its foreign relations by means of trustee contracts with Union Rück was no longer possible because of the pressure from Britain and America on Swiss insurers; MR's last window to the world outside Germany was closed. After it was mutually agreed upon within the insurance commission, the Allied Control Council issued Law No. 47 on 10 March 1947, which prohibited German insurance companies from engaging in any foreign activities.¹⁰ This law confirmed the actual and already existing prohibition on foreign business. As early as 1945, the Allied Control Council Law No. 53 had revoked German companies' rights of disposal over their foreign deposits and, in practice, had prevented insurance transactions abroad.

Confidentially, MR found out about the political backdrop to this law. American military governor Lucius D. Clay stuck to his pragmatic course in economic policy and expressed concern that this law would make it impossible for German companies to resume foreign trade. The American and British representatives only agreed to Control Council Law No. 47 with reservations and signaled their intention to allow it to stand for a limited time only.¹¹ The Americans and the British were not united in their motives, however. Whereas the U.S. was not motivated on this issue by its own economic interests, Great Britain was not interested in German insurers returning to the European insurance market for the sake of its own insurers. MR's board of management members had to assume that the prohibition on foreign business would last for a longer period of time. In light of their negative experiences with the Legal Division and the Financial Investigation Section of the military government, they did not share the optimism of the Bavarian economics minister at that time, Ludwig Erhard, who expected economic relations between the Western Allies and Germany to be normalized "in the near future, perhaps already within a year."¹² In March 1947 neither the Soviet Union's departure from the

Control Council nor the Western powers' transition to integrating West Germany into a Western alliance system were foreseeable.

In September 1947 chairman of the board of management Eberhard von Reininghaus developed a plan to found a separate reinsurance company for foreign business with a majority investment of American reinsurance companies as a way to get around the prohibition on foreign business. According to his deliberations, this company should be based in Vienna and have a capital stock of \$1 million, which would be provided by American companies (50 %), Generali (35 %), Austrian insurers (10 %), and London's Victory Insurance Company (5 %). To sound out his chances, Reininghaus took up exploratory contact with his old acquaintance of the Reinsurance Company in New York, A. F. Sadler, who had been the vice president of MR's subsidiary Pilot until 1941. Because his colleagues on the board of management would certainly have rejected such a plan on account of having to forego foreign business permanently, this remained merely a non-binding thought experiment. The six-page report by Reininghaus remained an unsigned "non-paper" – never discussed in the board of management nor placed in the files. When a German-language daily newspaper in the U.S. reported in the summer of 1947 that Munich Re had offered an American company preferred stock, MR immediately denied this news in the professional journal *Versicherungswirtschaft*.¹³

Separate from this, Reininghaus and his colleagues tried to get foreign reinsurers to take action against Control Council Law No. 47. As the law also prohibited the reinsurance of German direct insurers via foreign reinsurers, the latter had their own business interest in the law being revised. When the American secretary of state George C. Marshall announced a comprehensive American reconstruction program for Europe (the European Recovery Program, generally known as the Marshall Plan), it raised hopes for a rapid recovery in Western Europe. In light of the investments to be expected in reconstructing and building new industrial plants, and residential and business buildings, Western European reinsurers had to expect that the need for reinsurance would rise. This need could not be met within their own countries. In the medium term, this would require the return of German reinsurers to the European market.

In this, MR could bet on France's economic self-interest. Although France had pursued a more restrictive economic policy toward Germany than the U.S. and Great Britain, the French military government allowed German direct insurers to cede their business to French reinsurers.¹⁴ In September 1947 Reininghaus and Meuschel found out at the first postwar meet-

ing with representatives of the French insurance industry in Baden-Baden that French insurance companies wanted to get German direct insurers and reinsurers to take a minority stake in a new reinsurance company for the territory of the French zone in order to get around the prohibition on passive reinsurance for German direct insurers. Reininghaus took note of more than just the open and warm behavior of the French insurance board members. The advisor on insurance questions with the French military government Fernand Werner not only approved of MR making an equity investment but even accepted Reininghaus' suggestion to appoint former MR board of management member Robert Schneider to the executive board of the German-French reinsurance company, despite his problematic past. Werner's willingness to accept a politically incriminated member of the board of management was entirely typical of the comparatively lenient French denazification policy toward economic elites in the French zone.

On 22 January 1948 the Europa Allgemeine Rückversicherungs AG was founded at the seat of the French military government in Baden-Baden. 55 % of the capital was held by French insurers whereas nine German direct and reinsurers and MR each held 4.5 % of the capital stock. The French insurance managers and the insurance adviser Werner indicated to MR that they would engage in trying to rescind Control Council Law No. 47. French insurers' willingness to treat MR almost as an equal had a two-tiered motive. Whereas MR was supposed to open the German reinsurance market to them, the German minority stake in a French reinsurer was supposed to raise the limited capacities of the French direct insurers.¹⁵ When business relations with France were restored, MR's fair treatment of French insurers during the German occupation paid off.

In May 1948 Reininghaus advocated the abolition of Law No. 47 in an interview that the weekly report of the American military intelligence quoted and commented on extensively.¹⁶ After the Western zones were taken up in the Marshall Plan, Reininghaus brought his demand for a revision of Control Council Law No. 47 to the German and European public. On 24 August 1948 he argued at a press conference of the Gesamtverband der Versicherungswirtschaft [General Association of the Insurance Industry] that the European insurance industry would not be able to cover peak risks of major objects in the future without the participation of German insurers.¹⁷ In saying this, Reininghaus was alluding to the problems of a Brussels department store that was unable to find complete coverage for its fire insurance in all of Western Europe. Referring to the fact that German (private) insurers in the

National Socialist era had defended the internationality of the insurance business, he laid claim to the authoritative interpretation of insurers' behavior under the Nazi regime. In respect to MR's behavior, his interpretation was apt; in respect to all the German insurance companies, it was not free of apologia.

In October 1948 MR found out from a representative of the British insurance industry that the politically influential association of British foreign trade (Board of Trade) was discussing a reform of the Control Council Law.¹⁸ Reininghaus had an opportunity to travel to London in February 1949, where he was received by English insurers and the Board of Trade. On the political level, increasing German exports led to a gradual revision of the Control Council Law. German transit insurers were allowed to insure German export deliveries once again from May 1949 in order to preserve the foreign currency reserves. Since transit insurers had to reinsure their risk of loss for transportation on foreign ships in foreign currency, the military governors of the Western zones lifted the prohibition on reinsuring abroad on 29 April 1949. After almost a year's delay, they were following the Financial Section of OMGUS, which had already recommended the liberalization of German transit insurance in June 1948.¹⁹

The liberalization of passive reinsurance, in turn, made it necessary for reasons of foreign currency policy to loosen the prohibition on active reinsurance. In the fall of 1949, the Allied High Commissioners of the Western Allied Occupation Powers permitted German reinsurers to conclude contracts with foreign cedents for the amount of the premium volume that flowed abroad via retrocession contracts with foreign reinsurers.²⁰ By February 1950, MR had already concluded some contracts abroad, including a retrocession contract between Union Rück in Zurich and MR.²¹ Legally unrestricted activity on the international insurance market only became possible in September 1950, when the High Commissioners lifted restrictions on active reinsurance transactions with foreign countries without substitution.²² In the first year after MR returned to the international market, it was able to conclude contracts with insurers in Finland, France, Great Britain, Italy, the Netherlands, Austria, Portugal, Sweden, Switzerland, and Spain. Outside Europe, it concluded reinsurance agreements with Indian and Pakistani insurers. For one thing, MR profited from the increasing demand for reinsurance that heated up even more on account of the investment boom in the course of the Korean War. Swiss Re, despite its position as the world market leader in the international reinsurance business, had limited

capacity. In August 1950 Union Rück resumed its old, friendly relationship with MR with a formal agreement.²³ MR conducted quite a bit less foreign business in the first normal fiscal year after 1945 with a 4 % share of its premium income, but it was a hopeful beginning.

MR's board of management prioritized the return to foreign markets for two reasons. For one thing, the board of management did not expect strong possibilities for expanding the reinsurance business in the domestic market. For another, the board of management regarded it as improbable that MR would be able to raise its share of the cessions from German direct insurers. This assumption seemed plausible to the board of management because MR generated a large part of its domestic premiums from the Allianz/MR Group whereas direct insurers in Cologne such as Colonia traditionally reinsured with Kölnische Rück. Gerling had its own reinsurance company. In his report at the supervisory board meeting on 18 April 1950, chairman of the board of management Reininghaus explained: "Consequently, we can only hope for a considerable expansion of our business by regaining foreign business."²⁴ Actually, in fiscal years 1949/50 to 1953/54, only 27 % (42.3 million DM) of the premium growth stemmed from foreign business whereas domestic business garnered 73 % of the premium growth with 115.2 million DM. Despite the increasing portion of foreign business, MR profited primarily from its strong domestic position and the dynamic development of the German insurance market.

The renewed permission to engage in the international insurance market was also very handy for the domestic economy. The sharp rise in prices for raw materials after the start of the Korean War led the new Federal Republic into a short-lived but serious crisis in the balance of payments. The German government temporarily halted the further liberalization of product imports.²⁵ Premium revenues from member countries in the European Payments Union helped to compensate for the high balance of payments deficit. As the international reinsurance business in Europe was not subject to foreign currency restrictions, or only to very minimal ones, the faltering liberalization of imports on goods only affected reinsurers on the international market a little bit. MR was not yet able to contribute to evening out the German balance of payments in 1950 despite its renewed foreign business. Since MR had to retrocede its major risks abroad and had to deposit premium reserves with its foreign cessionaires, and because its active reinsurance business was just getting going, its foreign currency balance was still negative at -728,000 DM. In 1951 the foreign currency balance improved to -14,000 DM.²⁶

In its resumption of foreign business, MR profited not only from its actuarial and sales experience and its reputation but also from its fulfillment of contracts beyond the end of the war. Because it had deposited extensive premium reserves with its business partners at the request of its foreign customers, it was able to fulfill its contracts up to the date the war ended – despite the interruption of all communication and money transfers. It had met its payment obligations until the contracts were interrupted at the end of the war and had no liabilities with its foreign customers. MR's reliability in fulfilling its obligations compensated for the disadvantage that it was only able to present its cedents provisional balances as proof of its solvency until its final DM opening balance was set in the fall of 1953. On the international insurance market, MR was considered credit-worthy before the London Debt Agreement regulated the repayment of debts of German companies to their foreign creditors.²⁷ The payment practices in the international reinsurance business made it possible for them to reestablish foreign credit. The premium reserve deposits spread out internationally among foreign cedents gave MR's business partners sufficient security that it would be able to cover the sums of losses.

Whereas the London Debt Agreement created a multilateral legal framework for regulating the commercial debts of German companies, the seized German foreign assets could only be released on a bilateral basis between the governments. Only in 1957 did the West German federal government conclude an asset agreement with Austria,²⁸ which was followed by an agreement with Portugal in 1958 and a release agreement with Spain in 1959. As a consequence of these agreements, MR received its property back in these states. After MR was able to restore closer business relations with its former Spanish subsidiary Plus Ultra in 1956, the Spanish government gave it back its 24 % equity investment.²⁹ It would take until 1964, however, before MR would receive a portion of the liquidation proceeds from Fénix Sudamericano.³⁰

Separate from the course of asset negotiations with Austria, MR was working on partially buying back its old shares in Wiener Allianz. In July 1938 MR and Allianz had taken over the major shares of Wiener Allianz that Generali and the Creditanstalt had held. The Austrian restitution authorities returned the share packets to the nationalized Creditanstalt and to Generali that they had sold involuntarily under the pressure of the political power relations after the “annexation.” The partial release of its seized premium reserves of 3.4 million Austrian schillings made it possible for MR to buy

back shares with a nominal value of 0.7 million Austrian schillings at a rate of 250 % by 1955. This investment gave it a capital share of only 1.8 %³¹ – too little to influence the reinsurance quota of Wiener Allianz or to build up a share with strategic significance. From 1954 to 1957 MR and Allianz together acquired 40 % of Wiener Allianz via the London bank Warburg & Co. with which they had established friendly relations. Since the Austrian public still reacted sensitively to large capital investments on the part of German companies, Allianz and MR did not yet openly present themselves as owners of this investment in the following years.³²

All German companies whose Austrian assets were not nationalized by the first postwar Austrian government were able to profit from the German-Austrian asset agreement of 1957. After the agreement had been signed, the Austrian government completely released MR's assets. From these assets and from its own funds, it built up its openly acknowledged investment in Wiener Allianz to 21.2 %, reestablishing its traditional presence in the Austrian direct insurance market.³³

15. Rebuilding the Capital Basis:

Munich Re and the Consequences of the Currency Reform

In contrast to the companies in the productive economy, MR had suffered no material damages to its means of production. The air raids on Munich and other cities had destroyed a third of its residential possessions but had left no great trace of destruction on its balance sheet.¹ The immaterial means of production in the form of its actuarial know-how, its reputation and its long-term business relations to the West German cedents had survived the war undamaged and could not be seized by the occupying powers, unlike the patents of industrial companies.

The loss of all of its capital stock, securities and premium reserves abroad had a more serious impact. In the life insurance sector, MR was even able to partially compensate for the loss of its foreign business. Because the Hamburg-Mannheimer life insurance company was no longer able to reinsure its policies with its major shareholder Svea in Goteborg on account of Control Council Law No. 47, it transferred two-thirds of its excesses to MR.² Since MR, on account of the inflationary growth in the amount of money during the war, had become extraordinarily flush with liquid assets, the freezing of 17.7 million RM cash deposits both in Germany and abroad – including 11.1 million RM in the Soviet zone alone – did not endanger its liquidity. The loss of its entire foreign business did not harm its cash flow nor the earnings performance of the company.³ The reinsurance business had shrunk by almost half in its premium volume from 1944/45 to 1946/47,⁴ but on the whole it still achieved positive underwriting results. Burglary insurance was the only branch with two very bad outcomes in 1946 (-2.6) and 1947 (-2.0 million RM) that reflected the social and legal conditions of the postwar period. The great material scarcity and the weakness of the police led to an unusual number of burglaries (“criminality of ruins”), which the premium rates could not keep up with.

In March 1948 MR's board of management and supervisory board already expected a currency reform to come soon. In light of the high hidden reserves in actuarial reserves and securities that were more than covered

(1947: ca. 86 million RM), company executives felt certain that MR would be able to completely write off the Reich bonds and Reich treasury notes in its investment portfolio (total value 1947: 87.5 million RM)⁵ without losses in its equity capital. The expected currency reform presented a bigger problem to MR as it would lose a large part of its liquid reserves. In terms of its credits and debits on its balance sheet, MR's uncertainty about its foreign credits and debits generated considerable insecurity. Whereas the board of management had already given up on the blocked credits and security deposits in the Soviet zone – the later GDR – it floated in a state of uncertainty about which foreign assets it needed to write off permanently.⁶ The countries in the Soviet zone and the communist municipal authorities in East Berlin had already expropriated all of MR's assets before the founding of the GDR on 7 October 1949.⁷ The high risks of war for MR only became clearly visible in the postwar period when the war-caused money devaluation from a significant cut in the currency came to a halt and the total loss of its foreign investments manifested itself in its balance sheets.

The currency reform made itself felt not only in the balance sheets of insurance companies but also in their ongoing premium revenues. As the money surpluses of private households were eliminated by a radical cut in the cash reserves as well as in the checking and savings deposits, many customers had to cancel their casualty insurance policies and change their life insurance policies over to a premium-free phase.⁸

When the RM was converted to the DM, MR's equity capital shrank from 40.4 million RM to 26.5 million DM, even after all of its hidden reserves were liquidated.⁹ The complete devaluation of all Reich debt securities, the loss of foreign assets and the conversion of RM credits at a ratio of 100:6.5 generated a gap of 36.2 million DM between assets and liabilities in MR's preliminary DM opening balance on the effective date of the currency reform (21 June 1948). The DM conversion law provided for compensation claims for the companies in this case to be paid by the note-issuing bank, the Bank deutscher Länder. The exact amount of the compensation claims depended on factors that could not be predicted at the end of 1948. Important unknowns included the release of foreign assets and the settlement of foreign debts by means of MR's credits with foreign insurers.¹⁰ On account of several changes in the regulations for setting the balances, the preliminarily final opening balance could only be set in 1953. In this DM opening balance of 1953, the compensation claims rose to 45.9 million DM.¹¹ However, the West German federal government modified the regulations

for establishing the DM opening balances in the insurance industry in the course of the 1950s and passed the final regulation in 1965. In other words, this chapter of postwar history was not concluded until 30 June 1966.¹² In the meantime, MR retrieved 7.5 million DM in foreign assets, and the final compensation claims were reduced by the same amount. In MR's balance sheet of 30 July 1967, the compensation claims against the Bundesbank had shrunk to only 19 million DM, that is, 1.3 % of the total sum on the balance sheet.¹³ The federal government did not begin paying out these claims until 1958.

Since only 1.8 million DM of the 31.0 million DM of the net foreign assets lay in the communist states, the economic and political division of Europe did not affect MR too much in terms of its balances.¹⁴ The "Iron Curtain" affected MR's premium sum more profoundly, since it had taken in a significant portion of its premium income from Central Eastern Europe up through 1944.

The first fiscal year after the currency reform (1948/49) ended with an actuarial loss of one million DM on account of two major losses in the fire insurance sector. Although MR had to report a deficit for the first time since 1906, its rise in premiums to 111 million DM generated hope for the future.¹⁵ In the following fiscal year as well (1949/50), MR had a deficit of 0.8 million DM.¹⁶ The premium growth in the first year after the currency reform was all the more remarkable on account of the dropping payments for life insurance policies.¹⁷ When the range of available products normalized to a "peace-like" state after the currency reform, urgent purchases for the household and clothing took precedence over long-term financial investments in life insurance policies.

The rather hopeful beginning of the DM era was overshadowed on 28 July 1948 by the explosion of a railway tank car with dimethyl ether in the BASF factory in Ludwigshafen. Having killed 178 people, it generated gross losses for MR of 2.1 million DM (total sum of losses 12.8 million DM). On 29 July 1948, MR suffered a gross loss of 0.5 million DM (total sum of losses: 2.2 million DM) in a major fire in the Karstadt department store in Hamburg.¹⁸ Up through the early 1950s, the assets side of the balance sheet was still dominated by the compensation claims against the Bank deutscher Länder. As these generated significantly lower interest income at 3.5 % than fixed-rate securities, the interest sums from investments were not able to equalize the negative actuarial results in the first couple of fiscal years after the currency reform. On the other hand, MR did manage to build up its

liquidity buffer from only 2.7 million DM at the time of the currency reform to 14.5 million DM on 30 June 1949.¹⁹

MR did not expect any negative influences on its development from economic policies. Demands for the socialization of the insurance sector were controversial within the social democracy as well. After the major life insurer Volksfürsorge was transferred back to the unions, the SPD [Social Democratic Party of Germany] saw no special interest in nationalizing insurance companies. Once the first federal elections took place on 14 August 1949 and a Christian Liberal Conservative federal government was formed under the new chancellor Konrad Adenauer (CDU [Christian Democratic Union of Germany]), the socialization question was no longer acute. Even the SPD as the opposition government backed off from this.²⁰

The general economic conditions and the structures of the insurance market were decidedly favorable for MR's renewed rise. After the inflationary push of the first six months after the currency reform had been overcome and the danger of an imported inflation once again dissolved after the first year of the Korean War (1950/51), the inflation-sensitive insurers profited from a high degree of international monetary stability. In contrast to the inflationary period after the First World War, there was no danger that the premium revenues would lag behind the costs of claims adjustment or that the high inflation would destroy the value of investments with fixed-interest returns.

After MR achieved a profit again for the first time in fiscal year 1950/51 – albeit a relatively small one of 1.0 million DM – the earnings performance normalized in fiscal year 1951/52. The gross premium revenues rose for the fiscal years from 1949/50 to 1954/55 by 23 %. In fiscal year 1953/54, at 274 million DM, they exceeded the highest premium volume ever up to that point from 1943/44. The redevelopment of MR's assets was even more impressive. On the effective date of the currency reform, MR's asset investments in real estate, securities and capital stocks had shriveled down to 17.8 million DM – by 30 September 1951, they had grown to 82.4 million DM. A small portion of the growth in assets resulted from the restoration of real estate destroyed in the war; a larger part came from increases in the price of stock in insurance and industrial companies. The hidden reserves from the undervalued stocks and equity investments, too, had grown to 9.2 million DM in three years.²¹ One needs to take into account that MR extensively exploited the generous write-off opportunities of the DM opening balance and, thus, reduced its reported assets. The company was very generous in its arrangements for recon-

structuring its damaged residential buildings and wrote off all of its business facilities. MR did not make use of the opportunities to increase the value of certain securities legally available in setting its balance to build up its hidden reserves. As it was very cautious in setting the value of its claims against Union Rück at 8 million DM, the opening balance already contained hidden reserves of several million DM.²² In consideration of the Equalization of Burdens Act [Lastenausgleichsgesetz] passed in 1952 to integrate refugees into the economy and society, MR was interested in reducing the assets on its balance sheet as much as possible. The contributions to the equalization of burdens fund [Lastenausgleichsfond] were set according to the assets that companies and private persons possessed on the effective date of the currency reform.

MR's consciously low assessment of its assets did not mark a break in tradition for the company but rather the continuation of a practice that had intensified during the National Socialist era. In light of the fluctuating profits and actuarial losses in the years with major claims, it could justify the existence of large hidden reserves to be balanced out over the long-term with business performance. As Allianz possessed almost 30 % of its shares, discontented shareholders would have had no success protesting this. Many of the smaller shareholders, too, saw MR shares as a long-term capital investment and were thus more interested in getting a steady dividend payment rather than one strictly dependent on profits. Besides, part of the low assessment could be attributed to the accounting regulations provided in the Handelsgesetzbuch (HGB [Code of Commercial Law]), which prescribed that the assessment of shares and other securities was to be made on the basis of the purchase price. According to the lowest-value principle of the HGB, the market value on the effective date of the new balance could only be given if it had fallen below the purchase price. Only in fiscal year 1958/59 did the auditors of the Bayerische Treuhand AG [Bavarian Trustee Corporation] object to an alleged departure from the principle of caution. MR had set the accounting rates too high for some currencies that were in danger of losing value, such as the French franc and the Argentine peso, and had failed to anticipate possible losses from drops in the exchange rate.²³ Since MR covered a portion of its liabilities in these countries in DM instead of in the country currency in expectation of these declines in rates, it profited from these drops by the loss in the value of its liabilities.

The shortfall in coverage for liabilities in currencies that were in danger of losing value generated excesses for MR that were not added to the balance sheet and increased its hidden reserves. In one other case, surplus coverage

in another currency did not present a loss problem to MR but did reduce its liquidity. MR had provided 1.7 million DM in surplus coverage in Philippine pesos. Since there were restrictions on money transfers in the Philippines, this actuarially unnecessary surplus could not be transferred back to Germany.²⁴ In light of there being a stable world currency system in place with fixed rates tied to the American dollar (the Bretton Woods system), the risks of changes in the exchange rates were decidedly low in the 1950s and 1960s, in comparison to the 1920s and 1930s as well as to the 1970s. It was only necessary to manage currencies for security in special cases for particular currencies.

As the largest reinsurer in what would soon once again be the largest European domestic market, MR enjoyed the structural advantage over its international competitor Swiss Re of having a significantly larger domestic market. MR's close ties to Allianz secured it a high rate of reinsurance – the core of its domestic business – without it having to make any acquisition efforts of its own. MR had a privileged position in the low-volatility life insurance segment as a reinsurer by means of its joint domestic investments with Allianz (Karlsruher Leben, Frankfurter Versicherungs-AG, Berlinische Leben [Berlin Life Insurance Company], Hamburg-Mannheimer). This segment recovered by the mid-1950s from the consequences of the war and the currency reform. In the property insurance segment, MR profited from the construction boom for industrial and business buildings. For one thing, the newly constructed buildings were significantly better risks than the old ones thanks to the further development of fire prevention norms and modern electrical systems. For another, the increase in the value of the German estate portfolio was reflected in the constantly rising premium volume. Moreover, the 1950s marked the beginning of mass motorization and of the exponential increase in motor vehicle liability and comprehensive insurance. When the occupation ended in 1955, the prohibition on civil air travel for German companies was lifted. When Lufthansa was refounded in the same year, MR's home market gained one of the largest European air travel companies – and the new business segment of air travel insurance.

In October 1951 MR succeeded in expanding its investment portfolio by purchasing a major share of Hamburg-Mannheimer. The Swedish majority shareholder Svea had to endure a significant capital decrease to a quarter of the nominal value due to the currency reform.²⁵ As the prospects in the German life insurance business did not look good at first, Svea did not wish to participate in restoring the capital and gave MR and Allianz its subscription

rights. Allianz let MR take the lead in this joint investment. For the first time, a MR board of management member, Alois Alzheimer, joined Hamburg-Mannheimer's supervisory board.²⁶ Allianz's CEO Hans Goudefroy took over the deputy chairmanship of the supervisory board in 1953 and the chairmanship in 1956. After his death in 1961, Alzheimer assumed his post as the supervisory board chairman and thus took over the leadership of Allianz and MR's joint investment.²⁷

Allianz and MR owned a joint majority of 71 % of Hamburg-Mannheimer whereas Svea retained a blocking minority of 26 %. Allianz and MR became indirect majority owners of the Deutsche Kranken-Versicherungs-AG (DKV) via its investment. MR was betting on the long-term rise in its investments in life insurance companies and not on their short-term profitability. The purchase of Hamburg-Mannheimer would eventually pay off for MR, even though the company's earnings performance normalized only slowly. Not until 1952 did Hamburg-Mannheimer exceed the insurance sum of 1939. In 1954, too, the board of management did not at first expect to give its owners the prospect of receiving a dividend.²⁸ Alzheimer did not generally get involved in the operational business of Hamburg-Mannheimer, but he did urge the board of management to pay a dividend for fiscal year 1953 like all other life insurers. Hamburg-Mannheimer was able to expand its portfolio of life insurance policies much, much faster than its significantly larger competitors, Allianz and Victoria. Whereas Allianz and Victoria did not achieve the level of 1939 again until 1956, Hamburg-Mannheimer's insurance portfolio was already 130 % higher than it had been before the war.²⁹ All in all, MR's life insurance business had not yet normalized again either by 1956. MR's total premium revenues at 457.8 million DM already exceeded the level of 1937 by 129 %, but the premium revenues in the life insurance segment had only reached 79 % of the 1937 level.³⁰

This sharp upward development at Hamburg-Mannheimer was particularly noticeable on account of the consequences of the currency reform for life insurers. Whereas the pensions from the legal pension insurance companies were converted at a rate of 1:1, the insurance sums from life insurance policies were devalued at a ratio of 10:1. Consequently, life insurers suffered from a loss of trust among potential customers in the first years after the currency reform. The customers regained their trust in the stability of life insurance at the beginning of the 1950s when the German economy entered a long phase of high growth with low inflation and the people came to trust the new currency. In addition, the high real interest rates in the 1950s led to stable

capital gains for life insurers – and thus to high profit dividends for the insured. Long-term investment in life insurance companies generated significantly higher profits than traditional savings accounts, whose interest rates remained restricted by a legal limit on the interest on deposits. The steadily increasing real incomes raised the portion of disposable income that did not have to be spent on necessities like food, rents and clothing. Combined with the long-term income security of full employment, an ever larger segment of the middle class gained the possibility of permanently investing a portion of their savings in life insurance over a long period.

Among the most important decisions in social policy that set the course of the postwar period was that of the governing coalition under the leadership of CDU and CSU (Christlich-Soziale Union Deutschlands [Christian-Social Union]) to introduce a dynamic old-age pension tied to gross income. MR's board of management did not expect its business in the reinsurance of life insurers to be negatively impacted immediately after this law was passed in February 1957. Nor did it assume that the rise in the compulsory level of income for pension insurance from 750 to 1250 DM a month and the significantly increased benefits of the legal pension insurance would have a marked influence on people's choices to take out new life insurance policies.³¹ But MR did share the financial sector's concern about the inflation-promoting effect of the pension dynamically tied to gross income, which did not come to pass, however. All in all, MR assessed that the influence of the dynamic pension on the future of life insurance companies would be much more favorable than the Association of Life Insurers did, which feared dramatic negative consequences for its sector. MR turned out to be right with its positive expectation. The Association of Life Insurers succinctly summarized in its report for 1957 and 1958 that "a weakening of the private life insurance segment did not occur on account of the pension reform."³² The steady growth in the life insurance segment was not diminished by the higher pension level in the legal pension insurance because life insurance became firmly established in the middle classes as the third column of providing for old age alongside the legal pension and savings accounts.

No German life insurance companies posted more rapid growth in its portfolio from 1948 than Hamburg-Mannheimer.³³ In the early 1950s, it could not yet be counted among the ten largest life insurance companies in Germany. By 1958, it had risen to the circle of the four largest life insurers thanks to a very active sales department.³⁴ This boom was only reflected in the dividend payments from 1959 when Hamburg-Mannheimer raised its dividends

from six to eight and in 1960 to ten percent, which it maintained throughout the 1960s. MR profited from Hamburg-Mannheimer's strong growth also through its reinsurance business, which generated higher premium revenues for it every year.

Since a large portion of the reinsurance quotas came from domestic business among the MR/Allianz Group (1960: 687 of 744 million DM gross premium revenues from Allianz Leben, Berlinische Leben, Karlsruher Leben and Hamburg-Mannheimer)³⁵ and MR drew 80 % of its reinsurance of life policies domestically, little effort was needed for acquiring business. MR profited in the life insurance business from the long-term, stable ties to customers and from the continuously positive earnings of this business branch, which also experienced few actuarial fluctuations.

16. New Challenges in the International Reinsurance Business

Already in 1949 MR sounded out the possibilities for getting back into business in America with its former U.S. representatives in New York. The executive in charge of North America Carl Friedrich Hütz reactivated his old ties to the German-American Lothar Südekum, who had worked as the right-hand man for the American MR representative Carl Schreiner. Thereafter, Südekum had become an independent insurance consultant and worked for the American branch of Union Rück.¹ MR could not yet reenter the American market in 1950 as the Control Council Law was still in effect and the need for foreign currency was high,² even though Südekum detected a very rapid shift in attitude toward German reinsurers despite certain resentments among parts of the American insurance industry.³ Südekum made this observation at a time when the U.S. had not yet ended the war with Germany.

In September 1952 chairman of the board of management Alzheimer made the plans for founding an office in New York City, the U.S. capital of the insurance industry, more concrete.⁴ The size of the American market was decisive in the interest in returning to the U.S. However, the political motive of security was not less important; MR wished to have a “safe haven” in the secure U.S. in case of a war in Europe. At the height of the Cold War, some Western European and Latin American direct insurers feared that the Soviet Union would attack Germany and thus held back on ceding their business to MR. Having a branch office in the U.S. was supposed to give fearful cedents the guarantee that MR would fulfill the contract in case of war.

The high capital requirements for founding an American branch dissuaded MR from going it alone. The American insurance regulatory agency required a security deposit of \$250,000 and equity capital (surplus) of at least \$500,000. This would have called for a start capital of 3.15 million DM with the dollar exchange rate of 4.20 DM at that time. The American insurance regulatory agency limited individual risks to 10 % of the surplus, which would only have allowed MR’s American branch to cover risks up to

\$50,000. With this minimum capital endowment, MR's underwriting capacity would have been much too low, and it would have had to limit itself to very low-volume business. Consequently, MR decided to found a joint subsidiary named Constellation together with Allianz, several British insurers and real estate companies (Victory, Legal & General, Andrew Weir), the Danish Nye Danske and the Dutch Universeele. The joint venture of the six insurers also helped to reduce the burden of high start-up costs and transaction costs for new insurers on the American market. Because American insurance regulation is managed at the state rather than the federal level, direct insurers, like reinsurers, have to apply for their license in each state separately.

Although Constellation's business developed "extraordinarily satisfactorily" in Alzheimer's judgment in its first fiscal year 1953/54,⁵ the joint venture with six partners was not a good solution for the long term. With a capital share of 14.7 %, MR was nowhere near having a blocking minority, let alone a leadership position.⁶ At the request of the British majority shareholder, the management of the business in New York was transferred to a local brokerage that was primarily interested in expanding its own commission income. MR wished to run business at its own expense in the U.S. and was only able to prevail over its business partners on this question in September 1954. In order to gain better control over its U.S. business, MR bought a 20 % share (\$0.8 million) of Union Rück's American subsidiary (Union Reinsurance Company) in New York in 1954.⁷ The opportunity for this arose when MR and its former subsidiary Union Rück met in September 1953 after the conclusion of the London Debt Agreement to figure out how to handle the reimbursement of the MR balances that had been blocked. Since the 11 million in fully convertible Swiss francs to be reimbursed was due,⁸ MR did not need to apply for any new currency distribution with the Bavarian Economics Ministry. Organizing its American business via the Union Reinsurance Co. served merely as a temporary solution until MR could found its own, legally independent branch in New York. In 1955 MR established the United States Branch Office under the preliminary name of Munich Management Corporation (MMC). It held a surplus of \$3 million and, at first, was headed by MR's old trusted associate Lothar Südekum. Südekum, who was "on loan" from Union Rück, withdrew from managing the US Branch Office at the end of 1956. According to American law, two U.S. citizens had to hold the managing positions of the company, excluding the appointment of a German manager.⁹

In light of the high costs for equity capital and loss reserves, MR got its subsidiary Allianz to invest in its American subsidiary with an equal 40 % share and took on Victoria Feuer [Victoria Fire Insurance Company] (with 10 %) and the Frankona Rückversicherung (with 10 %) as minority partners.¹⁰ The United States Branch Office of Munich Re was by far MR's largest foreign investment in the 1950s, with a capital outlay equal to 12.8 million DM. Since the German mark only became fully convertible in 1958 and MR's own dollar balances from its foreign business were not sufficient, MR had to apply for a portion of the needed dollars at the Bank deutscher Länder and at the Federal Economics Ministry.¹¹

For the first time since the First World War, Munich Re was once again represented on the American market under its own name. The first home of the US Branch was on the 30th floor of an office skyscraper on Pine Street in Downtown Manhattan – a good location for business and only one block from Wall Street.¹² From 1957 until far into the 1970s, the American James Inzerillo managed the American branch. Inzerillo, 33 years old when he was hired in 1956, had previously worked as the Vice President of American Mutual Re in Chicago and had good contacts with direct insurers, above all in the Midwest and in the South of the U.S.¹³ Inzerillo proved to be a very good manager in the assessment of the Munich board of management; he managed the process of expansion in the difficult American market successfully and completely fulfilled the ambitious goals set by the head office in Munich.¹⁴ As a consequence of its intensive work on acquisitions, the American branch already drew more than half of its premium volume from direct acquisition rather than via brokers by 1958, which improved the profit margin by saving the broker commissions. Since all eight of the employees at the US branch were Americans, MR conducted its correspondence with it exclusively in English from the time it was founded.¹⁵

In accordance with the directives of the board of management, the US Branch only underwrote the business of direct insurers of good reputation whose underwriting policy was regarded as “cautious and reliable.” In order to avoid higher start-up losses on account of a lack of experience in the American market, the US Branch followed the principle of “quality before quantity.”¹⁶ Just like the headquarters in Munich, the US Branch preferred to pursue a gradual development of its business over short-term profit maximization.¹⁷ In the first five years, it rejected numerous reinsurance offers on account of excessive risks that could not be adequately calculated or because of premiums that were too low.¹⁸ Only the stricter American tax codes pre-

vented the US Branch from achieving a small profit already in 1956, its first fiscal year.¹⁹

MR acted entirely under its own responsibility in the largest direct insurance market in the world. In this very competitive market, it operated with relatively low actuarial profit margins²⁰ and much more volatile loss progressions than at home. The US Branch had to get used to new risk structures and risk forms that it did not know from the German or European business. As it had to participate according to the principle of sharing in the risks of its American cedents and thus sharing their fate, it had to accept American underwriting practices. In accordance with American custom in property insurance, fire insurance policies regularly included coverage of damages caused by storms, riots, and even airplane crashes that German and European fire insurance policies would not contain at all or would cover only with optional supplementary policies.

For these reasons, MR placed comprehensive excess catastrophe covers with the General Security Assurance Corporation, which was supposed to protect it from excessive burdens in the case of major losses at the cost of lower net premium revenues. After a deductible of \$75,000 per loss occurrence, it gave 90 % of its first layer (additional risk) into retrocession, as well as 90 % of its second layer of \$150,000.²¹ The randomly reoccurring fall hurricanes on the East Coast and in the Gulf of Mexico were a risk factor just as new as the tornadoes in the prairie states of the U.S. In the states of California, Oregon, and Washington on the West Coast of the U.S., with their susceptibility to earthquakes, the various state insurance regulators demanded that earthquake risk be included in fire and building insurance – a risk that MR up to then had classified as uninsurable. Alongside the dominant segments of fire and building insurance, the US Branch concentrated at first on the casualty business line, which included all the other branches of property insurance with the exception of transit insurance. However, air travel insurance (11 %) developed into the second largest business segment after fire and building insurance (76 %), having particularly good prospects for growth because of the strong increase in civil passenger air travel.²² On account of the worse risks, the US Branch reduced the shares of the casualty business down to 4 % by 1973.

As MR expected to have to endure lengthy and costly licensing processes with the insurance commissioners of the various states, it aimed at first only to get licensed in the 14 states with the greatest market potential. These licensing processes, however, went unexpectedly quickly and less expensively

than expected because numerous regulatory agencies accepted the license of the Insurance Commissioners of New York. Thereafter, in October 1957, MR was already licensed in 37 of the 50 states.²³

In American law, reinsurance of life insurers had to be institutionally separated from the reinsurance of property insurers. Consequently, MR founded a separate life reinsurance company in December 1959 named Munich American Reassurance Co. (MARC) with a capital stock of \$3 million, which amounted to 12.8 million DM at the contemporary exchange rate.²⁴ Although New York might have seemed the logical place for the headquarters, MR chose to place this office in Atlanta, the growing metropolis of the American South. The reason for this decision was the greater willingness to cooperate on the part of Georgia's insurance regulation authorities. The regulation authorities in the state of New York would have made the founding of a foreign life reinsurer much more difficult with heavy restrictions or might have even rejected the proposal out of principle.²⁵

The concept of "reinsurer" developed a new time-specific meaning at the height of the Cold War that would be forgotten during the peaceful coexistence of the two military blocs in the 1960s. At the beginning of the 1950s, daily newspapers and news magazines utilized the concept of the reinsurer to characterize people and institutions that secretly donated to communist organizations out of fear of a possible communist takeover and for opportunistic reasons.²⁶ The negative political connotation of the concept of "reinsurer" did not, however, have any negative effects on reinsurance companies. Since reinsurers only concluded contracts with other reinsurers or with direct insurers and their business activities hardly interested the public, they were not threatened by a loss of reputation among the public that could otherwise damage business.

The development of a safe harbor in case of a war in Europe played a decisive role in MR's American policy up to the late 1950s. The risks in world politics continued to be perceived as very high among contemporaries even after the end of the Korean War in 1953. In 1957 the Berlin ultimatum of Soviet party leader Nikita Khrushchev sparked fears of a possible military offensive of the Warsaw Pact against West Berlin and the Federal Republic of Germany. MR transferred the US Branch in trust by means of a trustee contract to the American bank J. P. Morgan, which followed MR's directives from Munich in times of peace. MR founded the so-called shadow company called Munich Reinsurance Corporation of New York for this purpose, which in case of war would take over the ownership rights of

MR's American property as an independent company registered in the U.S. in a war situation.

In case of a military attack on Federal Republic territory, the intervention of a foreign power in its politics or the forced transfer of MR shares to a government not recognized by the U.S. – by which the GDR was meant – a crisis committee was to take over the function of trustee in MR's place whose members were to be identical to the board of management of the Munich Reinsurance Corporation of New York. In the “worst case” of a war or a political dependency of the Federal Republic on the Soviet Union or the GDR, the legally dependent US Branch of MR was supposed to still remain able to act and be free of foreign influence if MR in Munich were to be nationalized by a communist government and removed from the influence of its shareholders.²⁷ As a precautionary measure in case of a Soviet invasion, MR transmitted a list of its bank deposits, deposit statements, equity investments and certificates of titles to the US Branch in New York in order to be able to prove its ownership rights at any time.²⁸ Unfortunately, it cannot be determined when MR discontinued these preparations for a potential war.

In 1975 MR finally decided to register its US Branch under the name of Munich American Reinsurance Company in the U.S.²⁹ Factors in favor of the new status as an independent subsidiary with headquarters in the state of New York included, for one thing, advantages in marketing. Although it remained 100 % German owned, it could present itself more convincingly than before as an American company. As an independent reinsurance company with headquarters in the U.S., it enjoyed regulatory advantages such as greater flexibility in investing its premium reserves and reserve funds, which enabled it to compensate for the competitive disadvantage compared to its American business rivals.

In 1950 MR once again gained access to the world's largest insurance market in London. It reactivated its traditional tie to the reputable London brokerage firm C. E. Golding & Co. Ltd., whose owner and founder Cecil Golding had already worked for MR from 1934 to 1939 and had resumed contact with it in 1945/46.³⁰ As before the war, MR transferred its catastrophe cover (retrocessions from catastrophic risks) via Golding to the high-performance London market – and got cedents from the circle of British insurers. The cooperation with Golding generated steadily growing business as early as in the 1950s but also increasing earnings problems on account of the considerable commissions. MR looked for alternative acquisition possibilities in

the early 1960s and took on Commercial Union, one of the largest British reinsurers, as a cooperative partner in 1963. The significance of Commercial Union as a partner in the British market became even greater when it merged in 1969 with Northern Insurance and the Employers' Insurance, thus rising to the position of second largest reinsurance company in the United Kingdom.³¹

For MR, Commercial Union also took over the "fronting" of reinsurance contracts. It conducted transactions in its own name, which were then retroceded in full to MR. In this way, MR avoided having to act in the London market in its own name. The strictly confidential "fronting" arrangement with Commercial Union protected MR from negative reactions on the part of London's Lloyd's syndicates, who would have regarded it as an unwelcome competitor.³² The equal exchange of business between MR and Commercial Union from 1965 remained just as confidential; this arrangement served to provide greater regional diversification of business and distribution of risk for both companies in their own portfolios.³³ In 1966 MR and Commercial Union topped off their partnership with a strictly confidential exchange of shares. MR gave 5 % of its shares in Allianz to Commercial Union, just as Allianz, too, sold 5 % of its share in MR to Commercial Union. MR and Allianz received shares of Commercial Union in exchange that gave them a commanding influence over their British partner.³⁴

In 1967 MR once again opened its own office in London for the first time since the beginning of the First World War.³⁵ The main purpose of the London office was less to sign contracts in the name of MR than to maintain constant contact with its London business partners Commercial Union and Golding. The presence of staff in London was supposed to make it possible for MR to keep a constant eye on the London market after it had been dependent on information from its British partners. Commercial Union developed into an important source of information by regularly letting MR know about the business conducted by British direct insurers and their creditworthiness.³⁶ In the early 1970s, Commercial Union's knowledge of the British insurance market turned out to be remarkably helpful when several large British direct insurers filed for bankruptcy. MR was not left sitting on open premium payments owed by the insolvent insurers.

The company continued the strategy in its foreign business of gaining access to closed foreign markets by means of equity investments in direct insurers. In 1955 MR acquired a share of the Philippine Great Pacific Life

Insurance, which was the third-largest life insurance company in the country measured by production of new policies.³⁷ MR bought a 24 % share of the insurer plus a reinsurance quota of 85 % for the purchase price of \$123,000, which corresponded to a share price of 192 % of the nominal value; its former owner – the New India Assurance Company – relinquished the reinsurance quota along with its capital shares.

MR pursued the same strategy in the South American market. Since the largest and economically most powerfully developed South American economies – those of Argentina, Brazil and Chile – had monopolized their reinsurance business with state companies and had closed it off to foreign competitors,³⁸ MR had to limit itself in reestablishing in South America to the smaller states. In 1954 it managed to purchase 19 % of the Peruvian *Compañía de Seguros*, whose business was judged to be good; it was supposed to open the door to the Peruvian reinsurance market for MR.³⁹ MR financed the purchase from the CHF 11 million credit it had from Union Rück's reimbursement in 1954. On account of the unsatisfactory course of business, MR sold this share for the acquisition price in 1958.

MR's entrance to the Colombian market took another form in 1956.⁴⁰ Albingia, a Hamburg-based direct insurer that was majority British-owned, approached MR, Allianz and the British company Guardian in order to found a property insurance company. Since Albingia had already been represented in Colombia from 1928 to 1941 with its own branch and knew the Colombian market well, MR acquired a 20 % share. Alongside the expected earnings from the newly founded *Sociedad Nacional de Seguros Albingia*, MR was interested in the 33 % reinsurance quota.

In some Asian markets, as well, such as Indonesia and Korea, there were high or even insurmountable barriers into the 1970s blocking foreign reinsurers from entering the market. MR managed to conclude modest numbers of reinsurance contracts with Indonesian insurers up to 1966 when the dictatorial government of the nationalistic Indonesian Prime Minister Sukarno issued a general prohibition against reinsurance abroad in 1967.⁴¹

As early as 1954, MR succeeded in jumping into the Portuguese market, where British insurers had dominated up until then. It acquired a 25.5 % share of the Lisbon property and casualty insurance company *Trabalho*. Although the restructuring of *Trabalho* took until 1957 and the company was not able to distribute any dividends during this period,⁴² MR's long-term investment paid off because of *Trabalho*'s considerable cessions. MR's annual premium revenues from *Trabalho* rose from 1.7 million DM in 1956

to 3.9 million DM in 1957. By investing in a major Portuguese company, MR gained access to a relatively small market that had been dominated by British insurers. It can generally be said that there were no more institutional barriers against foreign reinsurers entering the market in the non-communist states of Europe once complete convertibility of currency was reached in the late 1950s. Only in France did direct insurers still have to cede 4 % of their business to the state reinsurer Caisse Centrale de Réassurance until 1970, but this only slightly impaired MR's business opportunities there.⁴³

Purchasing insurance companies outside Europe was a way of entering a market that was associated with considerable capital outlay and higher risks than a regular reinsurance contract. Reinsurance contracts, in almost all cases, had a term of only one year. When actuarial results were negative, the reinsurer could cancel the contract as a precaution in order to renegotiate the premium and/or the commission. The danger of "adverse selection" at the expense of the reinsurer, to whom the direct insurer primarily ceded bad risks, could not be entirely avoided, but negative financial consequences could be limited. According to the regular summaries in the "Rote Sammlung" [Red Collection], the confidential weekly reports that were distributed to members of the board of management and managers from 1956, MR definitively canceled only a few contracts. In many cases, MR managed to negotiate more favorable terms for itself in the contract.

Investing in a foreign direct insurer or reinsurer, in more than a few cases, served the purpose of getting around protectionist access barriers to an insurance market. For this, however, MR had to make a larger capital investment that could not be recouped so quickly if business developed poorly. The transaction costs of a capital investment and the transaction cost risk of a divestment were significantly higher than the transaction costs and risks of reinsurance contracts. Capital investments in extra-European countries were tainted with considerable uncertainty if MR was not familiar with the local insurance market and its underwriting customs, and when it had little time to assess the quality of these companies' management. When there were restrictions on the election of foreigners to the supervisory board, MR had to delegate the supervisory function to a native manager who was not its own employee and possibly did not completely identify with MR's goals. The principal-agent relation between capital owners and the management shifted on account of the increased asymmetry in information to the detriment of MR. In countries with foreign currency restrictions, the proceeds from the



Figure 33 External view of the Reaseguradora de las Americas in Havana, Cuba, photo from the 1950s

sale of a capital investment could only be transferred to Germany after lengthy delays and with limitations.

In individual cases, investments in extra-European insurers were associated with a high political risk if they were undertaken in states with unstable political regimes. Political risks consisted of business disruptions from coups, riots, revolutions and counterrevolutions to a civil war. In the case of a Cuban subsidiary, MR's engagement ended even with the expropriation of its assets after the Cuban Revolution of 1959. In 1953 Boris Dreher, the later CEO of Reamericas, had expressly recommended Cuba as an appropriate site for a Latin American subsidiary because of its political stability, its liberal market structure and because it did not have transfer and foreign currency restrictions.⁴⁴

Dreher was very familiar with the political and economic conditions in Latin America: he worked from 1930 to 1945 as an authorized representative of Albingia for South America and joined MR in 1951. To gain access to the

Latin American market, MR founded the reinsurance company *Reaseguradora de las Americas* (Reamericas) in Havana in 1954.⁴⁵ Since Reamericas retroceded 100 % of its business to MR,⁴⁶ it served to front MR's business activities in Central America. Although left-leaning rebels around Fidel and Raul Castro had already attempted a revolution against the government of Cuban dictator Batista in 1953 and a guerilla war lasting many years had begun in 1956, MR's trust in Cuba's political stability was unshaken at first. The Cuban law professor and chairman of the administrative board of Reamericas Guillermo Belt⁴⁷ had no illusions about the revolutionary attitude of the "left extremist" Castro, but he thought that it would be possible for the revolutionaries and companies to coordinate their interests.⁴⁸

Belt's optimism was based on a short but intense personal meeting with Castro. In March 1948 Castro had found himself between the two fronts of a very violent riot while visiting the Colombian capital of Bogotá. While fleeing from the police and the rioters, he found protection in the Cuban embassy, where the diplomat Belt opened the doors to him and allowed him to fly back to Cuba.⁴⁹ Belt believed that he had saved young Castro's life in 1948 and thought that Castro therefore stood in his debt. Consequently, Belt hoped that Reamericas would be treated with indulgence if the revolutionaries were victorious.

Yet it was not long after the victory of the Cuban Revolution at the start of 1959 that the working conditions at Reamericas declined. When censorship of foreign mail was introduced in the summer of 1959, MR sent its confidential correspondence to Miami, where Dreher picked it up every four weeks. Carl Friedrich Hütz, the MR board of management member in charge of the North American business, and his colleague Horst Jannott undertook a trip to Cuba at the same time but advised against liquidating Reamericas despite the poor earnings situation. MR's board of management and supervisory board were horrified about the heavy losses of 1.5 million DM with an annual gross premium income of only 3.8 million DM resulting from the revolutionary war, but they regarded this loss as a one-time loss-generating political event.⁵⁰ In accordance with Hütz and Jannott's recommendations, Reamericas relocated its free reserves out of Cuba, signed over its foreign deposits of \$0.8 million to MR and transferred its contracts with non-Cuban cedents to the parent company in Munich.

The faith in the future of Reamericas quickly gave way to business-minded caution. On 30 June 1959 MR wrote off the greater part of its in-

vestment in Reamericas.⁵¹ Since MR took all conceivable steps to reduce its losses, its hesitancy to liquidate its Cuban subsidiary seems incomprehensible in retrospect. Yet it was not unjustified from the expectations among contemporaries. In the summer of 1959, Fidel Castro did not yet have a finalized blueprint for transforming Cuba into a socialist economic system, nor had he given any indication of expropriating foreign property or nationalizing the insurance industry. Whereas the Cuban government expropriated American insurers in reaction to the undeclared war of the U.S. against Cuba in 1960, Reamericas was not threatened with expropriation.⁵² Since the Cuban administration for nationalized industrial enterprises (Oficinas de Control) reinsured its industrial risks with Reamericas, the company continued to expect, despite its shrinking premium volume of 1.5 million DM (1960),⁵³ that it would be able to conduct business at a lower level.⁵⁴ In 1961 the continuation of operations in the shrinking Cuban domestic business could still be justified with the motive of avoiding a permanent loss of contact with the Cuban market.⁵⁵ Since the gross premium revenues rose in 1961 once again to 2.4 million DM and Reamericas achieved a positive underwriting result of 0.3 million DM, there were short-term reasons not to exit the market.⁵⁶ Not least, MR's board of management also chose not to liquidate Reamericas because of Cuban foreign currency regulations. If it liquidated Reamericas, MR would have had to transfer the reserves it still held in the U.S. back to Cuba. State monitoring of foreign currency transactions would have blocked the transfer of foreign currency to the German parent company.

In 1962 the last German Reamericas CEO left Havana. Yet the end of the company did not come until the Cuba crisis of November 1962, when the world briefly stood on the brink of nuclear war. Massive U.S. foreign policy and military pressure on Cuba gave the Cuban government the political legitimation to nationalize the insurance industry, a considerable part of which was owned by foreigners. On 7 June 1963 the Cuban government ordered the seizure of all direct insurers still in existence,⁵⁷ whereupon Reamericas dissolved its last business ties and stopped business operations. Since Reamericas would now not be nationalized and could keep the office building it used in Havana, MR dispensed with formally liquidating its subsidiary. It rented out the rooms of Reamericas to the *chargé d'affaires* of the Foreign Office,⁵⁸ which was being officially represented by the French embassy in Havana since diplomatic relations had been severed in January 1963.⁵⁹

Whereas the Cuban state confiscated MR's domestic assets valued at 974,000 Cuban dollars,⁶⁰ MR attempted to transfer Reamericas' assets in the U.S. to itself. However, since the American government seized all Cuban assets in the U.S. in retaliation, Reamericas' American assets valued at 112,000 Cuban dollars (ca. 500,000 DM) were blocked. MR thus became a victim of America's long-term embargo policy against the communist Caribbean state. Although the Foreign Office approached the American government at MR's behest in 1968, Reamericas' assets were not released.⁶¹

In the 1970s, MR had to completely write off two small investments in Ethiopian insurers. After the fall of King Haile Selassie, the communist government of Mengistu nationalized Imperial and Ethiopian Life, both of which MR had invested in.⁶²

A rather different form of political risk came in the form of the insurance policies for objects in West Berlin, the Western "front city" in the Cold War. In the case of some West Berlin objects, such as storage facilities and refrigerated warehouses for the Berlin Senate, political risks like possible attacks by communist saboteurs were covered in the policies. Since MR considered political sabotage to be a real threat into the 1960s, it reinsured these objects via the London brokerage agency Golding on the London market.⁶³

Until the mid-1950s, MR's foreign business had normalized to the extent that MR had regular business relations with insurers on all continents. The founding of the EEC (European Economic Community) with its aim of developing a free European market for goods and services was relatively irrelevant to MR since reinsurers in most European states operated without needing permission from the national insurance regulators and were not handicapped by trade barriers such as payment restrictions.⁶⁴

MR's processes of reestablishing business relations with other direct insurers and reinsurers cannot be recounted without gaps. Complete information about all the relevant business transactions only became available in 1956 when the confidential, hectographed weekly reports began to be circulated to the members of the board of management and other executives ("Rote Sammlung").⁶⁵ MR was even able to develop business contacts with insurers in countries whose political relations with the Federal Republic had not yet normalized. For example, even before 1956, MR received cessions from the Israeli property insurer Menorah (Tel Aviv), which insured transports from the Federal Republic to Israel. These transports pertained to the delivery of goods within the framework of the German-Israeli reparations

agreement of 1952, which regulated West German reparations for the Holocaust to the Jewish state.⁶⁶

Business with the communist, centrally planned economies in Eastern (Central) Europe had shrunk to a fraction of what it had been in the prewar period on account of the state monopolies in insurance and foreign trade, but it was not completely cut off despite the Cold War. For transit insurance policies for product deliveries from capitalist or into capitalist states, the state insurance companies concluded policies in convertible currencies (Valuta, or foreign currencies). In order to reduce the risk of loss from scarce foreign currency, they ceded contingents and excesses to large Western reinsurers like MR.⁶⁷ Since the business volume with communist states that were members of the Council for Mutual Economic Assistance (COMECON) largely stagnated in terms of quantity and quality in the 1960s and also in the détente phase of the 1970s, the proportion that the East (Central) European business made up of the total business became negligible. Despite the rise in East-West foreign trade beginning in the mid-1960s, this business could hardly be expanded and was also not very attractive because the state insurers demanded rather high countertrades out of foreign currency considerations. MR, for the most part, had negative actuarial results and viewed its Eastern (Central) European business as a monitoring point to help it gather information about the market there. Only in the early 1970s did it move to a more active acquisition strategy against the backdrop of West Germany's Ostpolitik [policy toward the East].

On MR's map of Europe, there were only two gaps into the late 1970s: Albania, which was late Stalinist in its orientation and almost completely cut off from the West – and the GDR. In the 1950s, a possible contract between MR and the only reinsurer in East Germany failed because MR rejected the political risk of commercial credit insurance for the state retail shop trade organization.⁶⁸ In the 1960s and 1970s, it was the GDR that rejected formal business relations with MR; it did not open up to business with West German reinsurers until 1976. Nonetheless, MR was sometimes indirectly involved in insurance for risks in the GDR by insuring goods that were transported on ships of the East German state shipping company VEB Deutsche Seereederei [state-owned enterprise ocean carrier] to foreign countries outside the Eastern bloc.⁶⁹ Although the GDR was able to settle insurance benefits from West German insurers via the trade agreement between the two German states and could even make use of an interest-free overdraft credit (“swing”) from West Germany, noteworthy business with the Deutsche Auslands- und

Rückversicherungs-AG (DARAG) in East Berlin only developed in 1977.⁷⁰ DARAG's long-lasting reserve toward MR and other West German insurers may have been politically motivated. DARAG's management regarded economic dependence on the West German insurance industry as politically inopportune. With a premium volume of only 0.3 million DM, business with the GDR started on a very small basis. DARAG insured a portion of the risk from truck transportation of GDR state-owned trucking companies into West Germany and other Western countries. In 1979 MR got into business with DARAG in technology and assembly insurance when the Dortmund plant builder Uhde delivered a large PVC plant to the collective combine VEB Chemische Werke Buna [state-owned chemical works enterprise] and DARAG ceded its risk in the construction and assembly insurance to MR. In light of the enormously high loss ratio in plant assembly in Schkopau this business generated losses for MR in the end.⁷¹

From 1951, MR's foreign business expanded onto continents that had remained closed to it for political reasons between the wars. The end of British colonial rule over the Indian subcontinent gave MR access to the insurance markets in India, Pakistan, and what is now Bangladesh – access it had previously only had indirectly via Union in Zurich. Due to the ongoing market dominance of British insurers in the reinsurance branch, the national direct insurers in these countries were quite interested in alternatives in order to reduce their dependency on the London market. In some cases, such as the large Pakistani direct insurer Eastern Federal Union, MR was able to profit from Allianz's personnel network. The assistant general director of the company Iven had worked for Allianz in Burma until 1939 and joined MR in 1955.⁷²

Trips MR managers took to direct insurers on the Indian subcontinent could take up to eight weeks because flights there were still rather rare. On account of the high costs of flights, MR managers were required to bundle as many visits as possible in one trip. The process of becoming personally acquainted was particularly important in the case of first contacts in order to develop mutual trust. MR workers first had to gain cultural capital in the form of experience with the national business cultures in order to be able to negotiate successful contracts. One of MR's strengths was its relatively high level of know-how on the world market in the machine insurance field, which was as yet hardly known in these states. Its expertise in calculating risks in machine insurance and in providing technical advice to the direct insurers were important and distinctive characteristics for acquiring new

business. MR built its growing business expectations in countries like India on the process of industrial development initiated by the state. In the late 1950s, this process manifested itself materially and symbolically in the import of a complete German smelting and steel plant in India's Rourkela.⁷³ The assembly insurance for this plant was divided equally between German and Indian direct insurers. Since the Indian insurers ceded 25 % of their share to MR, MR was also invested in the German portion as a reinsurer and must have carried a considerable portion of the insurance sum of 750 million DM.

Also in the traditional field of fire insurance, the export of technical and actuarial knowledge opened up new business opportunities. MR had experiences and knowledge in the calculation of operations interruption insurance policies, which became more important in low-wage countries without ongoing wage payments as well on account of the rising capital investment. In India, Pakistan, and other economically less developed Asian countries, MR employees met with lower standards in fire prevention in construction as well as with a very different culture of risk. For example, the companies in Indian and Pakistani harbors and their direct insurers frequently had to deal with fire losses caused by cotton and jute bales that had caught fire in the warehouses and on the quays, where steam engines emitted sparks. In negotiations with direct insurers, MR insisted on the condition that only fire-safe diesel engines could be used in harbors in the future.⁷⁴ The result of this confrontation between reinsurers and direct insurers was, at least, a partial implementation of "Western" safety awareness and modern safety technology in economically underdeveloped countries.

The chances of growth for MR in Asia proved to be higher in markets with an already developed insurance industry both over the short and long term. States with a high level of education and already developed or rapidly growing industry like Japan had strong growth potential for industrial fire insurance, motor insurance and machine insurance. MR, via its manager Ernst-Justus Ruperti, started business relations with Japanese insurers in 1951 already and expanded on them with determination in the following years. Well-versed in Japanese culture, Ruperti avoided all the pitfalls and mistakes in dealing with Japanese attitudes thanks to his intercultural competence and acquired greater social capital than the representatives of the competing European reinsurers.⁷⁵ Machine insurance turned out to be especially successful, with MR getting a 40 % quota from the Association of Japanese Machine Insurers in 1957. MR profited from the fact that it could

offer its Japanese business partners advantageous conditions and technical advice in the expansion of underwriting, in customer service and in employee training as the “first mover” in the field of machine insurance in Asia. By 1962, MR had become the largest foreign reinsurer in the Japanese market.⁷⁶

In the classical field of fire insurance, as well, the Japanese business proved to be very lucrative. Large Japanese cities destroyed in the war were rebuilt with stone buildings less susceptible to fire, and Japanese direct insurers calculated their premiums carefully, so that the loss ratio fell to between 17 and 32 % of the premium by 1956.⁷⁷ Although the Japanese fire insurance business seemed to be as volatile as it was difficult to calculate on account of the high risk of earthquakes and loss progression that was subject to fluctuation for new actors, it was profitable for direct insurers as well as reinsurers. Japanese fire insurers already had a form of accumulation control in place to limit the local concentration of risk in the 1950s – a form that was unknown in Europe. The thorough statistical analysis of earthquakes and tidal waves that extended far into the past and the division of the entire country into six zones with varying degrees of susceptibility gave MR important ideas for the analysis, classification and rate-setting of earthquake risks in other regions of the world.⁷⁸ MR’s involvement in the Japanese fire insurance market was an important learning process. Its experiences in Japan could be transferred to other countries where earthquake risks constituted comparable accumulated risks.

The crossholdings in Allianz’s and MR’s capital were a central element of the organizational stability of both insurers. An important goal of the crossholdings was preventing oppositional influence or even a hostile takeover of the capital. When the private banker August von Finck (1898–1970) of Munich attempted a hostile takeover of Allianz in 1954, MR’s board of management and supervisory board were alarmed about the threat of Finck’s influence on their company. MR’s board of management had not at first expected MR’s long-time supervisory board chairman to make such an attack. Up until 1945, August von Finck, the owner of the traditionalist Munich private bank Merck, Finck & Co., had gone along with MR’s development as the supervisory board chairman without generating any friction with the board of management for a long time and with great loyalty. The American military government had not deposed Finck in the summer of 1945 solely on account of his formal incrimination as a member of the Nazi Party, which he had joined on 1 May 1933 as many political opportunists

had done.⁷⁹ The agile networker had become friends with the Upper Bavarian Gauleiter Adolf Wagner and with Hermann Göring, he had appeared publicly as the chairman and treasurer of the National Socialist art museum “House of German Art,” and he was regarded among the Bavarian public as the protagonist of National Socialist art policy.

Less well known but more incriminating was Finck’s role as the “Aryanizer” of the Berlin bank J. Dreyfus & Co. in the winter of 1937/38, in which he consciously exploited the Jewish owners’ predicament. At a purchase price of 2 million RM, he forced unjustified value adjustments of 700,000 RM in the sales negotiations at the seller’s cost and, moreover, he did not pay a single mark for the earning power and the goodwill of the reputable bank. Since Finck also appropriated the Jewish bank S. M. von Rothschild in Vienna thanks to his good connections to Göring – albeit without the largest industrial investments – he was regarded by the military government as one of the most active “Aryanizers” of Jewish banks.

The American military government put Finck under economic pressure by putting Merck, Finck & Co. under forced custodianship. Although Finck compensated the former Jewish owners of the Dreyfus bank in 1946 with a packet of shares – including 4,000 old and new MR shares – with a value of ca. 2.4 million RM, he was not freed of the stigma of being a beneficiary and supporter of National Socialist rule. For MR, it was unthinkable for Finck to return to chairing the supervisory board in the interest of maintaining its international reputation. After his denazification, Finck was only an ordinary member of the supervisory board, with no prospect of becoming its chair. In March 1954 Finck unsuccessfully advanced a proposal to expand the rights of MR’s supervisory board by having it consulted for all questions regarding the voting right at Allianz. Although Finck then hot-headedly quit his seat on the board, he did not give up the fight to gain more influence over MR and Allianz, opting to take a radical confrontational course.⁸⁰ Not only *Der Spiegel* surmised that Finck could not get over having lost his chairmanship of the supervisory board.

In 1954 Finck bought up Allianz shares from all the German stock exchanges on a grand scale in order to expand his 8 % share to a blocking minority of at least 25 % and to gain control over Allianz and MR. As the price of Allianz shares had risen from the start of the year to November 1954 from 175 to 467 DM, the members of the board of management at Allianz and MR were alarmed.⁸¹ Finck could not hope for the support of a major bank. On account of the tight crossholdings between major banks and non-

banks, it was inconceivable within the economic order of “Rhenish Capitalism” that a bank would support a hostile takeover behind the back of a major customer. Dresdner Bank, as MR’s principal bank connection, stood firmly by Allianz’s side. At the MR supervisory board, the Dresdner Bank was represented by its own supervisory board chairman Carl Goetz, the bank’s so-called godfather and one of Germany’s most prominent bankers. In addition, the particularities of German stock law at that time made hostile takeovers almost impossible as long as companies had issued registered instead of bearer stock. Since Allianz and MR shares were registered, the new owners had to be entered into the share register before the next general stockholder assembly if they wished to utilize their voting rights. Allianz’s supervisory board did not allow Finck’s newly acquired shares to be entered into the register and blocked Finck from being able to use the voting rights he had paid so much to get.

On 20 November 1954 Finck approached Allianz’s shareholders with a full-page newspaper advertisement in the *Süddeutsche Zeitung*, announcing his intention to call for an extraordinary general assembly for Allianz no later than January 1955. Finck wished to win the shareholders over to his aim of forcing his shares to be entered into the shareholder register and to put MR’s right to vote in Allianz’s general assembly on hold.⁸² This would have meant that MR’s board of management would not have been able to reject Finck’s proposals in Allianz’s general assembly with its own votes. This would have given Finck the chance to form a majority with his own shares and the support of minority shareholders and to force the revocation of Allianz and MR’s association agreement. His attack on this agreement was tantamount to a breach of contract. In 1940, he had been involved in the discussions and had approved the contract as the chairman of the supervisory board.

Allianz responded with a large advertisement in the same newspaper on 25 November 1954 and urged its minority shareholders not to be led astray by Finck. It was able to point out that the association agreement between Allianz and MR had been approved and signed by the supervisory boards and thus also by the representatives of the “free” shareholders and Finck himself.⁸³

Finck’s appeal to the minority shareholders’ resentments against the power of the boards of management did not have the desired result. As he had only been able to acquire 16.5 % of Allianz’s shares, he remained far enough away from holding a blocking minority in Allianz’s general assembly. Nevertheless, Allianz’s and MR’s boards of management were forced to

find a solution to the conflict with August von Finck because of the unpleasant media coverage and the disquiet it engendered among the shareholders and customers. After tough negotiations on 24 January 1955, one day before Allianz's extraordinary general assembly, Finck and the boards of management and supervisory board chairmen of Allianz and MR came to an agreement. In exchange for the assurance that Finck's shares would be entered into the register, he withdrew his proposals for the general assembly. In return, Allianz's and MR's boards of management promised to exercise their voting rights from the crossholdings of both companies only in consensus with the supervisory board.⁸⁴

For Allianz and MR, Finck's oppositional stance was a burden because it handicapped decision-making on their supervisory boards. The boards of management of both companies were rather interested in "buying out" the unpleasant major shareholder with a share swap from Allianz and MR. After lengthy negotiations, the two companies' boards of management made an agreement with Finck to exchange a large portion of his shares for a large block of shares in Stahlwerke Südwestfalen AG.⁸⁵ In exchange for his 12 % parcel in Allianz, his 6 % share in MR and his 7.5 % share in Hermes Kreditversicherung at the then-current market value of 19.9 million DM, Finck received a large minority share from Allianz in Stahlwerke Südwestfalen AG with a nominal value of 10 million DM. At a 160 % rate and with the usual block bonus of 25 %, the share was worth 20 million DM. For the remainder of his stocks in Allianz and MR, Finck gave both companies an option right.⁸⁶

Having successfully fought off this attempted hostile takeover, MR was able to maintain a stable relationship with its shareholders. MR's large capital investment – almost 30 % – was exemplary of the long-term stable relations between companies and major institutional investors in "Rhenish Capitalism." The stable crossholdings between Allianz and MR were also supported by the major banks, which were interested in long-term steady ownership relations in both insurance companies. To fend off a renewed hostile takeover attempt and to safeguard their interests in MR, Dresdner Bank, the Deutsche Bank, the Bayerische Vereinsbank, the Bayerische Hypotheken- und Wechselbank, the Berliner Handels-Gesellschaft, as well as Krupp and Siemens formed a shareholders' syndicate in October 1955.⁸⁷ Owning shares nominally worth 6.5 million DM, the major banks would also have been in a position to prevent a hostile takeover even if an outsider were to acquire a large block of stock. In any case, the concerted efforts of

the major banks and their power to intervene in the stock markets made it impossible for any potential attacker to acquire a significant number of MR shares against the banks' will. Embodying the ideal major institutional shareholder, Allianz was interested in steady and stable earnings growth over the long-term rather than in maximizing shareholder value by raising share prices and distributing large dividends. Steady income distribution also fits with the autonomy of a reinsurance company. Increasing the open and hidden reserves in years with favorable claims statistics made it possible for MR to neutralize years with poor statistics and weak actuarial results for the shareholders. This orientation toward long-term earnings was widespread in the German economy at that time and also manifested itself in the material incentives for MR's board of management members. The portions of their salary that were dependent on company earnings (bonuses) were tied to the size of the dividends distributed. Short-term maximization of the dividends would not have raised the board of management members' long-term income because the dividends in worse fiscal years would have dropped for lack of reserves.

All in all, MR profited from the "economic miracle" of the 1950s even more than the average of German direct insurers. Although a greater portion of the growth in premiums was generated on the German market, there was also considerable growth in foreign business, which was visibly reflected in the growth curve in premium revenues. Whereas even the largest German direct insurer Allianz made less than 5 % of its premium volume abroad in the 1950s, MR's foreign business comprised more than 15 % of its premiums by the end of the decade.

Contrary to the somewhat pessimistic expectations of chairman of the board of management Alois Alzheimer, MR's growth would not slow down significantly at the end of the 1950s.⁸⁸ Due to its strong position at Allianz, arising from its shares in that company and the common German subsidiaries, MR did not have to deal with significant reductions in its premiums despite the increasing competition on the German market. The founding of the European Economic Community (EEC) with the Treaty of Rome in 1957 would only indirectly have a positive impact on MR because the European reinsurance market was already largely open, and insurers had not been handicapped by trade and payment restrictions.⁸⁹ The aim of creating a common European market without customs duties on material goods by 1969 only indirectly affected the insurance companies. Yet the expansion in the streams of products between the founding states of the EEC (Germany,

France, Italy, the Netherlands, Belgium, and Luxembourg) would accelerate the growth in the transit insurance sector. Although the Treaty of Rome did attempt to create a common market for services, including the banking and insurance industries, political steps that could be operationalized were not implemented. The licensing of property and life insurers to do business in other EEC member states was regulated exclusively by means of national insurance laws and was subject to the control of the respective national regulatory agencies; the administrative and financial barriers for foreign property and life insurers to entering the market were high. The idea of a Europe-wide licensing process via the regulatory agency of one's home country remained a pipe dream in the 1950s.

Whereas the framework of insurance law and regulation in the insurance industry remained unchanged from before the war, MR did regain the power to manage its capital investments independently when National Socialist control over the capital market ended. Before the war and, above all, during the war, MR had had to adapt to the Reichsbank's control of the capital market and invest a large part of its capital in Reich debt securities such as Reich bonds and Reich treasury notes. In the balance sheet for fiscal year 1956/57, the share of capital investments in bonds for regional authorities (including municipalities) had dropped to 11%.⁹⁰ The big reduction in capital investment in government debt securities was not solely due to the end of the controlled capital market policies. It is rather doubtful that the total loss of Reich bonds made MR more reserved towards federal bonds.⁹¹ In light of the paucity of federal bonds being offered, MR would not have been able to increase the share of government bonds in its portfolio anyway. The Federal Republic had a very solid budget policy that not only restored trust in the state as a debtor but also took the weak performance of the capital market after the currency reform into consideration. The "crowding out" of private investors for the benefit of the state's financial needs was to be prevented in the interest of generating capital in the private sector. The capital market's financing of companies by means of stock issues, corporate bonds and long-term loans was not supposed to take a back seat to the state's financing needs.

In the 1950s, MR and other insurers contributed significantly to the long-term external financing of companies with corporate bonds and promissory note loans. Since historical and economic research has concentrated on the significance of the Marshall Plan and the major banks in financing corporate investments during the "economic miracle," corporate financing on the part of the insurance industry has been neglected. In fiscal years 1956/57 and

1957/58, corporate bonds (31.8 and 59.5 million DM, respectively) and promissory note loans and other credits (63.9 and 66.5 million DM, respectively) comprised 31 % of the total capital investments (total amount: 334.2 and 407.8 million DM, respectively). With their capital investments in corporate bonds and long-term promissory note loans, insurers such as MR closed a gap in the long-term external financing of companies – a gap that the banking sector was not yet able to fill in the 1950s.

Alongside earning higher interest rates than federal bonds, corporate bonds and loans also had a comparatively low risk of default. With interest rates of 7 to 8 percent, the interest earnings were about 100 to 200 basis points higher than for public bonds. They also exceeded the interest rates of mortgage promissory notes and municipal obligations, which accounted for only 9.3 and 10.2 % of all asset bonds in fiscal year 1957/58. MR granted loans, above all, to large stock corporations with good reputations, where payment delays or even failure to pay were highly unlikely. Comprising only 1 % of MR's capital investments, mortgages played almost no role. In light of the relatively high transaction costs for concluding and maintaining these loans, MR only invested a very small capital share in mortgages in contrast to many direct insurers.

Investments in non-insurance companies rose dramatically within one year from 8.6 % (1956/57) to 12.7 % (1957/58). In almost all cases, purchasing shares outside of the insurance industry served capital investments with the expectation of long-term yields. Most of the non-insurance shares in MR's investment portfolio were "blue chips," that is, shares in major concerns with a reputation of high stability, constant growth in earnings and continuously increasing value.⁹² Only a few investments, such as the purchase of a 30 % block of stock in the tire manufacturer Phoenix AG at the beginning of 1958, and of a major share in Lorenz Hutschenreuther AG (porcelain), served the purpose of gaining at least 25 % of a company for crossholdings that were tax favorable.⁹³

The structure of capital investment changed considerably in the 1960s. Because there were only few offers for loans to first-class companies, MR shifted its investment focus to promissory note loans. Public and private credit institutes preferred to acquire their longer-term borrowed funds from promissory note loans, which fitted in very well with MR's investment preferences. From 1967, it had lent more money to credit institutes in this way than to industrial companies.⁹⁴ Even in the case of the relatively few investments in public bonds, the weight shifted from classical state bonds to

promissory notes issued to the Federal Republic, the states, and other bodies of public law. It was less the minimal differences in the interest rates than the non-fluctuating prices of promissory notes that were responsible for this. Whereas loans with lower interest rates lost value if the nominal interest-rate was raised, the value of promissory note loans remained constant.

In the 1950s, not only the structure of capital investments changed but also the structure of the reinsurance business. By the mid-1950s, the reinsurance of motor vehicles had become MR's quantitatively largest business segment (that is, according to premium revenues). In 1937 motor vehicle liability and comprehensive insurance had accounted for only 4.4 % of the gross premium revenues – in 1956, they already comprised 28.7 %.⁹⁵ These numbers reflect the beginning of mass motorization, which had already manifested itself in MR's earnings five years before, until the mass motorization of German transportation could be spoken of from 1960. MR's board of management was not enthusiastic about this process, despite the rising premium volume. For example, MR complained in its business report for 1957/58 about the considerable actuarial loss, which – including the regular casualty and liability insurance – amounted to 3.2 million DM. The structural problem of motor reinsurance was less the “ongoing poor traffic discipline” of automobile drivers, which direct insurers were able to adapt to in setting their premiums. Since the majority of motor vehicle reinsurance contracts were excess loss policies, the rising sums of losses per accident (for individual excesses) and the growing number of accidents (for cumulative excesses) led to direct insurers exceeding their deductible. On account of the increasing losses, reinsurers were no longer able to calculate the premiums *ex post* on the basis of actuarial statistics. In order to avoid losses, it had become essential to anticipate the growth in the number of accidents and the average loss amounts.

Motor insurance had become a little bit more important for MR's premium volume than fire insurance – traditionally its largest property insurance segment. Since almost all German homeowners had already possessed fire insurance before the war and the share of private fire insurers who took out reinsurance compared to the non-reinsured public fire insurers hardly shifted, the share of fire insurance in the total premium income remained stable for a long period of time. Whereas the share of fire insurance remained largely constant from 1937 to 1956 (20 and 19 %, respectively), the share of life insurance in the premium income dropped from 33 % (1937) to 11 % (1956). Measured in terms of the gross premium, life insurance revenues

still remained a bit lower in 1956 (52.3 million DM) than in 1937 (65.2 million DM). The relative and also absolute loss in the significance of life insurance in MR's business could, for one thing, be attributed to the slow growth in life insurance at first after the currency reform. For another, life insurers were not inclined to cede larger shares to reinsurers on account of their relatively low business volume.

17. Continuity and Change in the “Alzheimer Era” (1950–1968)

MR's leadership structure remained unchanged through the dawn of a new political era in 1945. The bylaws of the board of management from 1937 continued to be in effect. Only the office of the factory leader [Betriebsführer] was dropped without a replacement in the denazified labor law of the post-war period.¹ The common executive council of Allianz and MR, which had existed from 1940 to 1944, was not revived after 1945.² The flow of information at the top of the company was already secured by means of regular joint lunches in the management's cafeteria.³ Since minutes of the board of management meetings can only be found from 1974, it cannot be determined how often the board of management members met for official board of management meetings. It is quite possible that they informed one another about things in their regular, informal gatherings and came to agreements about open questions.

Alois Alzheimer entirely embodied the role of chairman of the board of management that the bylaws intended in his long tenure (1950–1968). He chaired the board of management meetings, represented MR to the public, sat on the most important supervisory boards pertaining to MR's investments, and informed MR's supervisory board about the company's ongoing business development and future prospects. It is unlikely that he made use of his right to decide controversial issues for the board of management to make sure that its management was “unified,” according to the bylaws; it is an open question because of the lack of surviving documents. Alzheimer had been a member of the board of management since 1933 – with an interruption caused by denazification proceedings – and he had acquired extensive experience in the most important business segments (property insurance) and regions (foreign European markets). Thus, he was regarded in international insurance circles as a highly competent expert leader with a wide variety of experiences.

Within the board of management, responsibilities were distributed by function, sector, and region. Whereas responsibility for foreign property insurers was divided by country groups among the board of management members, Alois Alzheimer and Walther Meuschel were in charge of domes-

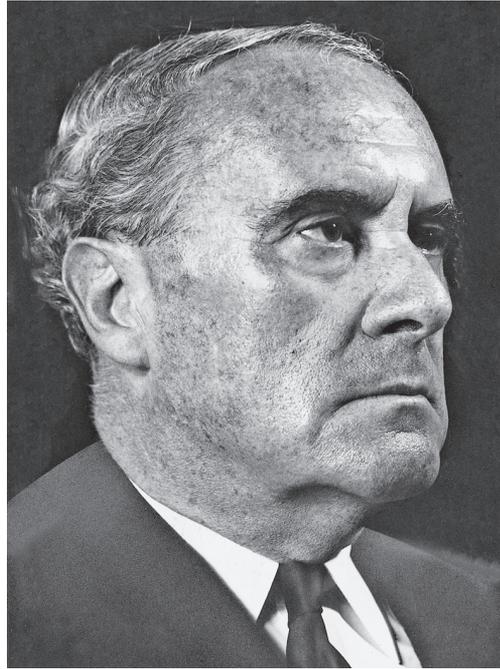


Figure 34 Alois Alzheimer, chairman of the board of management from 1950 to 1968, photo from the 1960s

tic composite insurers (insurance companies offering insurance policies in various segments of the property insurance business) such as Allianz and Victoria. German single-sector companies for fire insurance, motor insurance and other sectors of the property insurance business were attended to by board of management members who were responsible for the respective sectors. The domestic and foreign life insurance business constituted an exception to this; one board of management member bore responsibility for both.

The highly differentiated hierarchy remained unchanged after 1945 as well. The detailed office and company rules of 1950 differed from their previous ones from 1913 and 1934 only in the details. Employees paid according to the general pay scale, who continued to be referred to by the traditional terms “agent” and “senior agent,” ranked below management employees paid at rates above the general pay scale with the power of attorney (procurists), as well as the department managers, managers and members of the board of management. For example, the use of the elevator on the left of the main entrance continued to be permitted only for managers and members of the board of management.⁴ In German companies at that time, such differentiated levels of

privileges were by no means unusual. In everyday operations, this traditional hierarchy also manifested itself in the divided dining areas for agents, who ate their lunch in the canteen. The procurists, managers and members of the management board stayed among their own rank in the procurists' cafeteria, the managers' cafeteria, and in the dining room for the board of management, as long as they had not invited guests from other insurance companies.⁵ A further indication of MR's traditional company culture was the menu in the cafeteria for the board of management. Although Italian and French cuisine were already highly popular in the mid-1970s, the board of management categorically declared that "we will in no way imitate foreign table customs but rather stick to German dining and drinking habits."⁶

Relations between the company management and the employees changed little compared to the pre-National Socialist era despite the new Works Constitution Act [Betriebsverfassungsgesetz] of 1952. Although the Works Constitution Act of the Federal Republic, unlike the Works Council Act of the Weimar Republic, gave employee representatives rights to information about all questions relevant to the company and no longer limited their influence to personnel and social policies, the board of management did not regard it as any sort of restriction or even a potential threat to its power. The relation between the staff and the management apparently remained free of conflict since potential conflicts about salary rates, social benefits beyond the collective wage agreement and regulations concerning work hours were decided in favor of the staff. As before 1933 the majority of the staff and also the works councils were not unionized and tended to behave in a "business-friendly" way. Up into the 1970s, there are no indications of lists of the Confederation of German Trade Unions sector union HBV [Handel, Banken, Versicherungen, or Trade, Banks, Insurance Companies] or the DAG [Deutsche Angestellten-Gewerkschaft, German Employees' Union] for the elections to the works council. In the view of MR managers, the relationship between the company leadership and the works council was "better than average."⁷ One indication of the relaxed relationship between the company leadership and the employees as well as for the high level of work satisfaction was the low turnover rate, which was below average in the insurance industry. Unfortunately, there are no documents from the works council on the development of relations between the management and salaried employees. The codetermination law [Mitbestimmungsgesetz] implemented in 1975 concerning employee representatives' equal participation in supervisory board mandates had no consequences on power relations at MR until well into the 1980s since

it only applied to companies with more than 2,000 employees. As MR had only 1,300 employees worldwide on its 100th birthday in 1980, the representatives of the capital side continued to dominate the supervisory board.

Above all, the generous regulations concerning work hours and vacation entitlements for salaried employees contributed to the relaxed social relations between the works council and the board of management. Whereas 43 $\frac{3}{4}$ was the normal number of work hours in the insurance sector for salaried employees in the late 1950s, MR cut its salaried employee hours by 2 $\frac{3}{4}$ to 41 hours per week.⁸ Whereas salaried employees of direct insurers had to work until 5:15 p.m. according to the collective agreement, MR workers could go home for the evening already at 4:15 p.m. Moreover, two additional vacation days compensated for the inflexibility of the company management concerning the implementation of the five-day workweek, which had become the norm by the end of the 1950s in industry, banking and the insurance industry but not yet at MR. MR's management only accommodated the popular demand for the five-day workweek to a certain extent by allowing workers from 1960 to only work every other Saturday and merely from 8:05 to 12:15. In consideration of Christmas shopping and ski trips, employees generally had Saturdays from 15 December to 15 January off. MR later took employees' desire to take trips in an increasingly leisure-oriented society into account by letting them have Saturdays off in principle in the spring and summer (April to September).⁹ Yet despite the heavy reductions in compulsory presence on Saturdays, it remains unclear why MR only introduced the five-day workweek in 1970.¹⁰

There is no evidence of functional relevance for working on Saturdays for MR. Direct insurers went over to the five-day week in 1960, and insurers in the rest of Europe no longer required Saturday work either. Consequently, there was no functionally necessary reason for employees to be present at their workplace on Saturdays or to be available to their business partners at all times. One indication for the organizational traditionalism in the regulation of work hours was also the fact that MR only gave in to the urging of the works council to allow flex time in the 1980s. Up to this point, the company management categorically rejected flex time for organizational reasons without providing reasons for the functional advantages of rigid work hours.¹¹

The reduced number of employees, the decidedly advanced age of the staff at the time of the currency reform, and the constant increase in business volume led in the 1950s to ongoing hiring of young employees. In 1958 MR surpassed the number of employees it had had directly before the war began

in 1939. The new hires between 1948 and 1958 brought the average age of male employees down from 49 to 40 years, and of female employees from 42 to 34.¹² By 1963, the average age of staff even dropped to 38 for men and 33 for women¹³ and settled at this relatively low level in the 1970s. The introduction of internships for insurance salespeople at MR also contributed to the drop in the average age. Up to 1945, MR had recruited trained insurance salespeople from the labor market, but the lack of young workers in the postwar period caused a rethinking of the personnel policies.

That the average age of female employees was significantly lower was due to the fact that many women, in line with the social conventions of the middle classes, gave up their career after marrying or, at the latest, when their first child was born. This attitude was reflected in the voluntary social benefits MR provided for young married couples. Only male employees were able to take advantage of MR's tax-free marriage subsidy of 500 DM from 1968. Despite the tight labor market, female employees received no incentive to remain at MR after marrying.¹⁴ The possibility of part-time work introduced in 1965 was at first directed only at married women with no children.¹⁵ Not until 1972 did MR once again hire women with children who had left their careers years before in order to raise children as part-time workers. It was less regard for equality of opportunity for women in their profession and in the professional capabilities of mothers than difficulty recruiting typists, secretaries and clerks with knowledge of the insurance industry that prompted this change. The proportion of women at MR in 1948 was still 32 %; it rose steadily to 42 % by 1963 and remained at this level until the end of the 1970s. The increasing division of labor in the structure of the reinsurance industry manifested itself in the expansion of secretariats for departments and typing pools where the majority of employees were women. Also at the qualification level of clerks with sales experience, the proportion of women rose as the number of women receiving training as insurance salespeople increased.

In the 1970s, MR was nowhere near making it easier for female employees to advance into management positions. Yet despite the lack of any promotion of women, two women succeeded in getting management positions by 1974. In 1971 Edith Lukas became the first woman appointed a manager. When she was appointed a member of the board of management in 1974, MR was the only insurance company and the only one of the companies now on the German stock exchange to have a female member of the board of management.¹⁶ With a doctorate in political science, Edith Lukas,¹⁷ together with her colleagues Gerhard Theissing and Hans-Rudolf Dienst, was responsible



Figure 35 The first woman on Munich Re’s board of management: Edith Lukas (1974–1994), photo from the 1960s

for the general services department (organization, data processing). Although there was also a female assistant manager, Luise Himmelseher, Edith Lukas long remained an exception. Chairman of the board of management Horst Jannott supported her advancement because of her brilliant expertise and without regard to her gender.¹⁸ An MR flyer from 1974 with portraits of the members of the board of management shows Edith Lukas not in an austere business suit but in a striking leopard-print dress. In a professional setting with a traditional and strict dress code, this unconventional style statement betrayed her self-confidence, courage, and the will to assert herself. Her male colleagues on the board of management were pictured mostly in dark suits, embodying a conservative style.

Contrary to some pessimistic expectations, MR had no problems finding future leaders. In 1958 Alzheimer feared that a stagnating supply of academically trained younger workers could slow down the expansion of MR’s leadership and thus also its growth.¹⁹ His pessimism would prove to be unfounded since the number of university graduates in law – and other relevant courses of studies – and thus the number of potential applicants continuously rose. Contrary to the expectations of some conservative contempo-

raries, the number of gifted young academics was not static but grew with the proportion of people taking up university studies. At the level of academic young workers, MR was also able to fill all positions with suitable candidates in the 1960s.

The traditional dominance of legal scholars among the academically trained leaders loosened among the young managers when more graduates in business administration and economics were hired. Whereas the number of jurists (23) remained the same from 1962 to 1966, the number of economists rose from 16 to 30. In light of the growing importance of technical insurance segments such as machine insurance and assembly and construction-site insurance, the number of engineering graduates at MR rose from 9 to 15.²⁰ Another sharp increase in the number of engineers from 1966 to 1976 to 70 reflects the rising scientification of risk assessment within just ten years. In building up its own in-house expertise in engineering, MR was ahead of Swiss Re, which still did not employ a single engineer in its head office in Zurich in 1970.²¹

Since 1957, the German labor market was experiencing full employment. The labor shortage was reflected in less qualified sales personnel as well and forced MR to mechanize some manual work processes. In the 1950s, some departments, such as the machine insurance department, still only had a single electromechanical calculator. Many MR employees had to spend lots of time calculating premiums by hand on paper.²² Not until 1958, later than other insurers and industrial companies, did MR begin to utilize electromechanical punched card machines (Hollerith machines) to handle accounting processes; this one step saved hiring ten employees per machine. It would take until 1960 for the mechanization of accounting to be completed and for MR to begin mechanizing data processing for statistics and property management.²³ Only in 1963 did MR shift payroll administration to the Hollerith machines,²⁴ even though this was well suited to mechanization on account of the standardized input and the comparatively simple calculations. MR's lag in introducing Hollerith machines for accounting tasks compared to large direct insurers such as Allianz can be explained by the much smaller number of accounting processes and employees. As it did not have the mass business of individual policies of the major direct insurers – Hamburg-Mannheimer's and Victoria's numbered nearly a million by the early 1960s – the relative personnel expenses for accounting were lower for reinsurers than for direct insurers. There were bigger problems in recruiting people with insurance sales training from 1965. On account of the lack of applicants in Munich, which was experiencing an



Figure 36 Alois Alzheimer, chairman of the board of management, at his desk, photo from the 1960s

economic boom, some of the departing insurance sales representatives could only be replaced by sales employees from other sectors.²⁵

The lower pressure on reinsurers to rationalize operations was reflected as well at MR in the investment in the first electronic mainframe computer, which completely displaced Hollerith machines by late 1966.²⁶ Whereas Hamburg-Mannheimer and Victoria had already begun implementing the first solid-state computer model IBM 1401 in 1961,²⁷ MR only ordered an IBM 1410 computer system in 1963, which was delivered and ready for use in 1965.²⁸ This computer was an upgrade of the IBM 1401, with a higher storage capacity and five instead of three memory locations.

Whereas the Hollerith machines could only automate simple computations, the IBM computer allowed for the complex calculation of mortality tables, insurance premiums and surrender sums for life insurance policies.²⁹ Thanks to MR's group interdependence with Allianz, it was able to utilize the software that Allianz Leben had already tried out. The organizational opportunities for cooperation with Allianz secured knowledge and competence advantages for MR, which gave it a mark of distinction helpful for acquiring new direct insurers in the life insurance segment. MR was able to gain and keep potential customers in the life insurance business by providing sophisticated services such as the calculation of mortality tables and premium rates. This knowledge-based service yielded successes in the acquisition of new customers, above all, in countries where only outdated mortality tables existed and the premium calculation had not kept up with the in-

creased life expectancy. An updated mortality table gave a life insurer a competitive advantage because it could reduce the uncertainty in calculating the premium and thus the premiums as well.³⁰ However, the successful export of empirical and stochastic insurance expertise ran up against outdated rules of state insurance regulation agencies in some countries. For example, the Portuguese insurance regulation agency forced life insurers even in 1970 to utilize the totally outdated French mortality tables of 1892.³¹

For gaining cedents in the life insurance business, MR's expertise in assessing heightened risks caused by health factors proved to be useful. For example, as early as 1956, MR got extensive cessions from a Philippine life insurer in exchange for handing over its classification book for determining rates for heightened risks.³² With its expertise in estimating heightened risks, MR was able to gain customers in developed countries lacking specific know-how in this field as well. In 1964, for instance, MR managed to acquire the excesses from the reinsurance of heightened risks from its old Swiss business partner Union Rück in exchange for handing over its book of estimates.³³ That same year, this book of classifications for heightened risks also made an impression on French life insurers with which MR wished to do business.³⁴

From 1957, in addition to expensive technological rationalization via mechanical and electronic data processing, MR exploited incremental rationalization reserves by restructuring work processes, although their implementation was sometimes delayed. A permanent committee for rationalization and simplification measures was created with the intention of providing concrete suggestions for reducing the costs of accounting and calculation and to restructure work processes in clerical tasks by simplifying procedures in ways that cut down on needed personnel.³⁵ In the 1960s, MR tapped into the creative potential of its salaried employees in searching for company-internal rationalization potentials that required no or only little investment by offering cash prizes of up to 500 DM for concrete suggestions. Work-saving amenities that seem obvious today such as window envelopes and hanging files were only introduced at MR in 1964,³⁶ a further indication of the conservatism in the structuring of work processes. The success of the company-internal rationalization measures was reflected in the ratio of gross premium revenues to salary costs, which remained almost constant in the 1950s and 1960s despite significant increases in salaries.³⁷

18. The Progress of Globalization in the Reinsurance Business

From the mid-1950s, MR was confronted with actuarial challenges generated by major new technologies. As early as 1956 – five years before the first German atomic reactor began operating in Kahl am Main – MR was dealing with issues concerning the insurance of nuclear plants. On 1 August 1956 leaders of the German insurance industry conferred with one another about founding a nuclear pool to jointly insure nuclear plants.¹ The DKVG (Deutsche Kernreaktor-Versicherungsgemeinschaft [German Nuclear Insurance Pool]) was founded in 1957. In 1965 a total of 97 German and foreign direct insurers and reinsurers were members of it,² their respective subscription sums corresponding to their relative size and subscription capacity. With a 12 % share in property insurance and 14 % in liability insurance, MR was among the largest subscribers in the business of insuring German nuclear energy. From 1959, MR had a representative on the board of management for the DKVG.³

The concept of a joint pool of direct insurers and reinsurers for machine and liability insurance policies of future nuclear reactors was an innovation of the insurance industry, prompted primarily by the expected tremendous size of the total risk. In light of the high expectations for the future of the peaceful use of nuclear energy and the impending start-up of commercial light-water reactors, insurers anticipated a very high subscription need whose size would overtax the national consortiums for major risks that had existed up to that point. What was also new was the multilateral cooperation of the national nuclear pools that mutually took shares in one another's risks. Via the German nuclear pool and via its independent subscriptions, MR had already been involved in investments in the nuclear pools in the U.S., Canada, and France since 1958.⁴

The medium-term total amount of the risks of nuclear energy and the subscription need associated with them were not only dependent on the number of reactors and their costs. The size of the risks to be insured was determined by the legal regulation of the West German federal nuclear law

(German Atomic Energy Act) that the federal cabinet had been discussing since 1956 but which did not go into effect until 1960 after several revisions. Whereas the machine and operational interruption insurance for the nuclear and conventional part of a nuclear reactor was carried in its full amount by the German nuclear pool, this pool negotiated for a long time with federal government about the amount of liability insurance and for partial exclusion of the risks from consequences of a nuclear fallout. In some decisive points the insurers had to give in to the federal government and insure the reactor operators for losses resulting from a *force majeure*.⁵

In 1957 it already became apparent that the German insurance industry, in insuring future nuclear reactors, was reaching the limits of what was insurable. Whereas the Probable Maximum Loss (PML) of reactor equipment and the building housing it in the case of the largest assumable accident could be calculated by means of reliable methods of machine insurance, the length of operational interruptions after such an accident could not be calculated with values from experience. If the equipment and building of a nuclear reactor was classified principally as an insurance risk, then liability insurance for losses to the environment exceeded the limits of the insurable. The liability risk of a nuclear fallout after a largest assumable accident was not insurable in the view of insurance companies at first, because there were no experiences with the financial consequences of personal injuries and long-term radiation in the vicinity of non-military nuclear reactors. Despite the unbroken trust in the technological ability to operate nuclear power plants safely over the long term, the risk behavior of nuclear reactors was an unknown quantity that was beyond the reach of risk assessment by means of direct insurers' and reinsurers' conventional actuarial-stochastic methods that were supported by experience.

MR recognized that assessing the risks of nuclear reactors went beyond the expertise of its mechanical engineers. Just like its largest competitor Swiss Re, it had to admit that the accumulated risk of a largest assumable accident exceeded the limits of experiences and what could be known.⁶ In 1968 MR hired someone with a doctorate in nuclear physics who was supposed to use his specialized knowledge to assess the coming commercial series of reactors and close the knowledge gap for these industrial risks.⁷ The member of the board of management responsible for machine insurance, Klaus Gerathewohl, had to confess to the supervisory board in July 1969 that there were no precedents for assessing these risks. Whatever statistical experiences were available in the operation of commercial reactors, one could not make

generalizations from them because the time periods of experience were too short and on account of the character of the prototype of the first generation of reactors.⁸ The batch production of reactor series had not yet begun in Germany and Europe.

The risks of nuclear reactors only became insurable because the federal government limited the nuclear pool's liability for losses in the vicinity of reactors to 10 million DM per reactor at first and took the liability risk beyond this limit upon itself alone. For the benefit of future reactor operators in the private energy industry, the federal government socialized a large part of the liability risk, the size of which it could not estimate in the present or in the future.⁹ In 1963 the federal government committed itself in a contract with the supranational European nuclear agency EURATOM to insure every loss event of a nuclear plant with at least 20 million DM in the private nuclear pool. The liability losses beyond this amount up to a maximum of 300 million DM, however, would continue to be the responsibility of the state.¹⁰ In 1966 the Bayernwerke AG started operations at the first commercial nuclear power plant in Gundremmingen in Swabia; producing 237 megawatts, it was still much smaller than the next generation of German nuclear reactors with capacities of 600 or 1,200 megawatts. Yet even in the first generation of commercial nuclear reactors, the contractual limitation of liability of the EURATOM agreement proved to be too low. With an insured sum of 48 million DM for an individual liability event and 60 million DM for the entire lifespan of the power plant, the German nuclear pool retroactively took the liability risk that grew in line with the size of the power plant into account.¹¹ Since this liability sum was not even sufficient for the first generation of commercial nuclear power plants, the federal government raised the compulsory liability insurance above the German nuclear pool to 120 million DM per loss event.

Shortly after the second commercial nuclear power plant in Obrigheim in Baden began operations (1968), the methodological problems – hardly fewer in number – in the assessment of the probable maximum loss for machine and building insurance of the power plants came to light. MR doubted Allianz's estimate that the PML only amounted to 40 % of the insurance sum for the entire reactor plant and commissioned its reactor expert to come up with a new estimate.¹² The danger of the reactor being totally destroyed or permanently out of commission because of it being radiated but without radioactive fallout in the environment was beyond imagining for insurers at that time.

When the third generation of nuclear reactors with a capacity of 1,200 megawatts began operation from 1974, a loss liability of maximally 120 million DM seemed too low even in the eyes of the unrestrictedly nuclear-friendly federal government. With the amendment to the nuclear act of 1 October 1975, the Bundestag raised the liability for operators from 120 to 500 million DM per loss event. Since the capacity of the nuclear pool only allowed for insurance coverage of 200 million DM, an insurance consortium led by Allianz with an investment by MR had to fill the 300 million DM gap in coverage.¹³ In 1977 the GDV (Gesamtverband der Versicherungswirtschaft [German Insurance Association]) demonstrated its complete trust in the insurability of nuclear power plants at a press conference in order to lessen doubts about insurers' willingness to provide benefits and about the technological controllability of nuclear reactors.¹⁴

The limits of the insurable became apparent on 28 March 1979 when the 800-megawatt reactor of the nuclear power plant "Three-Mile Island" near Harrisburg in the U.S. was damaged and the entire insurance sum of \$300 million had to be paid on account of the total loss of the reactor plant. In Harrisburg, a largest assumable accident occurred for the first time in the Western world – one whose probability and whose consequences had only been "run through" theoretically and in hypothetical scenarios up to that point. With the estimated restoration costs of \$440 million, the insurance sum was not sufficient to cover the cost of building a new reactor.¹⁵ MR was involved in the insurance of "Three-Mile Island" in two ways: indirectly via the German nuclear pool's share in the American nuclear pool ANI and directly via its share in the US nuclear pool itself. Whereas MR's US Branch was liable for the full \$3.3 million sum it had subscribed to, the parent company in Munich suffered a gross loss of 8.2 million DM. For the first time since 1970, MR had to endure a loss of 4.9 million DM in the relatively small but economically successful nuclear property insurance.¹⁶ The largest assumable accident at "Three-Mile Island" shattered trust in the insurability of nuclear reactors at least for a short time. The American nuclear pool ANI failed in its attempt to raise the gross capacity in nuclear liability insurance from \$160 to \$175 million because of the insurers' reserve. By contrast, chairman of the MR management board Horst Jannott utilized the reactor accident of Harrisburg as an opportunity to demonstrate the fundamental trust of insurers in the safety and insurability of nuclear power plants. In an article in the magazine *Versicherungswirtschaft*, he characterized the risk of terror attacks on nuclear power plants as a "much greater problem" than the technological risks of operating one.¹⁷

The German Federal Ministry of the Interior, which was responsible for nuclear policies and nuclear energy until the Federal Ministry of the Environment was founded in 1986, reacted to the now realistic-seeming danger scenario of a large radioactive fallout after a serious nuclear accident by demanding greater liability. In 1980 the federal government sought to increase operator liability from 500 million to two to three billion DM. Since the power plant operators profited from the externalization of the liability risk for major losses to the federation, they rejected the burden of higher costs from a higher liability insurance sum in operator liability. By contrast, insurers presented themselves as open to increasing the insurance sums, not least on account of their interest in higher premium revenues. Their agreement to a higher operator liability was supposed to weaken the criticism of nuclear power opponents about insurers' risk aversion, and was supposed to demonstrate trust in the insurability and thus also in the safety of nuclear power plants. MR nonetheless regarded raising private liability insurance to more than 1.5 billion DM as unrealistic for capacity reasons.¹⁸ Only in 1985 did another amendment to the nuclear act raise the private liability of energy producers to 2.5 billion DM per reactor.¹⁹ In MR's view, although the liability risk was to be shifted more to the insurers, it was not supposed to be entirely internalized in the insurance industry.

A look at the U.S. would have been able to undermine the thesis of the unrestricted private insurability of nuclear power plants. MR and the other members of the German nuclear pool profited from the fact that the legally unrestricted liability of the American nuclear industry was hardly known among the German public, which was critical of atomic energy. The thesis of the well-known Munich sociologist Ulrich Beck that major technological risks were increasingly uninsurable was not, however, seriously called into question because of the development in the U.S.²⁰ The nuclear catastrophe of Fukushima would make it apparent in technological and sociological risk research that the consequences of natural catastrophes could be exponentially increased by a secondary "super largest assumable accident" at nuclear power plants – and that the economic consequences of a nuclear disaster cannot be controlled by private risk provisioning alone.

As the federal government covered the completely unknown liability risks for nuclear reactors, the actuarial risks of this key technological innovation in MR's view did not present any unresolvable assessment or capacity problems. At the end of the 1950s, however, MR showed its skepticism about whether fundamental innovations in air travel technology such as the serial

introduction of jet-propelled passenger planes would present insurers with severe actuarial problems. As early as 1952, MR began to reinsure foreign airplanes before the Allies had restored German sovereignty over the air-space. Although it achieved positive actuarial results in air travel insurance from 1952 to 1956, the loss payments exceeded premium revenues in 1957 and 1958. From MR's perspective, the air travel business developed an increasingly "aleatoric" character on account of sporadic spates of airplane accidents. To put it simply: it became increasingly unpredictable.

The sporadic spates of airplane crashes were caused by small and undercapitalized charter air travel companies entering the market; they wished to profit from the emerging vacation travel to Spain using older propeller airplanes. From 1957 to 1959, spectacular airplane crashes of German charter air travel companies and also the crash of a "Super Constellation" of the renowned Lufthansa company not only made potential air travelers uneasy but also temporarily generated doubt about the long-term insurability of this business sector.²¹ The heavy losses from airplane crashes increased on account of the accumulated risk because, alongside comprehensive coverage for the total loss of the airplane, insurance companies had to settle liability claims for injured and killed passengers and crew, for the loss of luggage and possible damages at the site of the crash as well due to the conventions of the International Air Transport Association.

The strong growth of civil aviation made the aviation insurance business MR's biggest growth segment in the late 1950s and early 1960s. Within only four years, from 1957 to 1961, its gross premium revenues in aviation insurance rose from 13.5 to 34.7 million DM.²² MR's competitor Swiss Re had the impression that MR was pursuing an expansive strategy paired with some risk-taking.²³ Thanks to a relatively large aviation department, MR was able to submit rate offers ("quotes") to a large number of fleets. It profited in this from the strong internationalization of reinsurance in the aviation business and from the widespread centralization of aviation insurance in national aviation insurance pools. Neither the American aviation insurance pool nor the world's largest insurance market in London exceeded the subscription capacity of what was then the second largest reinsurance company in the world.²⁴ Whereas only 20 % of the premium revenues derived from domestic business with Lufthansa and other members of the German aviation pool like Condor and LTU, MR brought in more than 30 % of its gross premium from the American aviation insurance market; the same was true of the British market.

The insurance sums for comprehensive and liability insurance for air-

planes rose significantly when the much more expensive and larger jet-propelled planes, including the Boeing 707, the McDonnell Douglas DC 8 and the Caravelle, began to be launched in series in the late 1950s. On account of the uncertainty concerning the frequency of crashes of jet planes, direct insurers made comprehensive coverage premiums dependent on the frequency of accidents and the economic solidity of the airlines, at first at 4 to 7.6 % of their new value, whereas premiums for planes with piston and turboprop engines only cost 2.75 to 5.6 %.²⁵ Due to the unexpectedly favorable claims experience, direct insurers dropped the comprehensive premium for jet planes in 1961 and 1962 by 0.5 % each year.²⁶ Whereas Lufthansa still had to pay a comprehensive premium of 6 % for the new Boeing 707 in 1960, the premium rate fell to 2.6 % by 1963.²⁷ From 1960, MR registered positive underwriting results in its worldwide aviation insurance business. The sharp increase in premiums tapered off from 1963 since the rapid growth in the value of the fleets was balanced out by increased competition among direct insurers and the dropping premium rates.

In the late 1960s, the growth in premium income for aviation insurance accelerated once again. This was caused by the introduction of a new generation of airplanes, the wide-bodied aircraft Boeing 747 ("jumbo jet"). In 1969, one year before these were commercially released, MR expected higher reinsurance investments in the German and American aviation insurance pools.²⁸ Since the frequency of loss for new types of aircraft was not yet known, the comprehensive premiums (in relation to the new value of the aircraft) were at first considerably higher than for tested aircraft types.²⁹ For another thing, the much higher new value of the Boeing 747, compared to the predecessor model 707, augmented the insurance sums and thus the premium volumes in the aviation insurance business. Whereas MR had gross premiums of 67 million DM in this segment, its premium revenues rose in 1970 to 103 million DM.³⁰

MR and Swiss Re were able to utilize the rising need for reinsurance in aviation insurance to put through better contract conditions in the world's largest aviation insurance market in London.³¹ For the first time in the post-war history of aviation, insurers were confronted with an acute risk of war. The serious tensions between Israel and its Arabic neighbors of Egypt, Syria, and Jordan prompted fear among insurers that a war could break out in the Middle East at any time. In 1968 MR demanded at a conference of the International Union of Aviation Insurers, at first in vain, that the amount of coverage for war risks and politically motivated violence be drastically limited.³²

In March 1969 the major reinsurers, in a discussion with MR, were in agreement that the risk of war should be categorically excluded from reinsurance contracts.³³ As a considerable portion of the worldwide reinsurance business was negotiated by brokers on the London market, reinsurers first had to put their conditions through with these brokers. In August 1969, after the London brokers began to give in, Lloyd's excluded the risk of war and similar risks from coverage in regular aviation policies in 1969. From then on, war risks had to be covered by means of supplementary policies, in which MR invested "only with a manageable portfolio."³⁴ The emerging lack of capacity in aviation insurance made it easier for MR, Swiss Re and the British company Mercantile & General to insist upon the general exclusion of war risk with the European insurance companies.³⁵ The exclusionary clause could not be pushed through on the American market since it had greater capacities than the London market. In November 1970 the U.S. aviation pool did, however, give in in light of the sense of acute danger of war.³⁶

Further developments revealed, though, that the violence of non-state terrorist organizations rather than states waging war constituted the greatest risk to civil aviation. In September 1979 the predictability and stability of aviation insurance was threatened when members of the Palestinian terrorist organization, the Popular Front for the Liberation of Palestine (PFLP), blew up two hijacked airliners, terrifying the airlines and causing direct insurers to dramatically increase the supplementary premiums for insuring war risks. Whereas Lufthansa had paid an annual premium of 0.4 million DM for insurance against war risks and war-like risks such as hijackings and detonations of aircraft, the premium rose to 13.5 million DM.³⁷ The high demand in the aviation sector for coverage of war risks temporarily exceeded the coverage capacity of the world's largest aviation insurance market in London in 1971.³⁸ The International Union of Aviation Insurers reacted by generating a clause that was binding for its members to generally exclude the risk of war in ordinary aviation policies.³⁹ Since the loss rate for the new Boeing 747 turned out to be far less than expected and insurers provided the aviation insurance market with significantly higher capacities than in 1970, the feared capacity shortage had already been replaced by excess capacities in aviation insurance by 1971.⁴⁰

A fundamentally new quality of risk emerged in the form of product liability insurance, which the productive economy at first only utilized with great reluctance. In November 1961 the severe and irreversible damage done to the health of more than 5,000 children by the sleep aid Contergan raised awareness of the liability risk of damages from products once the cause be-

came known – inadequate safety testing on the part of the manufacturer Grünenthal. Grünenthal was insured against liability with Gerling, which in this case and in many others had not reinsured the policies with MR. This major catastrophe in the history of the pharmaceutical industry strengthened awareness of the potential risks of product liability and of the necessity of product liability insurance policies. One year after the Contergan pharmaceutical scandal was revealed, the major pharmaceutical manufacturer Schering raised its liability insurance for damage to persons, property and assets to 5 million DM each in coverage, whereas Grünenthal had only taken out a liability insurance policy for 0.5 million DM.⁴¹ The Swiss pharmaceutical company Sandoz proved to be much more aware of risk and, as early as 1962, took out a liability policy for CHF 17 million, which MR was involved in by means of coinsurance.⁴² The dangers of being underinsured became apparent in 1970 in a less dramatic case in which only wine grapes were lost. A manufacturing error caused a batch of herbicide made by Bayer AG to destroy wine grapes valued at 10 million DM. Bayer had only purchased 3 million DM in product liability insurance for this product.⁴³

The lawsuit by the affected parents against Grünenthal, however, would reveal that an insurance sum of five million DM did not even come close to being sufficient for providing for and rehabilitating the 5,000 injured children. Even a foundation with an endowment of 100 million DM turned out to be underfinanced. The Contergan case thus triggered a long-lasting debate among experts about a legal demand for product liability insurance for pharmaceutical manufacturers, which ended with the passing of the Medicinal Products Act and a requirement for product liability insurance with a pharmaceutical pool in 1976.⁴⁴ Before the vote was taken in the Federal Council, MR managed via lobbying with the Bavarian state government to bring down the competing counterproposal of the pharma industry. In order to save the cost of insurance premiums, the pharma industry favored a joint liability fund of medicinal product producers under the supervision of the federal government.⁴⁵ According to the new Medicinal Products Act, pharma manufacturers had to purchase 10 million DM per medicine in liability insurance themselves. In the future, the Pharma-Rückversicherungs-Gemeinschaft, with sixty German direct and reinsurers as members, would cover losses of 10 to 200 million DM. MR, which provided 20 million DM in coverage, was involved in the founding of the pool not only because of its subscription potential. It also exerted a decisive influence on the form of the pool contract and took on the administration of the Pharma-Rückversicherungs-Gemeinschaft.⁴⁶

MR used its good information channels in the London market to skim off the know-how of the Lloyd's syndicates in the field of product liability.⁴⁷ Nonetheless, MR concluded the first reinsurance contract of its own in the field of product liability – which it still regarded as an experiment due to a lack of experience – with the Dutch company *Providentia*.⁴⁸ Yet the findings of its US Branch in New York proved to be fruitful. In 1964 the first product liability suits against cigarette manufacturers pointed to the growth potential of this new insurance segment.⁴⁹ On account of the significantly diverging regulations in the burden of proof, though, these American experiences could not be directly applied to German and European conditions. Since German law required incontrovertible causal proof, a stochastic connection did not suffice as proof. As plaintiffs bore the burden of proof alone, the risk of going to trial and the need for insurance for potentially liable industrial companies were considerably lower.

Traditional risks in the form of natural catastrophes developed a previously unanticipated damage potential for German direct insurers and MR. In 1952 the severe flooding on the Dutch North Sea coast did not yet leave any traces in MR's underwriting result because of the weak foreign business at that time. The severe "century flood" of February 1962 on the German North Sea coast and in Hamburg not only claimed the lives of 315 people but also left a swatch of destruction in the low-lying Hamburg districts of Veddel and Wilhelmsburg. The material damage of this catastrophe, which would go down in the collective memory of the Federal Republic as the "Hamburg Flood," was disastrous. Eleven months after the flood, MR calculated its net loss total from the flood as 17.8 million DM – the highest loss total since the earthquake of San Francisco in 1906.⁵⁰ MR's rather high loss total resulted, among other things, from MR's close business ties to Hamburg property insurers like *Albingia* and the *Hamburg-Bremer Feuerversicherung*.⁵¹ The risk of loss was increased by the cessioning of surplus reinsurance, in which direct insurers ceded damage amounts over an agreed upon deductible to the reinsurer. With a net damage amount of 7.2 million DM, the risk from surplus contracts was not, however, so high that one could speak of MR carrying more than an average burden. By distributing its risk globally, MR balanced out its regional accumulated risk.

In the analysis of loss distribution to individual fields of property insurance, it was noticeable that the greatest losses were not from storm insurance or building insurance but in transit insurance (7.5 million DM). The flooding of the Hamburg harbor caused extensive damage to the warehouses and to

the loaded railway cars. By contrast, losses from storm insurance only amounted to 4.0 million DM, since only a minority of homeowners had taken out storm insurance. MR did not face these heavy losses unprepared. The unpredictable nature of storm insurance was long familiar from lengthy experience with irregularly recurring severe storms. MR had built up a reserve fund of 2.6 million DM back in 1961 for settling large storm claims.⁵²

Most homeowners, however, were dependent on government aid for settling claims since German building insurance policies, for the most part, excluded the risk of flooding. A large part of the loss of 750 million DM in Hamburg alone was not covered by insurance benefits. By contrast, damages to vehicles with comprehensive coverage generated losses of 4 million DM for MR – natural hazard losses were covered in comprehensive policies with collision waivers.⁵³

The high total losses generated by a single catastrophic event resulted from the increasing concentration of insurable material assets in big cities. Whereas the increasing value of material goods was reflected in the transit insurance segment, the growing material prosperity of private households manifested itself in the comprehensive insurance segment. MR reacted to the Hamburg flood catastrophe by raising its retrocessions in excess loss cover placed in London.⁵⁴ In early 1963 MR built up its loss cover in London by 13 million DM (from 7 to 20 million) for an annual premium of 370,000 DM in order to protect itself from extraordinary expenses from natural catastrophes. MR established a special reserve for major losses in its balance sheet to be financially prepared for future major loss events.

The high level of uninsured losses for private households and companies generated a lively public debate about including losses from natural hazards in the coverage of building insurance. MR and direct insurers took a defensive stance on this question on account of their agreement that flood losses were not insurable. They were also in agreement on the association level, without having a formal statement, that flood losses did not count among insurable risks and were thus unwanted. The flood catastrophe of 1962 did not lead to a rethinking of the insurance policies of the Federal Republic to use legal means or moral pressure to force an expansion of building insurance to include flood damages.

On account of its growing global engagement, MR increasingly had to deal with large losses from severe natural disasters in other developed states. This occurred for the first time in September 1965 when the strong Hurricane Betsy descended upon the U.S. states of Alabama, Louisiana, and Missis-

issippi, causing storm losses of \$1.4 billion, the largest sum in history up to that point. As MR meanwhile had become the ninth-largest American reinsurer, it had to contribute 6.4 million DM gross and 5.7 million DM net to the claims settlement.⁵⁵

MR achieved consistently positive actuarial results from 1949 to 1961 in the fire insurance segment, traditionally the core business of the property insurance branch.⁵⁶ Like direct insurers, MR profited from the modern reconstruction of destroyed residential and commercial buildings, as well as industrial structures, which were better risks than the old buildings from a fire prevention and actuarial perspective. The construction boom of the 1950s generated a continuous rise in the insured sums and was reflected in the growing premium volume for fire insurers.

The polypolistic German fire insurance market had more than 80 insurers with various legal forms (stock corporations, mutual insurance collectives,⁵⁷ public state insurance companies and provincial companies,⁵⁸ and cooperatives) that actively competed with one another with their premium conditions. The great intensity of the competition in the industrial fire insurance segment resulted in low premium levels by the end of the 1950s. The average premium was 0.093 % of the insured sum, setting the premiums for German industrial fire insurance 30 % below the German level of 1949 and 28 % below the French level (0.129 %) of 1963, where the market was shaped more by oligopolistic structures than in Germany.⁵⁹ Since MR took in more than 85 % of its fire insurance revenues from industrial insurance,⁶⁰ it registered the falling premium level earlier than the direct insurers. Although Germany's largest auto manufacturer VW occasionally had difficulty getting its insurance needs covered for interruptions of operations following fire damages (so-called FBU [Feuerbetriebsunterbrechung] policies) and despite spreading its risk domestically and abroad it was not able to put all of it on the market,⁶¹ the fire insurance branch tended more to overcapacity than undercapacity.

The structure of reinsurance policies contributed to MR's greater sensitivity to the low premium level. MR and other reinsurers were affected by the increasing share of major damages above 200,000 DM. Whereas only 24 % of all damages in the industrial fire insurance segment had exceeded this limit in 1956, by 1962 more than 51 % of all loss events already exceeded this sum.⁶² The trend toward taking out excess loss insurance meant, in light of the larger sums of losses, that reinsurers were disproportionately burdened. They carried the financial risk alone once the deductible had been reached. MR's actuarial

result in the fire insurance segment remained positive up through 1961, however, thanks to compensating positive results abroad.

Reinsurers took the initiative in restructuring the fire insurance market, drafting a memorandum about it in May/June 1960.⁶³ The Federal Antitrust Office became aware of this step and launched a suit against the reinsurers, charging them with an alleged violation of the antitrust law.⁶⁴ As most direct insurers also had to register negative actuarial results, the Association of Property Insurers agreed at its conference in June 1960 to make an appeal for more discipline in setting premium rates.⁶⁵ Since the premium level was set in negotiations between direct insurers and insurance customers,⁶⁶ the decisive impulse to restructure the branch could only emerge from the Association of Property Insurers. New guidelines for setting rates for risks were intended to secure a higher premium level and limit price competition. This appeal to do away with underbidding rates generated initial successes by the spring of 1962, yet these were neutralized by a disproportionate rise in losses.⁶⁷ Nor did the common steps taken to limit brokerage commissions result in the desired restructuring success, despite the brokerage associations' willingness to cooperate.⁶⁸

Under these conditions, direct insurers and reinsurers agreed to form a restructuring cartel that would be able to set binding guidelines for premium rates. Although the antitrust law passed in 1957 – Gesetz gegen Wettbewerbsbeschränkungen (GWB) [the Act against Restrictions on Competition] – prohibited the formation of price cartels in general, it allowed them under certain conditions. When price levels persistently failed to cover costs, restructuring cartels could be formed. A restructuring cartel was legal if it had been registered with the federal antitrust agency and the protectors of competition legalized it. The cartel members' decisions about the premium rates had to be clear majority decisions that were recorded, and they had to be codified in a public cartel contract. An official committee from the antitrust office, also known as the abuse control office, had to regularly review the relation of costs and profits. This was a guarantee that insurance customers were protected from excessive premium rates.

The premium cartel fulfilled all of these requirements and was inaugurated by direct insurers and reinsurers on 16 December 1963.⁶⁹ On account of the persuasive arguments that there was an industry-wide price crisis, the federal antitrust office stopped its proceedings against MR and other reinsurers in the spring of 1965.⁷⁰ It was crucial to the acceptance of the premium cartel that all direct insurers and reinsurers laid their financial results in fire

insurance bare, thus proving the need for restructuring. Two years after the premium cartel began its work, the antitrust office had an opportunity to review the results of fire insurers after several rounds of increases and, possibly, to prohibit further increases. The cartel's term limit ending in late 1968 fulfilled the requirement of the antitrust law that restructuring cartels could be permitted only for limited time periods.⁷¹

Except for the *Haftpflichtverband der Deutschen Industrie* (HDI), *Patria-Versicherung*, and *Phoenix-Versicherung*, all fire insurers signaled their participation in the premium cartel. Even Gerling, a branch outsider which had never stuck to informal agreements about a lowest level for premiums, formally declared its loyalty.⁷² But its promises were not always followed by deeds. To MR's dismay, Gerling acquired new customers by promising lower premiums, comforting them by referring to later times in the context of the power of the cartel.⁷³ With discounts in the assessment of risks that were not justified in actuarial terms, Gerling lowered the rated value of risks and thus the premiums.⁷⁴ As a reinsurer with its own reinsurance company, Gerling Globale, Gerling was less vulnerable to the attempts of the major reinsurers to enforce price discipline than other branch outsiders. Although MR avoided accepting retrocessions from Gerling Globale, reinsurers could not have a decisive impact on this company. The London market generally provided enough opportunities to gain coverage to outsiders as well.

In addition to the six major German reinsurers, Swiss Re, whose share in the German fire reinsurance business was not insignificant, also joined in the cartel agreement. They prevented the attempt by cartel outsiders to undercut the minimum premium level by playing the reinsurers off each other and to gain more favorable conditions for renegotiating the reinsurance policies. At a meeting in Swiss Re office space, the reinsurers agreed not to acquire any contracts that another reinsurer had canceled due to premiums that were too low.⁷⁵

The concerted actions of MR and Swiss Re blocked reinsurance on the London market from outsiders as well. The two major reinsurers could prevent the Lloyd's underwriters from underbidding their conditions thanks to their influence in London. The twelve largest British insurance companies and the largest underwriter in the non-marine business (non-transit business) aligned themselves in their reinsurance contracts with German direct insurers to the conditions of their German counterparts.⁷⁶ On the initiative of the reinsurers, the restructuring cartel also prohibited direct insurers from concluding policies lasting several years that would make premium adjustments based on the price level and claims experience more difficult.⁷⁷

The concerted efforts of the reinsurers was certainly responsible for cartel outsiders, such as the cooperative Raiffeisen-Versicherung and the HDI, joining in on the premium policies of the restructuring cartel,⁷⁸ even though HDI as a mutual insurance association was more oriented toward the interests of the policyholders on account of its dependence on its industrial insurance customers.⁷⁹ MR employed its bargaining power in cases of cartel outsiders who went against the agreement in order to force them to comply. For example, MR threatened the Transatlantische Versicherung in Hamburg with canceling its rate agreement if it continued to underbid the fire rates of the restructuring cartel.

In fiscal year 1963, the results in the fire insurance segment grew dramatically worse, falling from -3.2 million DM (1962) to an actuarial loss of 18.2 million DM, -14.2 million DM of which was from domestic business. This was the largest loss in the fire insurance business since the earthquake of San Francisco in 1906.⁸⁰ Whereas German direct insurers even in the worst fiscal year of 1963 still achieved a slight actuarial profit, the rate of actuarial loss at MR was -15%.⁸¹ MR was more negatively affected not only because of excess loss insurance. Whereas direct insurers could compensate with non-industrial building insurance in which, despite numerous competing insurers, the premium level was adequate, MR could not.

In 1964 MR once again earned a slight actuarial profit of 3.6 million DM in the German fire insurance business. This was due exclusively to the advantageous quota share agreements with Allianz.⁸² As a single major fire in the Michalke spinning mill in Augsburg generated a net loss of 11 million, MR had to settle for an actuarial loss of 5 million DM in the domestic fire insurance business once again. Although the major loss event in Augsburg was among the largest fire losses up to that point, it could not be assessed as an exceptional deviation from the usual claims experience. Up to this point in time, the improvement in earnings in the fire insurance business were not yet sustainable.

The restructuring of industrial fire insurance had its first successes in 1966. After several rounds of raising premiums, the average premium rate increased from its lowest level in 1963 (0.089%) to 0.1% by 1966.⁸³ The major direct insurers tended to set low premium rates for major risks in consideration of their major customers, despite the ever lower actuarial profits. Thus, the rate committee of the restructuring cartel pushed through higher rates for thirteen of seventeen major risks with an insured sum of more than 100 million DM than the direct insurers had intended.⁸⁴ MR transferred a portion of

its above-average burden of risk back to the direct insurers by tying the reinsurance commissions for direct insurers more directly to the loss rate. Most of the major customers such as Victoria had, up to that point, been given a commission rate that had little to do with the actuarial result. From 1968, MR implemented a sliding-scale commission of 27 % (for loss rates over 71.5 %) to 35 % (for loss rates of 59.5 % and less). The sliding-scale commission conformed to MR's ideas of direct insurers and reinsurers truly sharing their fate and compensated for the uneven distribution of risk in the excess loss contracts.⁸⁵

Despite the relatively low premium increases, the concerted premium increases in the entire fire insurance segment prompted mistrust on the part of the federal antitrust office, which launched an investigation of abuse of a restructuring cartel. The federal economics ministry under the leadership of economics minister Professor Karl Schiller (SPD) flouted the very critical position of the antitrust office, declaring the investigation baseless and remained continuously informed of further market developments.⁸⁶ The federal economics ministry's greater tolerance of restructuring cartels can be explained in terms of differing positions pertaining to theories of competition and political order. Whereas those protecting competition in the antitrust office adhered to the fundamental cartel-critical position of Walther Eucken, a pillar of neo-liberalism, and rejected any form of cartel-formation, the federal economics ministry was coming from a pragmatic position. It saw no contradiction between the premium guidelines of the restructuring cartel and the demand for functional price competition as long as insurers did not make inappropriate profits. The antitrust office's objections were dismissed and it closed the abuse investigation in the fall of 1967 without any negative consequences for insurers.⁸⁷ Although it viewed the reinsurers' agreements as cartel agreements, it tolerated this behavior as long as the agreements were not misused.⁸⁸

Reinsurers emerged stronger from the phase of the restructuring cartel, which ended in late 1968. By means of their coordinated action, they had managed to get several rates implemented that covered costs. After negotiations with the Association of German Property Insurers, they succeeded in getting a reinsurer admitted to the meetings of the rate commission. Henceforth, Klaus Gerathewohl, who was the member of MR's board of management responsible for the fire segment, represented the interests of reinsurers with the direct insurers in this branch.⁸⁹

While the founding of the restructuring cartel solved the general problem of the premium level in fire insurance, it did not resolve the special issues of

implementing modern security standards in German industry. In 1967 three major fires in the AEG plants in Berlin, Hanover, and Springe generated gross losses of 84.5 million DM for MR, which far exceeded all previous series of losses in German industry.⁹⁰ Moved by this bundling of major losses, first insurers completely renegotiated the AEG's fire insurance policies with the support of the reinsurers, such that fire and operational interruption premiums were drastically raised (from 0.06 to 0.151 % and from 0.09 to 0.22 %, respectively). The big break in continuity, however, was not the drastic increase in premiums to more than double but the introduction of deductibles based on percentages (12.5 % for fire insurance and 25 % for operational interruption insurance), as well as absolute deductibles (in each case, at least 200,000 DM) for AEG for future major losses.⁹¹

As AEG had not implemented adequate security measures to reduce the consequences of fires such as fire-protection doors, firewalls in large halls, sprinkler systems and smoke evacuators, it had to agree to make fire protection investments of 85 million DM over the next five years. Even in the classical fire insurance business, the knowledge that structural engineers and actuaries had from experience was insufficient. For example, 90 % of the damage in the major AEG fire in Hanover was caused not by the direct impact of the fire but by the poisonous chlorine emissions from burning floorings and cable insulation containing PVC.⁹² The precipitation of chlorine caused permanent damage to machines and equipment so that they could not be used again, or only restored at great expense. In 1970 a comparable major fire in the Mannesmannröhren-Werke GmbH in Mülheim generated a total loss of 86 million DM, 75 % of which derived from secondary fire damages related to PVC-containing cable insulation.⁹³ In 1968 MR reacted to this challenge by creating its own damage prevention and inspection group, for which a fire protection engineer and a chemist were hired for the first time.⁹⁴ On account of the technical complexity of fire protection for modern industrial plants, the previously available expertise of high-rise engineers was no longer sufficient. To be able to solidly estimate the risks of secondary fire damages from toxic combinations such as chlorine and other degradation products, the fundamental natural-science knowledge of a chemist was needed.

Several major fires in German and foreign industrial companies made it apparent that the estimates of probable maximum loss (PML) used up to that point were flawed, having to be increased retroactively during the claims adjustment process. Against this backdrop, MR's property insurance departments had to reassess the risks of industrial fires and issue new estimates

since the PML and not the insured sum was decisive for calculating the premiums.⁹⁵ From 1972, in the German industrial fire insurance segment, MR safeguarded itself against claims exceeding the contractually stipulated PML by more than 50 % in its contracts.⁹⁶ From 1971, it took precautions against multiple excesses of a loss ratio of 73.5 % by means of an excessive loss clause. Since it got negative actuarial results for loss ratios of more than 73.5 % when the reinsurance percentage was included in the calculation, MR protected itself with an adjustment clause for direct insurers. MR carried excess losses forward from the three following years to the losses of the next years. In calculating the percentages, MR dropped the agreed upon proportional percentages for direct insurers in accordance with the higher loss ratio.⁹⁷

In 1967 Europe was shaken by a major fire in the Brussels department store L’Innovation, which killed 322 people.⁹⁸ The large number of deaths resulted, above all, from the insufficient fire prevention regulations in Belgium, a country with a tradition of liberal commercial laws. Whereas most large modern department stores already had automatic sprinkler systems, the L’Innovation store was not even equipped with fireproof stairwells and doors. The steel ceiling of the ground floor, part of which was not fireproof, collapsed from the fire’s heat, further increasing the number of deaths. This catastrophe led to improvements in structural engineering-related fire protection regulations, which were intended to prevent another such catastrophe. This one generated significant losses of several million DM for MR.

In 1968 the German insurance industry was rattled not by real catastrophes but by the fear of possible damages from riots. After the attempted murder of Rudi Dutschke, the most prominent representative of the student movement, outraged students set delivery trucks of the Axel Springer publishing house on fire. The number of participants was much lower and the extent of destruction much less than in the mass demonstrations in Paris in May 1968. Nevertheless, the student demonstrations in Berlin and Frankfurt and the arson in two Frankfurt department stores by a small group of left-wing radicals around Andreas Baader and Gudrun Ensslin, which caused 1.9 million DM in damages, sufficed to put direct insurers into a panic. Four weeks after the Frankfurt department-store fires, the restructuring cartel in the fire insurance branch declared that riot damages could not, in principle, be included in fire policies, thus following the traditional line of German insurers.⁹⁹ Consistent with this, MR rejected coverage of arson damages by politically motivated perpetrators, giving a negative answer to the anxious requests of several cedents.¹⁰⁰ MR’s management also reacted to the political

unrest in neighboring France at times in an excessively fearful way, even though French president Charles de Gaulle regained his political supremacy in early June 1968 and the Gaullists scored an impressive victory in the elections for the national assembly. MR feared a return to the political instability of the Fourth Republic (1944–1958) when de Gaulle lost a minor referendum on a reform of radio law in the spring of 1969 and resigned out of disappointment.¹⁰¹

In the late 1960s and early 1970s, MR's leadership reacted to changes in political regimes and politically motivated violence on the part of radicals in very different ways. For example, in 1967, MR welcomed the new right-wing military government that took control in Argentina despite the violent persecution of those who disagreed. In MR's view, the dictatorial rule by a military government did not constitute a political uncertainty factor, whereas the militant unions that the military government brutally suppressed did.¹⁰² In 1967 a military government also assumed power in Greece, dispensing with fundamental democratic freedoms and persecuting its opponents with a bloody wave of repression. The MR reports reflected this military putsch in a European democracy solely in the positive remarks of its Greek cedents, whose attitudes toward the military government ranged from expectant to well-disposed. During the entire period of the Greek military dictatorship (1967–1974), there are no critical assessments of its political or economic consequences to be found in MR's "Red Collection."¹⁰³

In contrast to this, MR criticized the Popular Front that reigned in Chile from 1970 to 1973 under the socialist minister president Salvador Allende on account of its economic policy. Since the Chilean reinsurance business had already been under the control of a partly state monopolistic institute, the *Caja Reaseguradora de Chile*, for decades and Allende's administration did not nationalize the private direct insurers,¹⁰⁴ MR's business interests were only indirectly and rather slightly affected by the nationalization policies of Allende's administration. On the already small Chilean market, the shift of business from nationalized industry to a state-owned direct insurance institute hardly generated negative impacts for MR.¹⁰⁵ Whereas MR managers judged Allende's policies as very negative in August 1971,¹⁰⁶ neither the brutal military putsch under the leadership of General Augusto Pinochet in September 1973 nor the executions of socialists and communists evoked criticism or even horror in their reports. MR expected the dictatorship to privatize the insurance industry in the medium term and praised Pinochet's neoliberal economic policies.

Although there is no doubt about the democratic attitudes of MR's managers, they reacted, as a general rule, to right-wing military dictatorships with indifference. When MR founded a subsidiary under the racist regime of South Africa in 1968,¹⁰⁷ political considerations played no role in the decision for stronger economic involvement in the South African market, if one can believe the surviving MR documents. It is not known whether the representatives of the central office in Munich, when visiting South Africa in May 1969, accepted the invitation of the South African finance minister only reluctantly or whether they discussed the South African apartheid and discriminatory policies critically – and it is unlikely that they did.¹⁰⁸ The decision to found the Munich Reinsurance Company of South Africa rather than a dependent branch was due solely to the policy of the South African insurance regulatory agency, which insisted that foreign insurers be domiciled in South Africa. As MR derived more than half of its premium volume from its African business in the late 1960s and 1970s in South Africa, which was more developed economically, economic considerations were decisive for determining the location. Weighing its interests between political opportunity and business potential did, however, prove to be difficult. MR had been aware, at least since 1978, that its business involvement in South Africa could have negative consequences for its business dealings with black African countries.¹⁰⁹ It remained tight-lipped and reacted rather shiftlessly to this problem by removing any references to its South African subsidiary from its brochures for African business partners.

The Munich Reinsurance Company of South Africa operated in a new social milieu, in which non-whites experienced tremendous discrimination in the private economy. It could not influence the discriminatory premium policies of South African direct insurers towards non-white customers (blacks, “coloureds” and Asians). Only policyholders in the very small black upper class received life insurance policies with the same conditions that white customers received regardless of their social status.¹¹⁰ The Munich Reinsurance Company of South Africa (MR SA) indicated in its reports to the managers that they regarded this as economically damaging to the development of its South African business, and it distanced itself from the practices of South African direct insurers. It faced the dilemma of having to accept the racial discrimination generated by its South African customers as long as it wished to stay in business with them. But MR's leadership never considered exiting an option. After the mass revolt on the part of the black population against the policies of the apartheid regime in 1976, MR largely

withdrew from the home insurance business for the black population.¹¹¹ From the perspective of the insurance industry, MR's actions were entirely logical. Against their good intentions, they punished the black renters and homeowners for the brutal policies of their oppressors. Much of the damage to residences in Soweto occurred when the South African police stepped in and brutally put down the revolt with a tremendous use of force.

From the beginning of the 1980s until his retirement in 1992, Ernst Kahle headed the Munich Reinsurance Company of South Africa. Despite the concerns of MR's board of management, he advocated a positive attitude toward the ANC (African National Congress) liberation movement. In the spring of 1990, right after Nelson Mandela was released from prison, Kahle rented rooms in MR SA's headquarters to the ANC. Chairman of MR's management board Horst Jannott wished to avoid conflicts with the purely white government of South Africa and believed this endangered MR SA's political neutrality. Jannott energetically reprimanded Kahle, but the latter stood firm by his support of the ANC.

MR SA's ever more critical attitude toward the racist South African regime was rather atypical of MR. Its board of management's tendency to be uncritical of dictatorial and racist regimes had no impact on its reputation domestically or abroad since these assessments were published only strictly internally in the "Rote Sammlung" for the small circle of managers. MR did not publicly broadcast its business involvement in dictatorial regimes, nor did it have to deal with critical and investigative reporting by German newspapers and news magazines. In comparison to German exports of weapons and dual-use products with possible military applications, such as trucks and jeeps, reinsuring buildings, civil vehicles and even industrial plants and machines was politically unobjectionable and could not be assessed as conscious or unconscious support for these regimes. As MR was only permanently present in South Africa, it was only there that it could have been more precisely informed about the reinsured objects.

MR and Swiss Re grew closer in business terms on account of their leading participation in the restructuring of industrial fire insurance. Out of this cooperation in the restructuring cartel, their interest in having members of the boards of management regularly relate their experiences to one another emerged. It cannot be determined from the surviving documents whether MR or Swiss Re initiated a meeting of the company boards. As MR grew more rapidly than Swiss Re, slowly approaching the gross premium revenues of its Zurich competitor in 1964, the two sides met as equals.

MR regarded Swiss Re's business earnings and, above all, its gross premium revenues as its most important benchmark, which is why the board of management analyzed the balance sheets of its Swiss competitor with particular interest.¹¹² MR almost brought in the same gross premiums as Swiss Re in 1964. But, in Alzheimer's words, Swiss Re was still "substantially stronger" thanks to its foreign subsidiaries in the U.S. and in the Federal Republic (Bayerische Rückversicherungsbank). With actuarial reserves comprising 140 % of its net premiums, Swiss Re had a very impressive financial basis, even though MR, with 116 %, also had very solid reserves.¹¹³ On 10 October 1966 Alzheimer proudly reported in a supervisory board meeting that MR, with gross premiums of 1.5 billion DM, was only 4 million DM behind the Swiss Re Group.

Already in 1954, Swiss Re perceived MR as its "principle competitor" in the European market.¹¹⁴ Whereas MR had just begun to rebuild its business relations in North America and Asia, Swiss Re was already well established in the American market with a large subsidiary. Although the competition between the two reinsurers had occasionally been more intense and not always free of irritations in the 1930s, it had been entirely unburdened by personal animosities in the postwar period. This was especially true for Swiss Re's relationship with Alzheimer and Walther Meuschel, who represented MR in the 1950s and 1960s.¹¹⁵ Meuschel was in charge of French business at MR, and Swiss Re had a strong position in that country. Swiss Re's growing respect for the performance of its largest competitor manifested itself in 1963 in a business concession to MR. Whereas MR had retroceded a portion of its quota reinsurance contract with Allianz to Swiss Re since 1927,¹¹⁶ Swiss Re in turn had only retroceded a small portion of its natural hazard business with Swiss direct insurers to MR. In 1963 Swiss Re approached MR with a larger portion in exchange.

At the first "summit" in November 1964, the atmosphere was still quite stiff and the style of discussion was very formal. Both sides agreed to have regular meetings on the management level and also on the consultant level – meetings that were supposed to foster the exchange of information between the two largest reinsurers in the world.¹¹⁷ At the second encounter of the boards of management in February 1965, the atmosphere lightened up noticeably. MR and Swiss Re shared information about their underwriting practices in the growing market for XL property insurance policies and XL liability policies, among other things, and aligned them to one another.¹¹⁸ Out of such pure information exchange, informal agreements about funda-

mental customs in the insurance industry emerged. These would prevent them from outbidding one another in setting policy conditions.

The cooperation between MR and Swiss Re did not stop at agreements about policy conditions, however. Already in July 1965, the two reinsurers agreed to a coordinated procedure in order to raise the premium level in the Italian market, which they regarded as too low.¹¹⁹ In doing so, MR exercised its traditional self-understanding of being able to use its market power as a major reinsurer to put through adequate premium levels. The third meeting between the boards of management of MR and Swiss Re in May 1966 led to an informal but very detailed cooperation agreement in many areas of the reinsurance business.¹²⁰ Thus, the intention of the two world market leaders to establish a minimum premium for certain fire risks in their industrial policies can already be regarded as preparation for price agreements extending beyond national borders on the model of the German restructuring cartel. MR made its “gray list” of “notoriously bad” risks in industrial insurance available to Swiss Re – a list that was to be expanded to a common list for all countries in the medium term. A so-called claims settlement contribution clause was to allow them to participate in the damage settlement of the direct insurers in the future. This was supposed to lessen the asymmetry in information between direct and reinsurers and to raise reinsurers’ influence on settlement practices.

MR and Swiss Re wanted to work together in the insurance markets in France and Italy in order to renegotiate the “notoriously bad contracts” with the direct insurers to their common advantage. Discussions at the department level resulted in complete agreement about the increase in the deductibles for industrial fire insurance policies in France.¹²¹ In the still new field of product liability insurance, they intended to protect themselves from underbidding competition with minimum premiums. Since Swiss Re, just like MR, was interested in excluding unwanted risks, MR promised its Swiss competitor a list with unwanted risks and types of policies. The exchange of information about taking on extended coverage in property insurance policies served a similar purpose. Both insurance companies wanted to align their market behavior by agreeing on a common position.

In exchanging their insurance knowledge, the two largest reinsurers were striking new ground. Both MR and Swiss Re worked on making property insurance more scientific in the 1960s; until then, premiums had been calculated by means of classical, non-academic actuarial knowledge on the basis of experience and detailed loss statistics. Experts from property insur-

ance departments of both insurers discussed, among other things, their experiences with the utility of mathematical models in calculating premiums. Prominent representatives of British and Scandinavian reinsurers spoke at the annual meeting of executives of the reinsurance branch in Monte Carlo in 1968 about a dramatic shift in reinsurance and issued warnings about the limits of traditional reinsurance knowledge.¹²² MR and Swiss Re had already begun shifting over from retroactively determining risk with statistics to future-oriented causal research of risk. The admonition for reinsurers to engage in more intensive exchange of information was also superfluous in MR and Swiss Re's case because this had already been happening since 1965 in regular work meetings of their managers in various insurance segments.

The shift to multidisciplinary risk research on the basis of the most various natural and technical sciences was the greatest intellectual challenge that reinsurers had to face in what is often called the "atomic age." Since no mathematicians worked in MR's property insurance departments up into the 1970s, property insurance experts at first had to make use of the expert mathematical knowledge needed for risk calculation in the life insurance department.

MR and Swiss Re granted each other insight into the risk assessment and rate-setting for earthquake risks, which were continuously gaining importance in the globalized reinsurance business. Whereas MR rated earthquake risk according to observed earthquake losses, Swiss Re oriented itself exclusively to the measured magnitudes. In assessing earthquake risks, MR had a considerable headstart in earthquake knowledge over Swiss Re since MR's geophysicists had included all the earthquakes since 1900 in their databanks. The expert knowledge of MR's geophysicists made it possible for MR to convert the observed magnitude disturbances and to extend the series of measured magnitudes much further into the past. With this knowledge, MR was able to develop calculations of the probability of earthquakes on a much wider basis of observation, which significantly raised the stochastic precision of its probabilities.¹²³

In calculating earthquake risks, MR relied not only on stochastic probabilities from the past but also on geophysical prognoses about the future probability of severe earthquakes occurring. Since MR expected one or even several severe earthquakes to strike Japan between 1975 and 1985, it began checking the accumulated risk on the Japanese insurance market in order to limit its net risk in the mid-1970s. With XL branches and umbrella cover, it reduced the gross risk from 100 to 160 million DM to a net risk of only 15 mil-

lion DM.¹²⁴ Yet the passage of time revealed that neither statistical extrapolations nor geophysical earthquake prognostics could provide earthquake prognoses with a high probability of occurrence. Not until 1995 would a serious earthquake strike in Japan – in the city of Kôbe.

A comparable need for natural science expertise arose in the field of meteorology. After a series of natural catastrophes such as serious floods and tornadoes, the Insurance Council of Australia began to compile a cumulative zone plan for the frequency of extreme losses from natural catastrophes. Since MR had possessed its own subsidiary in the Australian market since the 1960s and had been required to bear high actuarial losses in several years because of weather catastrophes, it actively supported the work of the Australian insurers and delegated its meteorologist Dr. Berz from Munich, who was one of the few meteorologists worldwide working for an insurance company.¹²⁵

Discussing experiences with data sets on the danger of earthquakes not only allowed for better calculation of risks but was also supposed to align premiums and thus reduce rate competition. It remains an open question, however, whether the alignment of premium rates in earthquake zones actually worked to the disadvantage of direct insurers. When MR's data sets yielded a lower probability of serious earthquakes, this result of the information exchange was for the premium to be lowered to the advantage of the direct insurers and policyholders. By contrast, the exchange of handbooks for rating heightened risks in life insurance was not primarily an exchange of knowledge. Information about the other's bases of calculations was intended to help them come to agreements about measuring premiums and to reduce the danger of direct insurers "playing them off one another."¹²⁶

The intended agreement about minimum premiums came close to being a formal price agreement in several national submarkets, and it can definitely be regarded as a partial restructuring cartel. Yet since the agreement concerning policy conditions was in the foreground of the discussions, this cooperation can better be understood as the nucleus of an informal condition cartel. The agreements about policy conditions were not always to the detriment of direct insurers and policyholders. For example, the departments for machine insurance at MR and Swiss Re agreed to coinsure riot and strike risks at least in some cases.¹²⁷ It also became apparent that excluding the risks of natural hazards such as earthquakes and floods could not be maintained over the long term against the power of the demand of the direct insurers. In order to avoid a cartel investigation in Germany, MR and Swiss

Re had to lay their cards bare before the federal antitrust office. Bayerische Rückversicherung's CEO Rudolf Prölss informed the protectors of competition of this informal restructuring cartel at the behest of his parent company Swiss Re.

From the joint agreements about restructuring the French and Italian business, a general agreement emerged in 1967 about supporting the other side in the restructuring of reinsurance policies. Alzheimer and Swiss Re CEO Dr. Eisenring decided in June 1967 never to conclude reinsurance policies with direct insurers with whom the other could not negotiate improvements.¹²⁸ MR and Swiss Re did not view such a bilateral restructuring cartel without price fixing as contradicting their support of healthy competition. As they intended to extend these bilateral agreements to other German, English and French reinsurers, this sort of procedure could not be regarded as an agreement that would harm competing reinsurance companies. MR and Swiss Re included their continental European competitors, for the most part, in their agreements about restructuring important submarkets.¹²⁹

In 1969, however, MR still rejected formally instituting a club of continental reinsurers and continued to focus its cooperative efforts on Swiss Re.¹³⁰ In 1971 MR and Swiss Re joined together with the largest Italian reinsurer *Unione Italiana*, the largest British reinsurer *Mercantile & General*, the Dutch *NRG* and *SCOR* to form a club of major European reinsurers, even if it did not include all of them. These companies saw themselves as friendly, referring to themselves as “*cari amici*” in Italian [dear friends]. In order to prevent any suspicion of an international cartel, the “*cari amici*” did not refer to themselves in public this way.¹³¹ In 1976 MR rejected Swiss Re's suggestion to make an agreement about a certain way of acting on the Latin American market; the Swedish reinsurer *Skandia* was also to be included in this in order to combat suspicions of a cartel being formed.¹³²

MR and Swiss Re's departmental managers met for regular discussions to exchange information and make agreements concerning the larger segments of property insurance, such as fire and motor vehicle policies including liability, casualty, and comprehensive motor coverage.¹³³ Whereas motor vehicle experts informed the market leaders of the contractual reinsurance conditions for direct insurers, fire insurers sought benchmark values for setting premium rates for the most important industrial sectors such as the automotive and electronics industries.

MR and Swiss Re's ever more intensive agreements did not go unnoticed

among direct insurers. Alzheimer and his Swiss colleague Rutishauser determined at a regular friendly visit in Munich in January 1968 that “in various customer circles, the all-too apparent agreement between MR and Swiss Re was being noted with displeasure” and that even the accusation of forming a cartel had been expressed.¹³⁴ Rutishauser and Alzheimer were in agreement that they should continue their cooperation but exercise more caution toward the outside world. The mutual agreement about conditions and premium levels did not become a permanent fixture but yielded to the increasingly intense competition among the reinsurers.

It cannot be determined whether one of the two market leaders profited more than the other from their cooperation. In an internal memo from 1967, Swiss Re remarked that MR had little experience in the French property insurance business and was thus profiting from the discussion of experiences with Swiss Re.¹³⁵ The agreement to take a common approach to French direct insurers was probably equally advantageous to both sides. Whereas MR was able to avoid making mistakes in acquiring customers and structuring policies in France thanks to the exchange, Swiss Re profited more on account of its comparatively larger share of French business in its complete portfolio from the successes in restructuring French reinsurance policies.

A look at MR's business development in France and Italy shows, for one thing, that it did not derive any unjustified advantages from the arrangement with its biggest competitor. MR's results already improved in Italy before the agreement with Swiss Re had gone into effect. Whereas it suffered an actuarial loss of 0.8 million DM with gross premiums of 23.8 million DM in 1963,¹³⁶ its actuarial results already improved markedly in 1964 (+ 0.9 million DM) and 1965 (+ 0.3 million DM).¹³⁷ The hardly higher gross premiums of 25.1 million DM (1964) and 25.7 million DM (1965) indicate that MR was able to cancel policies that developed poorly over the longer term without striking arrangements with Swiss Re. The result on the French market was different. MR had continuously negative actuarial results with an increasing gross premium volume of 26.5 million, 31.8 million and 34.2 million DM in 1963, 1964, and 1965, respectively.¹³⁸ In these cases, the agreements with Swiss Re made it possible to cancel some policies that were progressing poorly, which explained the only slightly rising gross premium revenues in 1966 (35.4 million DM). Although the actuarial result improved to -0.8 million DM, the market situation in France did not allow a complete restructuring of the deficit-generating motor vehicle liability business despite mutual agreements with Swiss Re.



Figure 37 Munich Re's board of management in the Jannott era, photo from the 1980s

Although Swiss Re suspected that MR had greater risk tolerance and a stronger orientation to growth than it had itself,¹³⁹ MR also followed the principle of “profitability before volume.” The new chairman of the board of management Horst Jannott summarized the business development of the preceding years at the supervisory board meeting of 10 July 1969 by pointing out that the slight increase in premium revenues of the previous years was essentially caused by the cleansing of the portfolio, that is, the cancellation of policies that continuously generated losses.¹⁴⁰ Regardless of its fundamental position of “quality before quantity,” Swiss Re considered the gross premium as an especially important figure in its public presentation, so it emphasized it in its balance sheets and even augmented it with legal accounting tricks. In 1975 Swiss Re's balance sheet caused irritation among MR's board of management members because the Swiss competition included its German direct insurers (Magdeburger, Vereinigte Versicherungsgruppe) in its consolidated balance sheets for the first time, thus presenting a higher gross premium than MR. MR viewed this as an attempt by Swiss Re to portray itself to customers as the largest reinsurer in the world.¹⁴¹ The good relationship between MR and Swiss was not damaged by this.

The regular meetings between MR and Swiss Re's boards of management were a prelude to regular reinsurance discussions that all the major reinsurers in the German-speaking area and leading European reinsurers participated in. At the first official reinsurance discussion in September 1967 in Zurich, the reinsurers agreed upon a common negotiating position toward direct motor insurers. As the numbers of accidents continued to rise and the average costs of settling auto accident claims grew because of inflation, reinsurers had achieved negative actuarial results over the longer term.

Such a shifting of risk at the expense of the direct insurers and reinsurers was beyond hoping for in the early 1960s. By 1961, German motor insurance was the most strictly regulated property insurance sector on account of premium levels set by the state. Transparent premiums for accident-free driving did not exist before 1962. Automobile owners with no accidents only received a profit share, the amount of which was difficult to predict. Competition among motor insurers only developed slowly after the premium level was liberalized since they usually calculated their premiums on the basis of recommendations by their branch association (HUK-Verband).¹⁴² From 1964 MR suffered ongoing actuarial losses in motor insurance, and these grew significantly worse every year.¹⁴³ In the dominant proportional reinsurance contract, the reinsurers were impacted to the same extent as the direct insurers by the rising losses. More and more excess loss policies were being taken out, which, however, affected reinsurers much more than direct insurers, thus calling the principle of direct and reinsurers sharing the same fate into question. As direct insurers' deductibles remained constant, reinsurers gained a greater share of losses.¹⁴⁴ As a result, the reinsurers, also prompted by MR, agreed to demand an adaptation clause in renegotiations of the reinsurance contracts,¹⁴⁵ so that direct insurers' deductibles would rise in accordance with the rate of inflation.

In 1969 chairman of the board of management Horst Jannott characterized this development as a "loss inflation" – both in the size and in the sum of the damages and losses. A solidarity clause between the reinsurers was supposed to prevent direct insurers from playing reinsurers against one another in order to continue to have bad policies – from the reinsurers' perspective – on the market.¹⁴⁶ If a reinsurer canceled policies for restructuring reasons, no other reinsurer was to jump in to fill the breach. Even outsider Gerling Globale joined in on this agreement.¹⁴⁷ After reinsurers had worked together to raise the premium level in industrial fire insurance, restructur-



Figure 38 Horst Jannott, chairman of the board of management from 1969 to 1993, photo from the 1980s

ing the excess loss policies in the fields of motor vehicle liability and comprehensive insurance became their most urgent task in the late 1960s.¹⁴⁸

On 31 December 1968 a long era, in terms of personnel, came to an end at MR. After 35 years as a member of the board of management and 18 years as its chair, Alois Alzheimer left the board of management at the age of 67 without completely retiring from managing the company. Alzheimer's position in the board of management was so powerful that supervisory board chairman Prof. Karl Winnacker (CEO of Hoechst AG) asked him to extend his tenure at the behest of the board of management.¹⁴⁹ As Alzheimer already wished to retire from his office in 1969 in light of reaching 40 years of service at the company, this just remained speculative. Yet he used his strong position in the board of management and in relation to the supervisory board in order to insure that he would retain privileged access to information for the board of management and be included in discussions of operational and strategic decisions in the future. Winnacker not only had to accept Alzheimer's claim to the office of supervisory board chairman and retreat to the position of its deputy chair. On 19 August 1968 incumbent supervisory board chairman Winnacker (1903–1989) signed a consultant contract that granted Alzheimer far-reaching participation rights in

the board of management for three years. His successor Horst Jannott not only had to obtain Alzheimer's approval in "questions with fundamental significance for business policy" and "capital shares and capital investments beyond the usual scope" but also even had to consult him concerning "personnel matters from authorized signatory and higher" and in "the establishment of strategic bases abroad and questions concerning who would manage them." Usually only the chairman of the board of management was granted such competencies according to the company statutes.¹⁵⁰ With the right to participate in board of management meetings, Alzheimer was directly present at all decision-making among colleagues, as well.¹⁵¹

Since Alzheimer did not withdraw from reelection to the supervisory boards of Allianz, Berlinische Leben, Hamburg-Mannheimer and Karlsruher Leben until after his 70th birthday, he – and not Jannott – remained MR's leading representative in the Allianz/Munich Re Group for at least three more years. This arrangement led, for example, to Jannott only being elected as a simple member of Hamburg-Mannheimer's supervisory board in 1972 while Alzheimer continued to hold the chairmanship. Not until 1975 could Jannott take over the chairmanship of Hamburg-Mannheimer's supervisory board¹⁵² – a position that MR's chairman of the board of management typically was entitled to. Alzheimer's consultant contract was also costly; he received an annual salary of 240,000 DM that was not paid for out of his transitional benefits or retirement benefits.

What reasons might have prompted the supervisory board to give Alzheimer a consultant contract with such far-reaching competencies? For one thing, Alzheimer had been more than a *primus inter pares* during his tenure; he was MR's mastermind. For another thing, his successor Horst Jannott was only 40 years old when he was appointed, making him unusually young for a chairman of the board of management of one of the largest German insurance companies. The supervisory board members and Alzheimer himself were firmly convinced that Jannott would not be able to manage without the advice of his (world-)experienced godfather. Jannott treated Alzheimer with personal and professional respect without feeling controlled or restricted by him.¹⁵³

Even after the contract expired at the end of 1971, Alzheimer insisted on an extension, albeit with reduced competencies. His new consultant contract gave him a salary of "only" 120,000 DM, but it was adjusted to price developments by the time it expired at the end of 1976. In 1957 Alzheimer had acquired the right to reside in a single-family home in an excellent location in Starnberg for the rest of his life – a home that MR owned. The

very low rent of 700 DM (in 1976, including utilities and common charges) did not even cover the pure operational costs of the house, which amounted to 15,000 DM per year in the 1970s.¹⁵⁴ In light of this almost symbolic rent, Alzheimer, to the distress of MR, waived the option of buying the house and relieving MR of the maintenance and capital costs for his residence. His successor, by contract, lived in an inconspicuous home of his own in Munich-Bogenhausen, which did not have a pool, a sauna, or other attributes of a luxurious lifestyle.

Alzheimer made sure when he transferred over to the supervisory board that he would be able to chair it until his 75th birthday in 1976. In the supervisory board meeting on 10 December 1976, the members elected Jürgen Ponto (1923–1977), the speaker of the board of management for Dresdner Bank, to be his successor. Although the Dresdner Bank was MR's second largest shareholder and its most important bank tie, and even though members of its board of management always had seats and votes in the supervisory board, this appointment must have been surprising. Ponto had only been elected in December 1974 to the supervisory board as the successor of his board of management colleague Ernst Matthiensen (1900–1980), who had long since retired. Ponto joined MR's supervisory board at the special request of Jannott, who absolutely wished to have him in this office.¹⁵⁵ The news magazine *Der Spiegel* was mistaken in its view that MR was increasingly “falling into Dresdner Bank's sphere of power.”¹⁵⁶ The power of the supervisory board chairman tended to be rather minimal on account of the big personnel and strategic continuities in the management of the company and on account of the strong stability of business development. There are no indications that MR's supervisory board ever determined an important strategic or operative decision of the board of management or even exerted its will against it. By all indications, all decisions concerning the staffing of the board of management were predetermined in the board of management itself, with the supervisory board merely giving its approval.

Ponto was granted the supervisory board chairmanship exclusively “ad personam” in recognition of his remarkable personality.¹⁵⁷ In some supervisory board meetings, Ponto had developed a reputation for being a very pleasant person to have as a chairman and was known for his skill at leading discussion and forging consensus. He was regarded as a talented communicator who was also able to represent a company to critical and negatively predisposed journalists.¹⁵⁸ Ponto was only able to chair two supervisory board meetings before he was shot on 30 July 1977 in an attempted kidnap-

ping by members of the underground terrorist organization, the “Red Army Faction” (RAF). Not the new spokesman of Dresdner Bank’s board of management Hans Friderichs but Ponto’s pre-predecessor Prof. Karl Winnacker was elected to succeed him.¹⁵⁹ Since supervisory board members were required to leave the board in the year of their 75th birthday, Winnacker was only considered a transitional supervisory board chairman for one year.¹⁶⁰ In December 1978 the supervisory board members elected the CEO of Thyssen AG’s board of management Dietrich Spethmann as their chairman.¹⁶¹

Horst Jannott (1928–1993) formed a line of continuity with Kifßkalt and Alzheimer on account of his professional socialization and his education and training. Jannott, the eldest son of the CEO of Gothaer Allgemeine Versicherungs AG Kurt Jannott, was born and raised in Gotha in Thuringia and fled from the Soviet occupation zone to the West in 1945. After studying law in Erlangen and completing his legal training internship in Bavaria, he joined Munich Re in 1954 and was appointed to the board of management at age 35 in 1963.¹⁶² As a fully qualified lawyer who spent almost his entire career at MR, he had been shaped by the same academic and professional training as his predecessors. MR’s leadership was decidedly homogeneous: all members of the board of management had begun their careers at MR, rose through the company and were strongly shaped by the company culture of the reinsurance sector in general and of MR in particular. Changes in leadership personnel from one reinsurance company to another were very rare; headhunting by competitors – or of competitors – was frowned upon.¹⁶³

Horst Jannott had experiences and knowledge in all the important areas of the reinsurance business and had thoroughly familiarized himself with the foreign business both inside and outside of Europe. Unfortunately, the surviving documents from MR allow for no precise conclusions about the reasons that Alzheimer, the entire board of management and finally the supervisory board decided in favor of appointing him to lead Munich Re. In the estimation of his brother Edgar, Horst Jannott had seemed a suitable candidate for higher level tasks as he had fulfilled difficult assignments in the foreign business. He was regarded as a meticulous, conscientious and always thoroughly prepared manager. In his office, he had installed a cleverly designed filing system with which he could acquire information about any important action at any time and independently of the registry. His zeal in working and his personal identification with MR were legendary: Jannott

showed up in his office on Saturdays, too, and even on Sundays, and he always took files home on the weekend. His work ethic had doubtlessly been shaped by his father. In insurance circles, one circulating story held that the Jannott brothers had to present their report cards to their father in his office – and not at the dinner table at home – after making an appointment with his secretary on days when their report cards were issued.

For Horst Jannott's position in relation to German direct insurers, it was important that he had close ties with the branch through his younger brother Edgar. Edgar Jannott (born in 1934) joined Victoria after studying law, was appointed to its board of management in 1971, and became its CEO in 1983. Since the Jannott brothers maintained very close family ties and spoke with each other on the phone daily,¹⁶⁴ there was a constant flow of information between the largest German reinsurer and one of the largest German direct insurers. Horst Jannott profited from his brother's active engagement in the associations of German direct insurers, such as the GDV (Gesamtverband der Versicherungswirtschaft [Comprehensive Association of the Insurance Industry]), the Verband der Lebensversicherer [Association of Life Insurers] and the Arbeitgeberverband der Versicherungswirtschaft [Employer Association of the Insurance Industry] and was quickly and comprehensively informed about all the problems of the German direct insurance business. The information he had about business situations, interests and problems of the direct insurers went far beyond what he and his board of management colleagues heard about in their regular visits to the direct insurers. Among direct insurers, MR was regarded as a "reinsuring direct insurer,"¹⁶⁵ which, in the context of the Allianz/MR Group, was invested with majority shareholdings in major direct insurers. Moreover, MR also held a 24 % share of Victoria and a seat on its supervisory board. For obvious reasons, Horst Jannott did not represent MR on the supervisory board of Victoria.

The "Jannott Era" lasted from 1969 to February 1993. Only one week before Horst Jannott had planned to retire, he suffered a heart attack in his office, on a Sunday, 21 February 1993. In spite of all the actuarial innovations, Horst Jannott stuck strictly to MR's traditional principles. He did not question the crossholdings with Allianz and the principle of founding subsidiaries abroad for conducting foreign business whenever possible. In light of major unknown risks in the American market, MR shied away from buying an American reinsurer whose subscription practices it was unfamiliar with and over which it had only limited influence from outside. Jannott was critical of the American liability business on account of the major

risks arising from the higher rate of inflation and the lengthy processes of claims settlement.¹⁶⁶

MR resisted any temptation to sell its major share of Allianz because doing so would have cast doubt on the continuation of the profitable quota reinsurance contracts with Allianz. Moreover, the applicable tax law at that time offered no incentives for companies to sell to “cash in” and put the proceeds into their own expansion. Had MR sold its share of Allianz, it would have had to pay corporate income tax at a rate of 56 % on the entire accounting profit resulting from the difference between the high sales price and the low accounting value stated in its balance sheets. The tax-free hidden reserves from the undervaluation of the Allianz share would thus have become taxable.

The tax policies and tax laws of the “old” Federal Republic contributed significantly to maintaining the traditional capital crossholdings in “Germany, Inc.” From the perspective of the company management, the conservative assessment of stocks and investments according to the strict principle of the lowest value had the advantage of greater flexibility in the designation of equity capital and in the activation of hidden reserves.¹⁶⁷ Assessing them according to the purchase price or the lowest price ever registered allowed MR to understate the value of its investments when listing them. Germans and foreigners familiar with the insurance industry knew that MR’s comparatively low capital endowment was actually higher and that MR’s balance sheets could only be compared to the balance sheets of its foreign competitors to a limited extent.¹⁶⁸ MR’s financial strength was made evident, for example, in 1979, when it invested in a 48 % share of Allianz’s American subsidiary Allianz of America at Allianz’s urging and was able to finance the investment solely out of its own reserves.¹⁶⁹ MR was motivated to do without external financing by its aim of keeping its investment in a major American direct insurer a secret. An open investment in the American subsidiary of a foreign direct insurer could possibly have damaged its good relationship with American direct insurers.

In the first five years of the “Jannott Era,” MR modernized its public image and began professionalizing its press and publicity work. Up to the beginning of the 1970s, MR had no visual corporate identity. It lacked fundamental elements of visual corporate communication such as an unmistakable company logo that could be understood in all cultures. The company logo up to that point had been the picture of the inner courtyard (the “ornamental courtyard”) in the historic building housing the headquarters at Königin-

straße 107; only those in the know would associate this with the company. This old icon was not suitable for use in an unmistakable corporate design to transport the name of Munich Re across cultural borders in the modern design idiom. At about the same time as the major German banks, in 1972, MR's board of management commissioned the renowned graphic artist Anton Stankowski with designing a new company logo. Among other things, he had also been asked to design the logo for the Deutsche Bank.¹⁷⁰ From 1973 on, MR utilized his design in all written media for internal and external communication. At the same time, it introduced the English company name Munich Re, which was then used on the same terms as the German name Münchener Rück,¹⁷¹ taking account of the advanced internationalization of the reinsurance industry. Munich Re gave Münchener Rück a second name that could easily be pronounced and written correctly without knowledge of German umlauts in English, the dominant insurance language worldwide.

The types and intensity of MR's media presence did not yet change in the 1970s. Horst Jannott appeared in daily newspapers, public magazines, and audiovisual mass media no more than his predecessor Alzheimer had. It cannot be determined how Jannott responded to requests for interviews from journalists, or whether he even received a notable number of such requests. MR remained similarly reserved toward the mass media in the 1970s as it had been before. The company did not even have a department or staff for organizing press and publicity work. It restricted conveying a public image to publishing its annual financial statements and holding one press conference about its balance sheet each year. MR conducted its business transactions with only a few thousand professional insurers such as the executives of direct insurance and reinsurance companies and insurance brokers. Therefore, MR had not faced the challenge of engaging in professional marketing or company communication to reach beyond the professional insurance world over a long period of time. MR's publications and advertisements in German- and English-language professional journals of the insurance industry were directed primarily at insurance managers and, secondarily, at audiences from business administration and legal actuarial science. In 1974 MR's board of management began searching for a professional PR man.¹⁷² However, the board engaged exceptionally slowly in building up a PR staff, giving it low priority. In 1977 MR still sent its press releases to the daily newspapers via the secretariat for the board of management.¹⁷³

In the 1970s, MR began to engage in political lobbying, building up contact with political decision-makers in the governments and parties. For ex-

ample, in 1974 the board of management invited the speaker for economic policy of the FDP (Freie Demokratische Partei [Free Democratic Party]) parliamentary faction Otto Graf Lambsdorff for a confidential conversation in the board's cafeteria.¹⁷⁴ Lambsdorff, who worked as a member of the board of management of Victoria Rückversicherungs-AG until 1977, was regarded in business circles as one of the most business-friendly, first-string players of the SPD/FDP governing coalition and as a rising political star. When Lambsdorff was appointed Federal Economics Minister to succeed his party colleague Hans Friderichs, the insurance industry had a minister who knew the interests and desires of the industry from personal experience and was open to them. Among the other guests was CDU general secretary Prof. Kurt Biedenkopf, who likewise presented himself as an economic expert, but for the CDU/CSU parliamentary faction.¹⁷⁵ Invitations to politicians of the larger SPD governing party, however, were limited to Munich's lord mayor Georg Kronawitter, with whom MR wished to have a harmonious relationship primarily because of its interest in expanding in the area around the main building.

The selection of people invited for discussions was a clear indication of MR's close ties to the CDU, CSU, and FDP, from which the board of management expected business-friendly politics. This is also suggested by the fact that MR aimed "by far the greater part of our political donations to the Bayerische Staatsbürgerliche Vereinigung [Bavarian Civic Association],"¹⁷⁶ which primarily functioned as a "donation-launderer" for the CSU.¹⁷⁷ Since MR paid these donations out of taxed income, it was not charged with evading taxes during the investigation into the federal party donation scandal that began in 1984. Its name did not come up in the investigative files of the prosecution nor in articles by journalists. The CSU circumvented having to account for large donations with the Bayerische Staatsbürgerliche Vereinigung, so that MR's party donations remained hidden from the public.

19. The Crises of the 1970s and the Challenges of Modern Risk Management

Although MR was present around the world with its own representative offices and subsidiaries, MR's globalization principally consisted in its business relations to cedents and had little impact on the company culture or the executive floor. Most of MR's shareholders were German, as were all the members of the board of management. The supervisory board, too, consisted only of German managers into the 1980s. The staff began to grow more international over the course of the 1970s when a few foreigners were hired for middle management positions.¹ The Munich headquarters communicated in English with the primarily local employees at its foreign subsidiaries in the U.S., Canada, South Africa, and Australia, and also published all of the information for its cedents such as its magazine *Schadenspiegel* and brochures in English as well from the 1970s, but German continued to dominate in company-internal communication at the headquarters. At the annual discussions with managers of MR foreign branches, the members of the board of management spoke German, using a simultaneous interpreter for translation. In the late 1970s, English was still far from being used just like German, even in a globalized company like MR.²

The Jannott era began with a new challenge caused by the risk of fluctuations in the exchange rate of foreign currencies. With foreign business accounting for 34 % of its gross premium revenues, MR was a significant exporter of services that could potentially be affected by fluctuating exchange rates. Since reinsurance contracts were drawn up using the currencies of the direct insurers' policies, the currency risk could not be avoided by using the German mark in the contracts. In the so-called Bretton Woods system, which was built up on fixed exchange rates with the U.S. dollar and a formal gold standard for the dollar as the world's leading currency, the currency risks for all actors within the system were minimal. In 1969 the Bretton Woods system already showed signs of structural weaknesses. On account of the increasing budget deficit in the U.S., the stability of the dollar as the world reserve currency was jeopardized. The West German federal govern-

ment was under pressure from the American government to correct the undervaluation of the DM that gave the German economy an unjustified competitive advantage. Because of its increasing budget surpluses generated by export surpluses and capital transfers – via foreign investors at German banks – Germany came under pressure to increase the value of the DM. The appreciation of the DM to a value of 3.65 DM=1 U.S. dollar (previously it had been 4.00 DM=1 U.S. dollar) was politically controversial but minimal compared to the fluctuations in a system with flexible exchange rates and enough to unsettle export-oriented companies.

According to the traditional customs of the reinsurance sector, reinsurers were well advised to invest their loss reserves in a congruent currency in order to avoid currency risks. This meant that MR invested its loss reserves for its U.S. business in dollars in order to have sufficient dollar reserves at any time for settling claims. The older members of the board of management around Alzheimer had experienced several waves of devaluation in the 1930s and the end of currency convertibility, and they regarded the risk of non-congruent currency reserves leading to insolvency as high. Thanks to the congruent currency investments of its loss reserves, MR was able to fulfill its payment obligations with foreign direct insurers despite strict foreign currency restrictions up to 1945. MR also continued to formally adhere to the principle of congruent coverage after the Bretton Woods system collapsed in 1973,³ although it did occasionally hazard shortfall of coverage for currencies where it expected a positive currency risk in the form of appreciation profits. In 1971 shortfall of coverage in foreign currencies became the norm because MR expected a further appreciation of the DM and no return to stable exchange rates.⁴

The devaluation of the French franc in 1958 and in the 1960s and the devaluation of the British pound in 1967 sharpened MR's awareness of currency risks and the profit opportunities from underfunding reserves in foreign currencies. Consequently, Alois Alzheimer renounced justifying the underfunding of British pound reserves in 1967, instead telling the supervisory board not without pride that this had "paid off" for MR.⁵ In 1969 MR prepared for the long-awaited appreciation of the DM in relation to the U.S. dollar, purposefully underfunding its dollar reserves by 50 million DM in order to "take away" an appreciation profit of 4.5 million DM. Even the MR's US Branch exchanged a credit of \$0.6 million into DM in December 1968 in anticipation of an appreciation of the DM.⁶ In February 1971 the underfunding of foreign currency reserves like the U.S. dollar, the British pound

and the Italian lira already amounted to 83 million DM, rising to 133 million DM by the end of the year.⁷

Whereas the appreciation of the DM generated profits for MR, it negatively impacted foreign business at the same time, resulting in dropping premium revenues. The high growth rates in the gross premium during the 1960s leveled out somewhat in the 1970s not only because of falling growth rates in national economies but also because of loss of value of many currencies. In 1971 every 1 % appreciation of the DM was accompanied by premium losses of 9 million DM in the account balances.⁸ As a result of the appreciations of the DM, the share of foreign business in the gross premium income ran contrary to the long-term trend, dropping from 1969 to 1972 from 34 to 31 %, even falling to 29 % after the final collapse of the system of fixed exchange rates.⁹ Despite systematically expanding its foreign business, MR could not at first compensate for the relative stagnation of premium growth – compared to domestic business – with its successes in acquiring foreign cédents. However, the collapse of the Bretton Woods system and the appreciation of the DM had less of an impact on MR than on Swiss Re, which derived a significantly higher share of its premium income from soft currency countries like the U.S., Great Britain, France, and Italy, and a lower share in hard currency countries like Germany, Switzerland, and Japan. Since MR's foreign business also grew more than average in the 1970s, it earned 40 % of its gross premium abroad in 1978.¹⁰ The reduction of gross premium revenues in the foreign business caused by currencies was compensated for by the greater rise in the premium level abroad what was generated by inflation.

Nonetheless, these purposefully calculated accounting profits from DM appreciations still cannot be seen as the beginning of systematic and professional currency management on the part of MR. For example, in 1969 MR registered a depreciation loss of 80,000 DM because it had overfunded its reserves in French francs by about 700,000 DM.¹¹ Despite the growing profit opportunities – or dangers of loss – from exchange rate fluctuations, it did not include the banks in its hedging transactions, keeping its currency management under its own control. Above all, cost considerations and MR's need for foreign currency were crucial to the company's hesitancy to engage in bank-managed hedging, as were its own experiences in currency management and its adherence, in principle if not in deed, to currency congruence between its assets and liabilities.

The board of management rejected the offers of the major banks to make foreign currencies available to MR at fixed rates based on a certain date (that

is, in three or six months) on account of the high costs and the difficulty of calculating the need for foreign currencies.¹² Managing its own foreign currencies proved to be successful. Since MR underfunded its foreign currency reserves from 1973, except for Swiss francs and the yen, it made a currency profit every year.¹³ MR's location in the hard-currency Federal Republic of Germany constituted a competitive advantage over its English, French, and Italian competitors that should not be underestimated. Moreover, there were institutional limits to optimizing its loss reserves from foreign currency standpoints. Even in liberal economies such as that of the U.S., government insurance regulators required that a minimum of loss reserves be invested in domestic government debt securities such as U.S. treasury bonds. Investing loss and free reserves in general became more demanding and uncertain in the early 1970s on account of currency risks.

The introduction of a single European currency was a distant dream in the 1970s. The visionary plan of Luxemburg minister president Pierre Werner to have a monetary union was not yet well received in the early 1970s among the governments of the European Community states. The European Monetary System (EMS) introduced in 1979 had maximum exchange rate fluctuations and obligated the European central banks to intervene in foreign currency markets, but it could only stabilize rates for the short term. Since the reference rates of the EMS regularly had to adjust to developments in the foreign currency markets, the DM's value appreciated several times. In 1978 board of management member Fritz Sonnenholzner, in a presentation before the supervisory board and the board of management, stated with regret that the introduction of a common currency even within the European Community was still "a utopia."¹⁴

In some hard-currency states with heavy incoming flows of foreign capital investments such as Switzerland and Japan, foreign account holders had to pay penalty interest that was supposed to slow down the flow of money. A further means for limiting foreign cash deposits was a ban on paying interest, which at a time of increasing inflation rates was tantamount to slowly eating up one's assets. Shifting capital investments to a securities account was not an option in Switzerland or Japan on account of restrictions on foreigners purchasing securities. As the Bundesbank had restricted securities purchases by foreign investors since 1971 and imposed a high capital gains tax on foreign cash deposits, MR was subjected to retaliatory measures with comparable restrictions in some states. MR successfully intervened with the Bundesbank and in the German Federal

Economics Ministry in 1973. Thereafter, foreign reinsurers were no longer subjected to these restrictions.

These measures to reduce the free flow of cash and capital ran contrary to the liberal principles of the Bundesbank and the Schweizer Nationalbank and could only be explained by the inflationary pressure of the early 1970s. The constant flow of foreign cash deposits in the two European states with the lowest inflation rates led to a rise in the amount of money and threatened the already precarious stability of prices. Even though the Bundesbank made controlling the amount of money as a means of fighting inflation a high priority in 1974, the Central Bank Council had already seen too much growth in the amount of money as a danger to its goal of stability beforehand.

MR faced the dilemma of advocating the Bundesbank's consistent measures to fight inflation out of its own interest but having to accept negative reactions of other states to the anti-inflationary policies of the Bundesbank. Thus, the Swiss and Japanese measures to combat the inflow of foreign cash deposits also had a negative impact on MR's business results. From 1970, the rising inflation in Germany and other countries turned into a serious problem. The wage-driven price hikes were reflected in motor insurance in the rising average costs for settling accident claims. Calculating in the future rate of inflation was only possible to a limited extent despite the sophisticated econometric prognostic models of the German Council of Economic Experts (the "Five Wise Men"). Direct insurers were only able to adjust premiums to a higher price level later on. Although motor vehicle liability policies contained a clause for adjusting the premium to prices, rate increases limped along behind the price increases.¹⁵ They were only allowed to be rounded down on a full 5 % according to the guidelines of the Insurance Supervisory Office. In 1969/70 prices in motor vehicle liability insurance had risen by 9.4 % whereas the premium had only been raised by 5.0 %.

In fiscal year 1970/71, MR's earnings problem briefly became more severe. Heavy losses in motor insurance and in industrial fire insurance, which was once again in crisis, contributed to record negative results for MR, comprising a total actuarial loss of 70.7 million DM.¹⁶ Since MR's results also grew worse in the quota reinsurance contracts, it pushed emphatically for a reduction of the commission rates even among its friendly cedents.¹⁷ In order to compensate for the heavy actuarial losses, MR withdrew 12 million DM from its special reserve for major losses. Even so, the earnings were not sufficient to maintain the usual dividend level of 18 % of the share capital. For the first time in the postwar period, MR had to reduce its dividends to 15 %. At a press confer-

ence about the balance, chairman of the board of management Jannott explained that MR “had been set back exactly one year in its internal reserve power.” Jannott characterized the business result with unusually dramatic words as MR’s communication to the outside was otherwise rather reserved: “It got under our skin but not into our flesh!”¹⁸ His warning “We are not ready to commit suicide for direct insurers!” was directed especially at motor insurers, from whom MR expected concessions in the reinsurance commission to cover the heavy actuarial losses. Three years later than British reinsurers, MR was confronted with the risk of inflation in the reinsurance business that excess loss policies presented.¹⁹

Since the Insurance Supervisory Office permitted two premium increases on 1 January and 1 August 1971, reinsurers were able to improve the sharply negative results in motor insurance the following year. The actual result in the liability, casualty, comprehensive branch was thus improved from –62.4 million DM (1970/71) to –27.0 million DM (1971/72). In fiscal year 1971/72, the difference between liabilities and assets diminished considerably, albeit without disappearing. MR once again had to take a significant actuarial loss of 40 million DM, although a surplus in the general business and, above all, from interest and dividend earnings of 60 million DM, compensated for this.²⁰ In light of the poor earnings situation that kept getting worse, MR did not yet return to its usual dividend of 18 %, but instead distributed a dividend of 15 % as in the previous year. Refilling the special reserve with 10 million DM took priority over the interests of the shareholders. In fiscal year 1972/73, the development of costs and earnings normalized to the point that MR once again registered a slight positive actuarial result of 9 million DM. Although it put 12 million DM back into the major loss reserve, the profit was sufficient for a dividend of 18 % once again.²¹

The restructuring of the motor insurance business was not only dependent on the accelerated adjustment of premiums to the costs and the reaction time of the state Insurance Supervisory Office. A bundle of automotive technical innovations and traffic-policy interventions was responsible for reducing the number of traffic deaths step by step from the all-time high of 19,000 in 1970, as well as for the significant improvement in the relationship between the number of personal vehicles and the number of traffic accidents with (severely) injured persons. Technical innovations on the part of auto manufacturers, such as dual-circuit brakes, laminated safety glass and crumple zones, and especially the seatbelt that was as inconspicuous as it was effective, reduced the number of severely injured and dead. Legislative measures such as the intro-

duction of 100 km/h speed limit on rural highways (1972) helped to implement less risky behavior in traffic. The first oil price crisis in 1973/74 not only led to less driving on account of the considerable increase in the cost of gasoline and several auto-free Sundays, but also made it possible to temporarily impose a rigid speed limit of 100 km/h on the autobahns, which reduced the number of accidents.²² Direct insurers and reinsurers profited to the same extent from politically uncontroversial but decidedly effective interventions in traffic policies. The falling fatality rate in road traffic impacted the life insurance segment as well. Fatality gains increased because of the lower likelihood of death during the term of an insurance policy.

MR also profited from high premium revenues and its life insurers' (Berlinische Leben, Karlsruher Leben, and Hamburg-Mannheimer) gains from increased state support for employee capital accumulation. The Third Law for the Promotion of Capital Accumulation ("624-Mark Law") also gave employees with average income an incentive to invest in long-term savings in the form of a life insurance policy. Among the life insurers in the Allianz/MR Group, this was reflected in a significant rise in newly generated life insurance policies and in a growing volume of premiums.

The Hamburg-Mannheimer, in particular, was able to make great gains from the increase in state support for saving with its strong position in the mass market and experienced greater growth than its competitors. According to the estimates of its board of management, 70 % of its new business in 1970 derived from newly concluded policies that would not have been taken out if the capital accumulation law had not existed.²³ The boom in new business only ended in 1972, when the life insurance market among employees temporarily showed signs of saturation, before it once again experienced strong growth in 1975 and continued to do so thereafter.²⁴ Actuarial innovations such as dynamic life insurance policies with rising premiums and insured sums dispelled customers' fears that their capital investment would be devalued by inflation. Thanks to the relatively high real interest level, interest earnings from life insurance policies exceeded the rate of inflation, which reached a high in the Federal Republic in 1972 and 1973 of 7 %.

On the other hand, inflation led a Hamburg-Mannheimer subsidiary into a crisis that threatened its existence, from which it was only able to emerge with the aid of a capital investment by MR. The private health insurance company DKV suffered a loss of 19 million DM on account of rising costs in ambulatory and inpatient treatment and for medicines of an average of 23 %; this loss ate up a large portion of its equity capital. Premium adjust-

ments to the rising costs of health care came too late for restructuring the DKV.²⁵ As its equity capital was used up and Hamburg-Mannheimer could not afford to recapitalize the DKV with its own resources, Allianz and MR provided the capital increase from 15 to 30 million DM. This made them majority owners of the DKV with joint shares of 53 % and added the company to their group. Hamburg-Mannheimer's supervisory board chairman Alois Alzheimer demonstrated more courage than the board of management of the Hamburg life insurer, which was skeptical about the future prospects of the DKV and private health insurance and had opted to bow out.²⁶ After significant premium increases, the DKV once again managed to generate a gross surplus of 33 million DM and distributed a dividend of 14.5 %, which still exceeded that of Hamburg-Mannheimer (12 %).²⁷

As early as 1972, MR used an opportunity to expand its investments in direct insurers. It acquired a 43 % share of the Nord-Deutsche und Hamburg-Bremer Versicherung (NDHB) from the Deutsche Bank. It added this to the already existing 5 % to form a capital share of 48 %, which it was able to build up to 91.5 % by 1975.²⁸ The NDHB was in 14th place among private property insurers according to its equity capital and was not able to assert itself in a lasting way in the market because of its small size.²⁹ For this reason, its board of management and its supervisory board decided in 1975 to integrate the company into Hamburg-Mannheimer, which was able to found its own property insurance company by means of this acquisition: the Hamburg-Mannheimer Sachversicherungs AG.³⁰ A factor favoring the integration of the NDHB in Hamburg-Mannheimer was the Hamburg life insurer's very effective sales apparatus, which could also be used for selling property and motor insurance policies. After NDHB was integrated, MR, Allianz and Hamburg-Mannheimer each held a 30.5 % share in it.

MR found itself in an ambivalent position in regard to the decision about integrating the NDHB into Hamburg-Mannheimer. Munich Re doubted whether NDHB could have an independent future as a major shareholder. As a reinsurer, it had to expect a loss of premiums as a consequence of its integration. In the 1960s and 1970s, MR tended to regard mergers between direct insurers with skepticism since larger insurers needed less reinsurance percentage-wise. When its interest as a capital owner was affected, as in the case of the NDHB, it gave up its neutral position on mergers. However, NDHB's integration into Hamburg-Mannheimer did not, at first, prove profitable for MR since Hamburg-Mannheimer Sachversicherungs AG generated a deficit of a total of 6.7 million DM in 1977 and 1978.³¹

The earnings crisis in motor insurance, which was caused by inflation, did not shake MR up much, but it did temporarily weaken its earnings. The bankruptcy of the Herstatt private bank of Cologne in 1974, too, only unsettled MR's board of management for a short time. Since the insurance entrepreneur Hans Gerling was the majority owner of the Herstatt bank with an 84 % share and had to bear its 210-million DM in liabilities, the insurance industry briefly feared that industry outsider Gerling might go bankrupt as well. The Gerling Group also had its own reinsurance company, Gerling Globale. In October 1974 MR expected more and more anxious Gerling cedents to make inquiries about finding coverage with MR should Gerling collapse.³² But there was no run of Gerling cedents over to MR. As Hans Gerling sold 51 % of his shares in the Gerling Group to Zürich Versicherung and to the HDI, thus being able to cover his payment obligations from the Herstatt bankruptcy,³³ the problem of Gerling resolved itself without the help of other insurers.

Whereas the Gerling Group was restructured without MR's help, the restructuring of the Deutscher Ring required its help in 1979. The Deutscher Ring had suffered losses of 30 million DM in life insurance for foreign workers, which was called the guest worker business at that time, on account of high cancellation rates and the high costs of administering and issuing policies.³⁴ It was only thanks to MR's advocacy that the Federal Supervisory Office for the Insurance Industry [Bundesaufsichtsamt für das Versicherungswesen, BAV] extended its deadline for the restructuring of the major cedent Deutscher Ring.³⁵ The threat that this company would be stripped of its permission to conclude new policies and would be forced into a trusteeship if restructuring failed was still present, however. For the price of a majority share, MR was not disinclined to get financially involved in the restructuring of the Deutscher Ring. Since the Deutscher Ring was able to be restructured without investments from other insurers by means of comprehensive rationalization measures and liquidating its hidden reserves, this strategic consideration of expanding its group possessions quickly became moot. The Deutscher Ring also continued to be 70 % owned by the Bielefeld industrial family Oetker. When the Deutscher Ring Sachversicherung was restructured at the same time, however, the owners proved to be financially overstrained. In order to tie the Deutscher Ring's good customers more closely to itself, MR took on 60 % of the deficit total of 6 million DM. Beyond this 3.6 million DM, MR held out the prospect of further restructuring assistance of 1.4 million DM to the Deutscher Ring.³⁶

The efficient and effective regulation of insurance was among the institu-

tional strengths of the Federal German economy. Whereas several major insurers went bankrupt in foreign markets such as Great Britain in the early 1970s, MR did not need to fear any defaults from insolvent direct insurers in its domestic business. Since the reinsurance contracts in most cases were only concluded for one year, the risk of direct insurers' defaulting on payments (del credere risk) to reinsurers had tight limits in any case. Although the insurance regulatory agencies in other countries were not as successful as that of Germany in preventing bankruptcies, MR did not have to "register any notable defaults due to the insolvency of our cedents," according to an internal statement by the chief financial officer Sonnenholzner.³⁷

MR did experience some small bad debt from the Bremen shipping company DDG Hansa, with which MR had been involved as a shareholder and long-term creditor. As the DDG Hansa garnered a substantial portion of its sales volume in freight transport with Iran and this business shrank dramatically after the Islamic revolution, its restructuring was inevitable in 1980. MR invested 15 million DM in the recapitalization of the DDG Hansa in June 1980. Since the DDG Hansa nonetheless suffered a total loss of 195 million DM in 1980 and the new capital stock was quickly exhausted once again, it had to apply for debt consolidation in 1980.³⁸ The fleet was sold to Hapag-Lloyd, and the DDG Hansa was liquidated.

In the mid-1970s, in consequence of the shifting structure of the economy, MR had to deal with insurance for major technological risks in Europe that had previously only played a significant role in engineering insurance on the American market. With the first oil price crisis of 1973/74 and the quadrupling of the oil price by OPEC (the Organization of Petroleum Exporting Countries), the extraction of oil and gas in the North Sea by means of floating oil rigs became cost-effective. Oil rigs presented an unknown risk that was difficult to calculate, not only because of the high construction costs and the high danger of natural hazards like storms or rough swells. Direct insurers and reinsurers had to take the risks during assembly and transport of the oil rigs and the probability of fire damages into consideration alongside the constant risk of natural hazards. Completely insuring an oil rig was a complex actuarial operation in which, in addition to natural hazard insurance, machine and engineering insurance, fire insurance, transit insurance and also liability insurance had to be integrated into a combined policy.³⁹

In the case of an exposed risk like an oil rig, there was a probable maximum loss of 100 %, in contrast to industrial facilities and mines, so the capacity requirements were also greater in relation to the total value of the

object. Moreover, alongside the usual liability risk of damages to persons and third parties (such as supply ships), there was also a new kind of liability risk from environmental damages resulting from escaping oil that had to be calculated into the policy. Since both fishermen and residents of oil-contaminated stretches of coastline could make insurance claims on account of additional costs and lost revenues, the liability risk of oil rigs confronted insurers with complex legal and actuarial problems. The amount and the legal conditions for the liability to recourse had not been clarified any more than the probable maximum loss that could be causally attributed to a leaking or totally destroyed oil rig platform. Experiences with large tanker accidents could not be transferred to oil rigs because the liability for environmental damages in maritime shipping was complicated and contradictory.⁴⁰

In 1974 MR founded an underwriting pool for ocean engineering that extended over the various divisions, and in the following year, this was expanded into its own ocean engineering division.⁴¹ Already in 1976, it had to contribute 1.1 million DM to the settlement of a major loss when the oil rig “Deep Sea Driller” capsized on 1 March 1976 in the North Sea and sank, so that the total value of \$17.5 million had to be written off.⁴² Since the oil rig sank while being transported to an oil field and had not yet extracted any oil, the liability damages were limited to the life and casualty insurance policies of the workers who had been injured or killed. When the oil rig “Ecofisk” went up in flames in April 1977 after a blowout and large amounts of oil flowed into the North Sea, the insurers were also confronted with the problem of environmental liability. As MR was only indirectly and not very heavily involved in the reinsurance of the “Ekofisk,” this spectacular accident was reflected in MR’s loss report with only 0.2 million DM.⁴³

The challenges of the reinsurance business in a technologically advanced society with a high standard of living were particularly evident when large natural catastrophes occurred. Whereas MR had to cope with a net loss of 18 million DM after the devastating flood of 1962, Hurricane Capella, which lasted from the 2 to 4 of January 1976, generated net damages for MR of 101 million DM. The reason for this high amount could not be found in the hurricane itself. In contrast to the flood of 1962, the heightened and reinforced dikes on the North Sea, the Lower Elbe and in Hamburg withstood the flood. The total sum of losses of 870 million DM (at the price level of 1976) was somewhat less than the total losses of the Hamburg flood in real terms, which had amounted to 750 million DM at the price level of 1962.⁴⁴ Whereas the flood of 1962 cost 350 people their lives, there were only 17

deaths in 1976. Since Hurricane Capella did not generate any spectacular catastrophic images, in contrast to the flood of 1962, it did not make its way into the communicative and cultural memory of Germans.

Unlike in the flood of 1962, a much larger portion of the damaged objects had been insured against the consequences of a natural catastrophe. In 1962 the largest portion of the damages had been caused by flooding, for which there had been no insurance protection. In 1976 the storm was the dominant cause of damage, for which insurance protection in the form of storm insurance existed. The storm risk was included in the insurance policies for machines and vehicles, which is why the storm damages resulted in higher insurance benefits. Because the number of personal vehicles had almost tripled since 1962, there were correspondingly higher losses that had to be covered from comprehensive motor insurance policies. On account of the high number of individual claims, it took two years for all direct insurers to settle with MR. With a gross loss of a total of 177.4 million DM, Hurricane Capella was by far the largest loss event that the MR had faced up to that point.⁴⁵ The massive costs of this gross loss were reduced to 100.9 million DM thanks to comprehensive retrocessions on the London market (umbrella cover).

Owing to its high reserves, MR was able to bear the costs of this loss without impacting the shareholders. The actuarial results in the foreign business, which were good all in all, balanced out the greater part of the actuarial net loss in the domestic business, so that the actuarial total result for fiscal year 1976/77, at -15 million DM was much better than in the worst fiscal year 1970/71.⁴⁶ Although MR refrained from taking out its profits from currency rate gains, the 50 million DM it received from cash deposits and capital investments was entirely sufficient to cover the actuarial loss. Since the board of management followed a very constant policy of dividend distribution, 45 million DM were taken out of a special equalization fund for major losses in order to distribute the usual dividend of 18%.⁴⁷ MR remained true to its practice of continuous dividends. The ongoing dividends were supposed to convey to the insurance industry, the shareholders and the public that MR nurtured its relationship to its shareholders and was also able to equalize significant fluctuations in its earnings. As early as fiscal year 1977/78, MR was already able to halfway refill its equalization fund with a 22 million DM allocation.

20. Conclusion

A company history of Munich Re has to consider several different dimensions. It is the history of a world market leader and pioneer of globalization, the history of managing risk sharing and dealing with risks. But it is also the history of a partnership unparalleled in this form between a major reinsurer and a major direct insurer, and, last but not least, it is the history of a German company that profited from the National Socialist dictatorship and had to find its way back onto the world market after both world wars.

If one looks for constants in this many-sided history and for a comprehensive pattern, then the decidedly transnational nature of the business is a particularly noticeable characteristic. It counts as one of the firm traits of reinsurers or, to put it in Carl Thieme's words: "Reinsurance has to be international in accordance with its nature." To set business up internationally is the foremost command of risk management in this type of insurance because a reinsurer can best mix the assumed risks by distributing them over many countries. Naturally, this does not yet explain a further constant in the history of this company: its prominent position on the world market. Few companies have risen to become world market leaders with the same rapidity, and very few have succeeded in maintaining their top position on the world market for such a long time. Founded in 1880, Munich Re had already become a multinational company before the First World War with its U.S. subsidiary. For about 125 years, it has always been the largest or second largest reinsurance company in the world, in close competition with Swiss Re.

Munich Re was also shaped in many another respect by the nature of its business. A reinsurance company does not do direct insurance business and, accordingly, it does not have public branch stores. Business is conducted in the offices of the headquarters, in earlier times via mail, and today via electronic media. What counts here is not rapid gains but long-term contracts. From this, MR developed its own style. Its staff size never reflected its impressive market power, it built its headquarters outside the city, its communications to the outside world remained limited to what was most necessary,

but the activity within this company was always associated with a solid reputation, and applicants had to fulfill many requirements.

The steep rise of MR in the decades after its founding was conditioned primarily by three factors. First of all, it was only possible because in the two leading insurance nations in the world at that time, Great Britain and the U.S., risks were shared by means of coinsurance policies. For a long time, these countries had no reinsurance companies. Professional reinsurance emerged as a Central European specialty and was, to a certain extent, a response to Britain's dominant position. Another factor was that the company managed during Carl Thieme's time to develop a sustainable basis for reinsurance with new principles like the quota system and profit-sharing for cedents. Thieme did not implement this shift alone, but he contributed more than others to it. A third factor was the company's early and consistent expansion in international business; it was of decisive importance and distinguished MR from its competitors. Thieme managed to create a network of cedents in numerous countries via capital investments that secured a significant head start for MR. As a risk-taking CEO, he went into markets that seemed too insecure to others. At that time, however, it was truer than today that the growth of a reinsurer beyond a certain size could be self-reinforcing. Direct insurers, out of self-interest, look for the most high-performing, experienced, and well-connected reinsurer who can give them the necessary backing even in difficult times. Consequently, market leaders in this segment have a competitive advantage that can only be overcome with difficulty. Yet this advantage is no guarantee of continued existence but can be gambled away by mismanagement or the wrong investment strategy or be lost due to external shocks.

MR's success story was by no means automatic. The company experienced a deep drop as a result of the First World War. The U.S. business, which had been MR's flagship and most important moneymaker before the war, no longer existed. The large Russian market had likewise been lost, and the remaining foreign business was in danger of breaking off because of the hyperinflation in Germany. That MR survived this difficult phase unharmed was due to several strategically correct decisions on the part of its new chairman of the board of management Wilhelm Kißkalt. This is especially true of the founding of the Swiss subsidiary Union Rück, which provided secure backing in a hard-currency country. Even more decisive was the close partnership with Allianz, founded by Thieme and several other MR supervisory board members, which rose to become the largest German direct insurer. In

the domestic market, MR was able to shore itself up with Allianz, which fed it with a reinsurance quota of 50 % at first and then later 30 %. From the time Allianz began expanding quickly in the 1920s, the two together comprised by far the largest group within the German, and even the European, insurance industry. The rank of this group was never called into question by any competitor, but it was often viewed critically as an excessive concentration of economic power that was also reflected in a corresponding power of association. By the way, this configuration did not come into being through some master plan. The founders of Allianz had thought of this company more as a direct insurer to complement MR. They could not have imagined that mutually reinforcing growth would emerge from this.

At that time, a special company model evolved for MR that proved to be very durable. Much of it was structured around hedging. Long-term contracts counted for more than rapid gains, conservative assessments of investments and of its total equity capital became a trademark of the company. Stability was guaranteed by the close ties with Allianz and a network of international business partnerships and capital investments that remained in place despite all the changes in the relationships to the respective countries. On account of its own financial power, MR was not dependent on the banks. Although the Merck, Finck & Co. bank, which had been one of MR's founders, remained a major shareholder and appointed supervisory board chairman August von Finck until 1945, it no longer had any influence on business policy. This robust model proved its worth at a time when many insurers collapsed and numerous scandals erupted in the industry.

This model proved to be very stable after the Second World War as well. MR had lost its entire foreign business and could only begin to return to the world market after several years. The entire German insurance industry had suffered severely under inflation and the currency reform. Yet the old ties remained. Allianz and the common subsidiaries, via their quotas, ensured that MR would be involved in the emerging economic boom, which then provided for two decades of extraordinarily strong growth. Rising real salaries led to a boom in demand among German direct insurers, particularly among life insurers, the two largest of which – Allianz Leben and Hamburg-Mannheimer – belonged to the Munich Re/Allianz Group.

Although the international business grew fast from the mid-1960s, the structures were little changed by this, except perhaps for the rapidly rising number of employees at MR. The major European reinsurance companies jointly formed a new club, the "cari amici." But this was not new, either, but

rather a continuation of international networking that MR had previously engaged in, also during World War II with another political orientation. MR's successful return to the U.S. market did, however, make an important difference. The United States was never the largest foreign market for MR, but in the history of the company, it was this market that determined again and again whether MR was in a position to expand on the world market. MR owed its big breakthrough in the 1890s to the U.S. business. After the First World War, it had not managed to play a more significant role there. Only from the 1960s was this once again the case.

MR was substantially involved in settling major claims from the late 19th century when it had expanded its business to all of Europe and North America. Even the largest losses never presented it with financial problems. Of course, the fact that the settlement of such claims was distributed among an ever larger number of insurers also contributed to this. Nevertheless, many reinsurers did not survive these sorts of tests, whereas MR hardly had to resort to its loss reserve on account of its premium volume, its sophisticated actuarial toolbox and its high hidden reserves. The earthquake of San Francisco on 18 April 1906 was long the highest loss even in the history of Munich Re, at least in relation to its premium volume – at that time, the company contributed about \$2.6 million (€63 million today). It was able to come up with this sum without any major difficulties. MR also paid quickly, although Thieme only wanted to pay for fire damages and not earthquake damages as a matter of principle. Only after several months did he decide to accommodate demands for such payment to keep from losing the important U.S. market. Sixty years later, MR experienced major losses of a new dimension caused by natural catastrophes in the U.S., that is, from Hurricane Betsy of September 1965. The storm damages caused by Hurricane Capella in 1976 were even more expensive. In Germany, the largest loss event to date was the Hamburg flood of February 1962, with a sum of about 9 million euros.

In the time period investigated in this study, MR never experienced difficulties on account of economic crises, either. It survived these crises better than large competitors. This was true of the hyperinflation of 1923 and the world economic crisis of the early 1930s but also for the comparatively moderate crises of the 1970s. In the world economic crisis, it became apparent that the engineering insurance business was quite insensitive to a recession of that type because the loss ratio dropped in important insurance segments along with a reduction in industrial production and the amount of traffic. That so many insurers collapsed at that time was mostly due to risky finan-

cial transactions, mismanagement, or the wrong business model. Munich Re often got involved in the restructuring of such cases, functioning to restore order in crises on account of its market power. The takeover of the FAVAG subsidiaries, the cleansing tasks after the Wiener Phönix scandal of 1936, and the restructuring of the DKV in the 1970s were prominent examples. In addition, Munich Re also just got lucky because its numerous investments made it subject to the danger of having to pay for the high deficits of others. It was almost pulled into the downfall of the Viennese life insurance company Phönix and the scandal associated with it, for instance.

Currency fluctuations and inflationary periods that devalued money presented greater dangers to Munich Re in its history than recessions. After all, an insurance policy is a transaction with money values. An insurer operating transnationally or globally also feels an impact from currency fluctuations if it has access to considerable foreign currency reserves. After the collapse of the international fixed currency rate system of Bretton Woods at the beginning of the 1970s, the share of MR's foreign business on its premium volume retracted significantly at first.

The most difficult setbacks for which even the Munich Re model was not equipped came from the end of the two world wars. The years after both world wars were, without a doubt, the nadirs in the history of the company. Unlike the period prior to 1918, however, Munich Re had profited in the framework of the National Socialist expansion policy before 1945.

The behavior of the company's leadership in the Third Reich is the dark chapter of this company history. Although Munich Re was not directly involved in the looting of Jewish policyholders and in SS transactions, it was indeed indirectly involved as a reinsurer. The slogans of the National Socialists did not fit in at all with the principles of this internationally oriented company attentive to trust and decorum, which had ties, often close ones, to many business partners of Jewish heritage, yet the board of management complied with all the expectations of the National Socialists in power. Board of management members Kißkalt and Alzheimer joined the Nazi Party early on and of their own free will. Among the staff, by contrast, the share of party members was relatively low. Among the approximately 450 employees of Munich Re at that time, there were apparently no Jews – with one exception that cannot be confirmed.

Whereas chairman of the board of management Kißkalt came into contact with those in power more through his legal expertise in discussions of the Akademie für Deutsches Recht [Academy for German Law], this was

not the case with his successor, former Allianz CEO Kurt Schmitt. He practically worshiped the bigwigs of the regime like Göring with absolute credulity that stood in glaring contradiction to his sharp intellect, his worldly manner and his dominant personality. With Göring's protection, Schmitt became the Reich economics minister in mid-1933 – an office that he relinquished after one year on account of irreconcilable differences over the priorities of economic policy. Schmitt was also a member of the SS and the Circle of Friends of the Reichsführer SS and had a good relationship with Himmler. There are rather clear indications that Schmitt was against the murder of the Jews, but he did sit at one table with the perpetrators. In the industry, Munich Re's chairman of the board of management was the obvious choice as speaker for the private insurance companies, which felt threatened by the politically sponsored public insurers, on account of his political ties and the market power of his group. In these sorts of conflicts, Schmitt intervened again and again and was usually quite successful, also in annexed territories and occupied countries.

Despite its significant foreign business, Munich Re did not suffer any major disadvantages from the foreign currency controls and the autarky efforts of the Third Reich. The insurance industry was able to implement special regulations for which Schmitt's ties must have been useful. According to the company's own calculations, Munich Re overtook Swiss Re in 1935 and, for the first time since the First World War, once again became the world market leader. MR profited from the looting of the Jews in various ways. The gains that life insurers made from cancellations of Jewish policies and the confiscation of Jewish policies because only the surrender price had to be transferred to the Reich also benefited reinsurers through the quota contracts. Moreover, in Munich the company was able to purchase a large number of real estate properties from Jewish ownership below their market value.

Munich Re played a certain special role in the expansion of the German economy into the annexed territories and into the countries occupied during the war on account of its significant foreign business and its numerous capital investments in neighboring countries. Almost everywhere, it had already had close business partners before the war. In Vienna it controlled one of the largest insurance companies before 1938, and in Poland it even controlled more than 50 % of the insurance market before 1939. Munich Re thus had no interest – with the exception of a case in Prague – to use the occupation for acquisitions. As a rule, it was eager to maintain its existing investments in these countries with as little damage as possible. With acquisitions, it only

would have created competition for its own group companies. In this way, it differed from companies like the Deutsche Bank, the Dresdner Bank and the Flick-Konzern, but also from Allianz, which, for example, did not acquire a significant capital investment in Vienna until after the “annexation.” In these countries, Munich Re often positioned itself protectively before direct insurers it was invested in, or before particular managers of these companies. At the same time, it was in its most fundamental interest to maintain the carefully developed international network of investments. In 1941 Kurt Schmitt exploited the National Socialist hegemony over continental Europe: in close cooperation with Riunione and Generali, he founded an association of reinsurers that was supposed to fill the gap in the coverage of major risks left by Lloyd’s. However, this association was also eager to push back British insurers for the long term to help give Germany a dominant position.

The history of Munich Re shows how the idea of insurance and the perception of risks have changed during this time period. Again and again, the company contributed to introducing new insurance segments, such as in the case of machine insurance or in life insurance for heightened risks. Direct insurers often only dared to enter into such new markets if they could cede most of the risk or even all of it to Munich Re. Many times, direct insurers and Munich Re, in developing new offers, were also simply following technological developments such as in the case of fully comprehensive motor insurance and transit insurance for airplanes or air freight.

The division of the reinsurance business into different segments reflects the structural changes of the entire insurance industry. For a long time, the fire insurance business, one of the oldest insurance segments, generated the most premiums for Munich Re. This began to change when Allianz became a significant transit insurer, but especially through the expansion of the life insurance segment, which became the most important segment, with motor insurance later joining it. By increasingly differentiating their palette of offers, insurers wished to win new customers in a saturated market. Assimilating to the international market was also an important factor at this point, for example, in the introduction of product liability insurance in the 1960s. In several instances, Munich Re provided the impetus for working out internationally binding criteria for differentiating between insurable and uninsurable risks. In case of doubt, the industry had to bend to the respective national legislation. By consensus, earthquakes were considered an uninsurable risk in Europe, at least not insurable in the context of fire insurance. But in the U.S. and Japan, this clause had no validity in fire insurance policies. For war

risk, life insurers finally agreed after a long run up to cover it with a surcharge. Fire insurers, on the other hand, excluded all war risks. Before the Second World War, transit insurers introduced clauses that no longer allowed ship cargo to be covered on land in case of war.

The company history of Munich Re, moreover, shows how the assessment of risk has changed. Even the major reinsurers merely followed their cedents for a long time. They assumed the risks that the cedents chose to reinsure and set the rate in relation to their deductible. A loss-heavy business or a financially strapped cedent was a bad risk. Only in the 1920s were statistically supported rates developed, first of all for insurance against heightened risks and later, above all, in the field of insurance for major technology, such as airplanes. In the 1970s, fundamental changes took place that were closely associated with the implementation of the use of electronic data-processing technology. Since then, reinsurers have assessed risks also on the basis of prognoses supported by scientific expertise, for example, in the field of geophysics or meteorology.

Munich Re's business model nonetheless remained largely unchanged even in the 1970s. The crossholdings with Allianz and the close cooperation between the two companies, also in the context of so-called Germany, Inc., were not called into question. For the first time, Munich Re had significant business in all parts of the world and was internationally set up but hardly had any non-German employees at its headquarters, and certainly not at the management level. The language used within the company continued to be German. The homogeneous composition of the board of management contributed substantially to its ability to persist in the use of German. All of its members had forged their careers within the company, were strongly shaped by Munich Re's company culture, and were committed to upholding this culture and passing it on. To be sure, Munich Re continued to be very successful with this model. Its attention to profitability over volume had proven to be as correct as its conservative principles in financing and balancing accounts. In-house careers had generated chairmen of the board of management that made the company the envy of its competitors. Only Eberhard von Reininghaus, the first chairman of the board of management after the war, had not forged his career at MR but was certainly suited like hardly anyone else to leading Munich Re out of its Nazi past. His dominating successor Alois Alzheimer embodied all the expectations associated with outstanding CEOs of major companies during this period. Alzheimer's successor Horst Jannott had a knack for combining the

tried and true principles of Munich Re with the trend toward modernization of the 1970s.

The next major break in the company history of Munich Re occurred later when globalization accelerated and the company split from Allianz. Moreover, Münchener Rück began to present itself as Munich Re. It goes without saying that many patterns changed with this shift, bringing an end to the business model of “Münchener Rück” as described in these pages. An investigation of the subsequent changes and the history of “Munich Re” since the 1980s has to be reserved for a future study. Such a study will then be able to judge these changes from a greater distance and will hopefully be based on archival sources from this time.

Appendix

Notes

Part I: The Company's Rise, Acid Tests, and Setbacks (1880–1932)

2. The Beginnings of Reinsurance: The Long Path to Equality

- 1 Albert Schug, *Der Versicherungsgedanke und seine historischen Grundlagen*, Beiträge zu Grundfragen des Rechts 6 (Göttingen, 2011).
- 2 This contract is reprinted with commentary in Bernd Mossner, *Die Entwicklung der Rückversicherung bis zur Gründung selbständiger Rückversicherungsgesellschaften* (Berlin, 1959), 28 ff.; Werner Sack, *Die deutsche Rückversicherung in der Entwicklung*, Veröffentlichungen des Instituts für Versicherungswirtschaft an der Universität Leipzig, 6 (Leipzig, 1941), 48 ff.; Enrico Bensa, *Il Contratto di Assicurazione nel Medio Evo* (Genoa, 1884), Doc. VIII. See also Edwin W. Kopf, “Notes on the Origin and Development of Reinsurance,” *Proceedings of the Casualty Actuarial Society (Casualty Actuarial Society)* XVI (1929): 26; Klaus Gerathewohl, *Rückversicherung. Grundlagen und Praxis*, Vol. 2 (Karlsruhe, 1979), 653.
- 3 Sack, *Rückversicherung*, 52 ff.; Mossner, *Entwicklung*, 46 ff. It was also a widespread practice for an insurer to spread risk by concluding contracts with a variety of customers.
- 4 Sack, *Rückversicherung*, 52 ff.
- 5 Peter Koch, *Geschichte der Versicherungswirtschaft in Deutschland* (Karlsruhe, 2012), 26 f.
- 6 *Ibid.*, 30 ff.; Franz Büchner, “Die Entstehung der Hamburger Feuerkasse und ihre Entwicklung bis zur Mitte des 19. Jahrhunderts,” in *300 Jahre Hamburger Feuerkasse* (Karlsruhe, 1978), 1–49.
- 7 Kopf, “Notes,” 27 f.
- 8 See Frederick Martin, *The History of Lloyd's and of Marine Insurance in Great Britain* (Clark, NJ, 2004).
- 9 “118 Jahre ohne Rückversicherung,” *Zeitschrift für Versicherungswesen* 16, no. 21 (1965): 851 f.
- 10 Mossner, *Entwicklung*, 75 ff.
- 11 On the South Sea Bubble of 1720 see, among others, John Carswell, *The South Sea Bubble* (Stanford, 1960); Charles P. Kindleberger and Robert Z. Aliber, *Manias, Panics, and Crashes: A History of Financial Crises*, 6th ed. (New York, 2011), 158 f.
- 12 Geoffrey Wilson Clark, *Betting on Lives: The Culture of Life Insurance in England, 1695–1775* (Manchester, 1999), 21 f.
- 13 Mossner, *Entwicklung*, 76 f.; Gerathewohl, *Rückversicherung*, 2:24; “118 Jahre ohne Rückversicherung,” 851 f.

- 14** The first insurance company in Hamburg was founded as a marine insurance company, just like the Assecuranz-Kammer [Insurance Chamber of Commerce] established in Berlin that same year. Not until 1779 was a fire insurance stock corporation founded, the Fünfte Hamburgische Assekurranz-Compagnie, which was the only early German insurance company that remained on the market for a long time. This firm became insolvent after the great fire of Hamburg in 1842. Alexander Müsener, *Die Entwicklung der Aachener Feuer-Versicherungs-Gesellschaft im 19. Jahrhundert unter besonderer Berücksichtigung ihrer Allgemeinen Versicherungsbedingungen* (Hamburg, 2008), 37 ff. See also Sack, *Rückversicherung*, 76 f.
- 15** Kopf, “Notes,” 28.
- 16** *100 Jahre Kölnische Rückversicherungs-Gesellschaft* (Cologne, n.d. [1952]), 19.
- 17** See Hans Christoph Atzpodien, “Die Entwicklung der preußischen Staatsaufsicht über das private Versicherungswesen im 19. Jahrhundert, unter besonderer Berücksichtigung ihres Verhältnisses zum Wirtschaftsliberalismus,” PhD diss., Universität Bonn, 1982, 24 ff.
- 18** The chronicle for the 100th anniversary of Kölnische Rück already pointed this out. *100 Jahre Kölnische Rückversicherungs-Gesellschaft*, 30.
- 19** Quoted from the reprint of the document in *ibid.*, 15.
- 20** *Ibid.*, 12 f. Von Hollitscher regards the reinsurance association, Rückversicherungsverein der Niederrheinischen Güterassekuranzgesellschaft, which was founded in Wesel in 1842 and only engaged in transit insurance, as the first professional reinsurance company in the world. Carl Heinrich von Hollitscher, *Internationale Rückversicherung* (Berlin, 1931), 98.
- 21** Sack, *Rückversicherung*, 138 f.
- 22** *100 Jahre Kölnische Rückversicherungs-Gesellschaft*, 54 ff.; Koch, *Geschichte*, 86.
- 23** Koch, *Geschichte*, 87. In the case of Aachener Rückversicherung, the decisive impetus for the founding was apparently actually the great fire of Hamburg of 1842. Gerathewohl, *Rückversicherung*, 2:738 f.
- 24** Sack, *Rückversicherung*, 143 f.
- 25** Tobias Straumann, “Der unsichtbare Riese: Die Geschichte von Swiss Re 1863–2013,” in Harold James, ed., *Swiss Re und die Welt der Risikomärkte. Eine Geschichte* (Munich, 2014), 338 ff.; Robin Pearson, “The Birth Pains of a Global Reinsurer: Swiss Re of Zürich, 1864–79,” *Financial History Review* 8, Part 1 (April 2001): 27–47; Eleonora Rohland, *Sharing the Risk: Fire, Climate and Disaster. Swiss Re, 1864–1906* (Lancaster, 2011), 28 ff.
- 26** Straumann, “Riese,” 338 f.
- 27** Kopf, “Notes,” 40.
- 28** Robin Pearson, “The Development of Reinsurance Markets in Europe during the Nineteenth Century,” *Journal of European Economic History* 24 (1995): 551–71, cf. especially 569 ff. (quote on 569).
- 29** *100 Jahre Kölnische Rückversicherungs-Gesellschaft*, 59 f.
- 30** *Ibid.*, 59.
- 31** Straumann, “Riese,” 354–51; Pearson, “Pains,” 33 ff.
- 32** Quoted in Ludwig Arps, *Auf sicheren Pfeilern. Deutsche Versicherungswirtschaft vor 1914* (Göttingen, 1965), 208. *Wallmann’s Versicherungs-Zeitschrift* had come into being in 1873 with the renaming of the *Preußische Versicherungs-Zeitschrift*. It merged with the *Versicherungspost* in 1921.

- 33 See *ibid.*, 209.
- 34 Straumann, “Riese,” 348.
- 35 A detailed summary of these findings can be found in Martin Herzog, “Was Dokumente erzählen können – Zur Geschichte der Münchener Rück,” rev. by Gerd Hoffmann, ms. (Munich, 2005), pp. 11 f. Conrad Schaefsberg, one of the two directors of Kölnische Rück, held the chairmanship of the Munich Reinsurance Conference from 25/26 Nov. 1868. Aside from him, other leading representatives of Swiss Re, the Austrian reinsurance company Securitas, the two French reinsurers Caisse Générale de Réassurances and Compagnie La Réassurance, as well as the Hungarian Reinsurance Bank and the Hungarian Reinsurance Institution Pannonia, also took part. *Ibid.*, 11, note 66.
- 36 *Ibid.*, 9.
- 37 Arps, *Versicherungswirtschaft*, 209.
- 38 There are no reliable figures concerning the portion of the German reinsurance business conducted by foreign insurers. Walther Meuschel, in his draft on the history of Munich Re, estimates that German direct insurers in 1880 paid reinsurance premiums of a total of 45.5 million marks, whereas German reinsurers in the same year only had premium revenues of 13 million marks, including their foreign business. Walther Meuschel, “Geschichte der Münchener Rück,” Part 1, “Erweiterte Niederschrift eines Referats gehalten am 21. 5. 1963,” ms. (Munich, 1963), p. 15. According to the published statistics presented by Arps in his history of the German insurance industry before 1914, the premium revenues of German reinsurers in 1880, by contrast, amounted to 19.67 million marks. Arps, *Versicherungswirtschaft*, 212.

3. Founding and Beginnings of Munich Re

- 1 K. Bayerisches Staatsministerium des Innern, Abtheilung für Landwirtschaft, Gewerbe und Handel to Bankhaus Merck, Finck et Cie. in Munich, 15 Mar. 1880, Historisches Archiv von Munich Re [hereafter HAMR].
- 2 See Table 1 on p. 32.
- 3 Excerpt from Wilhelm Pemsel’s “Aufzeichnungen (1932–1937),” in HAMR, Personalialia/4.
- 4 Julius Wilhelm Thieme (1816–1892) became an architect at the Thüringische Eisenbahngesellschaft in 1844 and transferred in 1853 to Thuringia Versicherung, where he became a deputy member of the board of management in 1869 and an ordinary member in 1882. Family tree of founder Carl von Thieme, in HAMR; *Amtsblatt der Preußischen Regierung zu Erfurt*, Year 1838, 188; excerpt from the marriage registry of the Protestant Prediger-Pfarrkirche in Erfurt, Year 1940, 78 (transcript 18 Apr. 1936), in HAMR, Personalialia/2; *Thuringia. 100 Jahre einer deutschen Versicherungsgesellschaft 1853–1953* (Munich, 1953), 75 f., 279.
- 5 *Thuringia*, 71.
- 6 *Ibid.*, 60 ff., 82.
- 7 *Ibid.*, 79 f.
- 8 *Ibid.*, 215.
- 9 Reinhard Spree, “Two Chapters on the Early History of the Munich Reinsurance Company: The Foundation/The San Francisco Earthquake,” Munich Discussion Paper No. 2010–11, Department of Economics, University of Munich (Munich, 2010), 5.

- 10** On Oskar Thieme's biography, see in this book, 390, note 55. Carl Thieme always remained in regular contact with his son Oscar and made him an heir alongside his legitimate children.
- 11** Spree, "Chapters," 6.
- 12** Wilhelm Kißkalt, "Erinnerungen an die Münchener Rück," ms. (Garmisch-Partenkirchen, 1953), p. 5.
- 13** Rainer Gömmel, "Der Aufstieg zum führenden bayerischen Finanzplatz (1860er Jahre bis 1914)," in Hans Pohl, ed., *Geschichte des Finanzplatzes München* (Munich, 2007), 131. On this, see Franz Mauelshagen, "Sharing the Risk of Hail: Insurance, Reinsurance and the Variability of Hailstorms, in Switzerland, 1880–1932," *Environment and History* 17 (2011): 173 f.
- 14** *Thuringia*, 216.
- 15** Spree, "Chapters," 5. According to Spree, Knoté worked from October 1872 at Providentia Versicherung in Frankfurt am Main.
- 16** *Ibid.*, 12.
- 17** Quoted in *ibid.*, 11.
- 18** Excerpt from Wilhelm Pemsel's "Aufzeichnungen (1932–1937)," in HAMR, *Personalia/4*. Spree points out that Thieme and Pemsel were both members of a committee of Munich citizens that invited guests on the occasion of Kaiser Wilhelm I's birthday on 20 March 1880 to a banquet. At this point, the license for founding MR had, of course, already been granted. Reinhard Spree, *Eine bürgerliche Karriere im deutschen Kaiserreich. Der Aufstieg des Advokaten Dr. jur. Hermann Ritter von Pemsel in Wirtschaftselite und Adel Bayerns*, with the assistance of Irmgard Robertson, née Pemsel (Aachen, 2007), 309.
- 19** Gömmel, "Aufstieg," 97 f., 112 ff. The Bank für Handel und Industrie (Darmstädter Bank) invested 46.4 % of the capital stock of Merck, Christian & Co. in the amount of 700,000 guilders; Freiherr Theodor von Cramer-Klett contributed 39.3 %. Johannes Biensfeldt, *Freiherr Dr. Th. von Cramer-Klett, erblicher Reichsrat der Krone Bayern. Sein Leben und sein Werk. Ein Beitrag zur bayrischen Wirtschaftsgeschichte des 19. Jahrhunderts* (Leipzig, n.d. [1922]), 125.
- 20** Excerpt from Wilhelm Pemsel's "Aufzeichnungen (1932–1937)," in HAMR, *Personalia/4*.
- 21** Bernhard Hoffmann, *Wilhelm von Finck 1848–1924. Lebensbild eines deutschen Bankiers* (Munich, 1953), 50.
- 22** According to Biensfeldt, the meeting took place in Bernrieth in the Upper Palatinate. Spree was able to demonstrate that it had to have been in Bad Ems, because Thieme was there briefly in May 1879 at a health spa. Biensfeldt, *Cramer-Klett*, 179; Spree, "Chapters," 12.
- 23** Biensfeldt, *Cramer-Klett*, 179 f.
- 24** Spree, "Chapters," 15.
- 25** According to an estimate by Walther Meuschel, German direct insurers paid reinsurance premiums abroad of around 32.5 million marks in 1880. This amounted to a ratio of 71 % of the total sum of their reinsurance premiums (45.5 million marks). Meuschel, "Geschichte," Pt. 1, p. 15. On this, see also p. 375, note 38 in this book.
- 26** On Theodor Cramer-Klett's biography (1817–1884), see Biensfeldt, *Cramer-Klett*; Johannes Bähr, Ralf Banken, and Thomas Flemming, *MAN. The History of a German Industrial Enterprise* (Munich, 2009), 178 ff., 189 ff.; Rosalie Freiin von Cramer-

- Klett, “Freiherr Theodor von Cramer-Klett (1817–1884) – Unternehmer, Visionär und Wegbereiter,” Diplomarbeit Universität Wien (Vienna, 2010); Reinhard Spree, “Der Industrie-Pionier und Finanzier Theodor von Cramer-Klett,” <https://rspreed.wordpress.com/2012/05/23/der-industrie/> [accessed 22 Apr. 2016].
- 27 Kißkalt, “Erinnerungen,” p. 5.
- 28 On Hermann Pemsel’s biography (1841–1916), see Spree, *Karriere*.
- 29 Excerpt from Wilhelm Pemsel’s “Aufzeichnungen (1932–1937),” in HAMR, Personalien/4.
- 30 Kißkalt, “Erinnerungen,” p. 3.
- 31 On Wilhelm Finck’s biography (1848–1924), see Hoffmann, *Finck*.
- 32 *Ibid.*, 53.
- 33 On this see the overview in Gömmel, “Aufstieg,” 131 ff.
- 34 See *ibid.*, 96 ff.
- 35 Münchener Rückversicherungs-Gesellschaft to Franz Steffan, 15 May 1968, in HAMR, AA/319.
- 36 See above p. 19.
- 37 Julius Thieme to Carl Thieme, 11 Apr. 1880, in HAMR, Personalien/25.
- 38 *Ibid.*
- 39 *Ibid.*
- 40 *Thuringia*, 82. After MR had risen to become the world leader, this decision of 1886 was regretted at Thuringia. On this see *ibid.*: “It did not come to this! Why? Was one afraid of losing one’s independence in Erfurt?”
- 41 Herzog, “Dokumente,” p. 18.
- 42 Quoted in *ibid.* Thieme’s letter was published in *Wallmann’s Versicherungs-Zeitschrift* (10 Apr. 1880), in the *Zeitschrift für Versicherungswesen* (1880): 163, and in the *Deutsche Versicherungs-Zeitung* (1880): 224.
- 43 Herzog, “Dokumente,” p. 18.
- 44 Quote from Thieme’s letter to the director of Basler Feuer, Troxler, from 15 Dec. 1881. Quoted in Herzog, “Dokumente,” p. 69.
- 45 Minutes of the first supervisory board meeting on 23 Apr. 1880, in HAMR, AR-P/1; Herzog, “Dokumente,” pp. 26 f. The reinsurance contract with Thuringia was concluded on 20/24 Apr. 1880. *Ibid.*, 42.
- 46 *Thuringia*, 82.
- 47 Minutes of the first supervisory board meeting on 23 Apr. 1880, in HAMR AR-P/1; MR, Geschäftsbericht [annual report] 1880/81.
- 48 MR’s first employees were agents Fiedler, Halder, Kinderle and Ramstetter – http://www.munichre.com/en/corporate/history/re-view_a_magazine/magazine_04.aspx [last viewed on 20 Mar. 2015].
- 49 On Carl Schreiner’s (1854–1948) further career as the manager of MR’s Foreign Department, see pp. 57–62.
- 50 “100 Jahre Münchener Rück 1880–198” (attachment to MR, annual report 1978/79), p. 21; Uli Walter, *Der Umbau der Münchner Altstadt (1871–1914)*, e-publication (Munich, 2013), 42 ff.
- 51 Herzog, “Dokumente,” p. 23.
- 52 *Ibid.*, p. 25 f. Merck, Finck & Co. and Hermann Pemsel concluded the contract with Thieme as MR’s concessionaires.
- 53 *Ibid.*, 26.

- 54 Marcus Lutter, "Der Aufsichtsrat im Wandel der Zeit – von seinen Anfängen bis heute," in Walter Bayer and Mathias Habersack, eds., *Aktienrecht im Wandel*, Vol. 2, *Grundfragen des Aktienrechts* (Tübingen, 2007), 392 ff. Studies on corporate governance in the era of the German Reich show that this was used a lot. See, among others, Hans Pohl, "Zur Geschichte von Organisation und Leitung deutscher Großunternehmen seit dem 19. Jahrhundert," *Zeitschrift für Unternehmensgeschichte* 26 (1981): 163 f.; Carsten Burhop, "Banken, Aufsichtsräte und Corporate Governance im Deutschen Reich (1871–1913)," *Bankhistorisches Archiv* 32 (2006): 3 ff.
- 55 Qtd. in *Thuringia*, 52. On Finck's characteristics, see Hoffmann, *Finck*, esp. 32 f., 53 ff.
- 56 "50 Jahre Münchener Rückversicherung 1930," ms. (draft), 24 Oct. 1930, p. 3, in HAMR; Spree, "Chapters," 21.
- 57 Arps, *Versicherungswirtschaft*, 212.
- 58 On this, see the table on the premium development of MR, Kölnische Rück and Swiss Re from 1880 to 1914 in Harold Kluge, "Der Einfluss des Geschäfts der 'Allianz' auf die Entwicklung der 'Münchener Rückversicherungs-Gesellschaft' in deren ersten fünfzig Jahren (1880–1930)," *Jahrbuch für Wirtschaftsgeschichte* (2006/2): 238. See also Philip Wältermann, *Unternehmererfolg in der Versicherungswirtschaft. Langfristige Erfolgsfaktoren in der Assekuranz* (Berlin, 2008), 136.
- 59 Kluge, "Einfluss," 238.
- 60 Ibid. According to Arps' published information, MR's share of the German reinsurance market in 1880 was 22.5 %. Arps, *Versicherungswirtschaft*, 212.
- 61 Ibid., 249.
- 62 MR, annual report 1880/81; Herzog, "Dokumente," p. 32.
- 63 "Münchener Rückversicherungs-Gesellschaft," *Deutsche Versicherungs-Zeitung* 1896, 193 f. (HAMR, AA/381).
- 64 Julius Thieme to Carl Thieme, 16 May 1880, in HAMR, Personalialia/25.
- 65 Ibid.
- 66 Herzog, "Dokumente," pp. 43 ff.
- 67 On this, see *ibid.*, pp. 32, 42.
- 68 On Swiss Re, see p. 22. Kölnische Rück had given up its French business after some losses in 1870: *100 Jahre Kölnische Rückversicherungs-Gesellschaft*, 60. On Thuringia's reinsurance business abroad, see *Thuringia*, 71.
- 69 "Münchener Rückversicherungs-Gesellschaft," *Deutsche Versicherungs-Zeitung* 1896, 193 f. (HAMR, AA/381).
- 70 Meuschel, "Geschichte," Pt. 1, p. 26.
- 71 "Münchener Rückversicherungs-Gesellschaft," *Deutsche Versicherungs-Zeitung* 1896, 193 f. (HAMR, AA/381).
- 72 Arps, *Versicherungswirtschaft*, 213; Koch, *Geschichte*, 121.
- 73 In its first years of business, MR paid a dividend at the minimum statutory rate of 4 %. By 1889/90, the dividend payments had climbed gradually to 10.5 %. At Kölnische Rück, the dividend shifted in this period at a level between 10 % and 15 %, with the exception of fiscal year 1884/85 (8 %). "Münchener Rückversicherungs-Gesellschaft, Dividenden 1880/81–1914/15," in HAMR, AA/315; Kluge, "Einfluss," 549.
- 74 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29. Consols (consolidated annuities) were issued in various states, including Prussia, as fixed-rate securities with unlimited terms.

- 75 The Österreichische Phönix was founded in 1860 under the name of Anker by the Dresdner Feuerversicherung.
- 76 Minutes of the 10th supervisory board meeting of the Münchener Rückversicherungs-Gesellschaft of 21 July 1881, in HAMR, AR-P/1.
- 77 “Statistik der Prämieinnahmen im Feuergeschäft nach Ländern 1880/81–1902/03,” in HAMR, AA/339.
- 78 See the overview on this in Herzog, “Dokumente,” p. 33.
- 79 Ibid., p. 55.
- 80 Ibid., p. 124.
- 81 According to Meuschel the Hamburg company H. F. M. Mutzenbecher was the first to be granted full general agency powers for MR. Meuschel, “Geschichte,” Pt. 1, p. 30. On the history of the Mutzenbecher family and its insurance companies, see Geert-Ulrich Mutzenbecher, *Die Versicherer. Geschichte einer Hamburger Kaufmannsfamilie* (Hamburg, 1993).
- 82 Herzog, “Dokumente,” p. 63.
- 83 Ibid., p. 39.
- 84 Ibid., p. 38.
- 85 *Deutsche Versicherungs-Zeitung* 1899, 661 (HAMR, AA/381).
- 86 Herzog, “Dokumente,” p. 31.
- 87 MR, annual reports 1880/81–1890/91; Herzog, “Dokumente,” p. 52.
- 88 “Statuten der Münchner Rückversicherung von 1880,” in HAMR, AA/314.
- 89 MR, annual report 1880/1881.
- 90 Arps, *Versicherungswirtschaft*, 249.
- 91 Ibid., 210; Straumann, “Riese,” 354.
- 92 In the first three years after its founding, MR had losses in the fire business (without sub-branches). It did not generate significant profits until 1884/85. Earnings rose for the reinsurance of transit insurance policies to 14 % in fiscal year 1885/86, but then declined steadily for several years. See the table on this in Herzog, “Dokumente,” p. 52.
- 93 *Assekuranz-Jahrbuch* 11 (1890): 272.
- 94 See above, p. 42, Table 2, as well as the tables in Herzog, “Dokumente,” p. 52.
- 95 Hoffmann, *Finck*, 55.
- 96 *Thuringia*, 215.
- 97 Herzog, “Dokumente,” p. 315. On this point, Herzog refers to a note Thieme wrote on 26 March 1886 and a letter he wrote to Pemsel from 5 April 1886.
- 98 “Auszug aus dem Gesellschafts-Register des Königlichen Landgerichts München I, Kammer für Handelssachen,” Münchener Rückversicherungs-Gesellschaft, Bayerisches Wirtschaftsarchiv [hereafter BWA], V 5/2176; Herzog, “Dokumente,” pp. 56 f.
- 99 Victor Bernhardt was a member of MR’s board of management from 1920 to 1930. Herzog, “Dokumente,” p. 74.
- 100 Münchener Rückversicherungs-Gesellschaft, “Feuer, Geschäfts-Resultate im Rechnungsjahr 1890/91,” in HAMR, AA/339.
- 101 Herzog, “Dokumente,” pp. 69 f.
- 102 The Pomoschtsch holdings were later transferred to MR after a corresponding change in its articles of incorporation.
- 103 “Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889,” in HAMR, AA/319. The memo is not signed. Peter Borscheid, in

his history of Allianz, attributes it to Carl Schreiner and suggests that Thieme merely passed it on to the supervisory board. Peter Borscheid, *100 Jahre Allianz 1890–1990* (Munich, 1990), 16. In fact, Schreiner did probably compose the draft of the memo and later claimed to have provided the impetus for the founding of Allianz. Schreiner to Uhlig, 16 June 1930, in HAMR, AA/119. Thieme was not a fan of long memos. He liked to have them written by others, as he did with the Allianz contract of 1921 (see above, p. 116). However, it would not have been in line with Thieme's leadership style to have merely passed on a memo by Schreiner, which was partly written in first-person. Moreover, Schreiner in 1889 was not an MR employee but a board of management's member of the Badische Rück- und Mitversicherungsgesellschaft. The memo surely corresponded to Thieme's ideas so that he can be characterized as its author.

- 104** “Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889,” in HAMR, AA/319.
- 105** Florian Tennstedt, “Die Ablösung privater Haftpflicht durch öffentlich-rechtliche Pflichtversicherung gegen Unfälle: die Folgen für die private Unfallversicherung – ein historischer Rückblick aus aktuellem Anlass,” in Andreas Hänlein and Alexander Roßnagel, eds., *Wirtschaftsverfassung in Deutschland und Europa. Festschrift für Bernhard Nagel* (Kassel, 2007), 485 f. The Kölnische Unfall-Versicherung was founded in 1879 by the banks Sal. Oppenheim jr. & Cie., Deichmann & Co., and A. Schaaffhausen'scher Bankverein. Michael Stürmer, Gabriele Teichmann, and Wilhelm Treue, *Wägen und Wagen. Sal. Oppenheim jr. & Cie. Geschichte einer Bank und einer Familie*, 3rd revised and expanded ed., (Munich, 1989), 284 f.
- 106** Tennstedt, “Ablösung,” 483 ff.; idem and Heidi Winter, “Der Staat hat wenig Liebe – activ wie passiv.” Die Anfänge des Sozialstaats im deutschen Reich. Ergebnisse archivalischer Forschungen zur Entstehung der gesetzlichen Unfallversicherung,” *Zeitschrift für Soziale Reform* 39 (1993): 362–92.
- 107** Tennstedt, “Ablösung,” 492.
- 108** Ibid.; “Unfallversicherung,” in *Meyers Konversationslexikon*, 4th ed., Vol. 19, Jahres-supplement 1891–1892. See Barbara Eggenkämper, Gerd Modert, and Stefan Pretzlik, *Allianz: The Company History 1890–2015* (Munich, 2015), 15.
- 109** “Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889,” p. 7, in HAMR, AA/319.
- 110** “Münchener Rückversicherungs-Gesellschaft, Feuer-Branche, Geschäfts-Resultate im Rechnungsjahr 1890/91, in HAMR, AA/339.
- 111** “Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889,” pp. 3, 7, 9 (quote), in HAMR, AA/319.
- 112** Kluge regards Thieme's intention to take up the direct insurance business as a radical break with the founding principle of the company. Kluge, “Einfluss,” 224.
- 113** See p. 379, note 103.
- 114** “Zeittafel zur Geschichte der Frankona Rückversicherungs AG,” in HAMR, Personalien/17. The Badische Rück- und Mitversicherungsgesellschaft AG had been founded by the banks Hohenemser and Ladenburg. It later worked together closely with the Frankfurter Transport-, Unfall- und Glasversicherungs-AG and renamed itself the Frankona Rück- und Mitversicherungs AG in 1907. Koch, *Geschichte*, 133.
- 115** “Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889,” p. 10, in HAMR, AA/319.

- 116 Borscheid, *Allianz*, 20.
- 117 Ibid., 20, 32; Herzog, "Dokumente," p. 72.
- 118 Rudolf Hensel, *50 Jahre Allianz 1890–1940* (Berlin, 1940), 2; Schreiner to Uhlig, 16 June 1930, in HAMR, AA/119.
- 119 "Aufsichtsrat und Direktion der Allianz," in HAMR, AA/111; Kluge, "Einfluss," 226.
- 120 "Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889," pp. 11 f., in HAMR, AA/319.
- 121 Ibid.
- 122 Schmitt to Kißkalt, 28 June 1930, in HAMR, AA/119.
- 123 Victor Bernhardt, "Gründung der Allianz, 12. 3. 1930," in HAMR, AA/111.
- 124 Walther Meuschel, "Aus der Geschichte der Münchener Rück," Part 2, "Überarbeitete und ergänzte Niederschrift eines Referates, gehalten am 31. 10. 1963," ms. (Munich, 1963), p. 24; Ludwig Arps, *Wechselvolle Zeiten. 75 Jahre Allianz Versicherung 1890–1965* (Stuttgart, 1965), 8.
- 125 Herzog supports this with information from the Deutscher Verein für Versicherungswissenschaft and refers to the law of 17 May 1853, as well as several relevant administrative acts (rescripts) of the Prussian Ministries of the Interior and of Trade and Industry, which can be found in the document collection in Carl Doehl, *Das Versicherungs-Wesen des Preussischen Staates* (Berlin, 1865). Herzog, "Dokumente," p. 77; Deutscher Verein für Versicherungswirtschaft e. V. to Herzog, 5 Aug. 1977, in HAMR, AA/251.
- 126 Hans Pohl, *Historische Skizzen zur Bankassekuranz* (Stuttgart, 2011), 47.
- 127 Kluge, "Einfluss," 224.
- 128 "Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889," p. 12, in HAMR, AA/319. There was apparently a similar rule in the small state of Schaumburg-Lippe, where Allianz first had to prove "its solidity and ability to survive with a portfolio of many years." Quoted in Hensel, *50 Jahre Allianz*, 1.
- 129 Victor Bernhardt, "Gründung der Allianz, 12. 3. 1930," in HAMR, AA/111.
- 130 "Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889," pp. 11 f., in HAMR, AA/319.
- 131 Borscheid, *Allianz*, 30, Eggenkämper et al., *Allianz*, 25.
- 132 Excerpts from Ribbeck's letter of 26 Sept. 1889 and Thieme's reply of 30 Sept. 1889 can be found in Herzog, "Dokumente," pp. 72 f. (with an incorrect spelling of Ribbeck).
- 133 Eggenkämper et al., *Allianz*, 17; Borscheid, *Allianz*, 20; Oechelhäuser to Hammacher, 20 Mar. 1890, BAB, N 2105/35.
- 134 "Aufsichtsrat der Allianz," in HAMR, AA/111.
- 135 On Hammacher's biography, see Alex Bein, *Friedrich Hammacher. Lebensbild eines Parlamentariers und Wirtschaftsführers 1820–1904* (Berlin, 1934). On Oechelhäuser: Wolfgang von Geldern, "Wilhelm Oechelhäuser als Unternehmer, Wirtschaftspolitiker, Sozialpolitiker und Kulturpolitiker," PhD diss., Technische Universität Hannover, 1971. See also Wilhelm Oechelhäuser, *Die sozialen Aufgaben der Arbeitgeber* (Berlin, 1887). Werner von Siemens, who was friends with Hammacher, had recommended him to his cousin Georg von Siemens, who was a member of the Deutsche Bank's board of management, in 1890 because Hammacher was a "respectable, honest man" and had "experience in managing compli-

- cated companies.” Werner von Siemens to Georg Siemens, Jr., 20 July 1890, Siemens-Archiv Akte (SAA) F 207.
- 136** Of Allianz’s capital stock with a nominal value of 4 million marks, Merck, Finck & Co. contributed 1.5 million and the Deutsche Bank contributed 1 million marks. Borscheid, *Allianz*, 20.
- 137** The new company history of Allianz that appeared for its 125th anniversary also refers to this. Eggenkämper et al., *Allianz*, 20.
- 138** *Ibid.*, 27.
- 139** Herzog, “Dokumente,” p. 73; Borscheid, *Allianz*, 481.
- 140** “Retrocessions-Vertrag, 9. 4. 1890,” in HAMR, AA/327; Borscheid, *Allianz*, 30.
- 141** Herzog, “Dokumente,” p. 74, Borscheid, *Allianz*, 27.
- 142** Cf. Kluge, “Einfluss,” 227.
- 143** Eggenkämper et al., *Allianz*, 18.
- 144** *Annalen des gesamten Versicherungswesens* (1890): 138 (HAMR, AA/259). See also Herzog, “Dokumente,” p. 72. In this case, Herzog mixes up Allianz Rückversicherung with Allianz Versicherungs-AG.
- 145** Excerpt from Manfred Knoke, “Aus heiteren und düsteren Tagen entschwindender Zeit,” in HAMR, AA/259; *Deutsche Versicherungs-Presse* 1897, 235 (HAMR, AA/259).
- 146** Herzog, “Dokumente,” pp. 60 f. Gustav Ritter von Mauthner (1848–1902) joined the Österreichische Creditanstalt in 1869, which was founded by Anselm Salomon Rothschild; in this period it became the largest bank of Austria-Hungary. In 1889 von Mauthner became the general director of the Österreichische Creditanstalt. He held several positions on various supervisory boards and also belonged to the upper chamber of the Austrian imperial parliament, the Herrenhaus.

4. Conquering the World Market and the Earthquake of San Francisco

- 1** Minutes of the 26th supervisory board meeting of 18 Feb. 1885, in HAMR, AR-P/3 (Excerpt in HAMR, AA/10).
- 2** This figure is supported by an internal note at MR from 1977. EU 7 – Ricout, “Notiz für Reise Moskau, 3. 3. 1977,” in HAMR, AA/8; see also Herzog, “Dokumente,” p. 124.
- 3** That Russian business with Kölnische Rück was far less is shown, among other things, in the “Notiz für Herrn Dr. Freund betr. Darstellung der Kölnischen Rück über ihr Russlandgeschäft,” n.d. in HAMR, AA/8.
- 4** Erik Amburger, *Deutsche in Staat, Wirtschaft und Gesellschaft Russlands. Die Familie Amburger in St. Petersburg 1770–1920* (Wiesbaden, 1986), 149; Herzog, “Dokumente,” p. 128.
- 5** Peter Borscheid, “Europe: Overview,” in idem and Niels Viggo Haueter, eds., *World Insurance: The Evolution of a Global Risk Network* (Oxford, 2012), 45.
- 6** Herzog, “Dokumente,” p. 129; Ehrenfried Schütte, *Das Versicherungswesen der Sowjetunion* (Berlin, 1966), 12 ff.
- 7** This figure is supported by an internal note at MR from 1977. EU 7 – Ricout, “Notiz für Reise Moskau, 3. 3. 1977,” in HAMR, AA/8; see also Herzog, “Dokumente,” p. 124.

- 8 Herzog, "Dokumente," p. 78.
- 9 Ibid., p. 130.
- 10 EU 7 – Ricout, "Notiz für Reise Moskau, 3. 3. 1977," in HAMR, AA/8; Münchener Rück to St. Petersburger Compagnie "Nadeshda", 2 Nov. 1895, in HAMR, AA/728.
- 11 Herzog, "Dokumente," p. 127.
- 12 Ibid., 128.
- 13 Wehner, "Die Entwicklungsgeschichte der Münchener Rückversicherungs-Gesellschaft, Vortrag 21. 3. 1962," in HAMR, AA/10.
- 14 Herzog, "Dokumente," p. 127.
- 15 Ibid., pp. 40, 128; "Notiz Wehner betr. Geschichte der MR, 29. 3. 1963," in HAMR, AA/403.
- 16 Peter Borscheid, "Vertrauensgewinn und Vertrauensverlust. Das Auslandsgeschäft der deutschen Versicherungswirtschaft 1870–1945," *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 88, no. 3 (2001): 319.
- 17 Meuschel, "Geschichte," Pt. 1, p. 40.
- 18 Schreiner to W. Pemsel, 12 Mar. 1941, in HAMR, Personalia/8.
- 19 Pemsel, "Aufzeichnungen," n.d., in HAMR, Personalia/14.
- 20 Meuschel, "Geschichte," Pt. 1., p. 8 (excerpt in HAMR/Personalia/8).
- 21 Herzog, "Dokumente," p. 147.
- 22 Ibid.
- 23 Ibid.; Meuschel, "Geschichte," Pt. 1., p. 40.
- 24 Meuschel, "Geschichte," Pt. 1., p. 40.
- 25 "Ein bedeutender Deutsch-Amerikaner," *Bayerische Staatszeitung*, 14 Feb. 1934, in HAMR, Personalia/8.
- 26 "Ein lebendiges Kapitel Rückversicherungsgeschichte," *Rückversicherungs-Rundschau*, 5 Apr. 1934 (HAMR, Pers./8).
- 27 Wilhelm Pemsel, who had worked for some years in the Foreign Department, later described Uhlig as "a Saxon with a great talent for languages, who spoke really good English." Pemsel, "Aufzeichnungen," in HAMR, Personalia/17.
- 28 Herzog, "Dokumente," p. 149.
- 29 Pemsel, "Aufzeichnungen," in HAMR, Personalia/17.
- 30 Herzog, "Dokumente," p. 150.
- 31 Ibid., pp. 84, 154.
- 32 Ibid., p. 150.
- 33 "Statistik der Prämieinnahmen im Feuergeschäft nach Ländern 1880/81–1902/03," in HAMR, AA/339. Foreign Department sales are given in this source in British currency for U.S. business as well. The exchange rate between the British pound and the mark vacillated little from 1890 to 1914, since there were fixed exchange rates between the two currencies on account of the gold standard. 10 pounds sterling was equivalent to 202.37 marks in 1891, 203 marks in 1906 (mid-year for each). Jürgen Schneider, Oskar Schwarzer, and Friedrich Zellfelder, eds., *Währungen der Welt I: Europäische und nordamerikanische Devisenkurse 1777–1914*, Subvol. 3, (Stuttgart, 1991), 340 f.
- 34 *Deutsche Versicherungs-Zeitung*, 1898, p. 484 (HAMR, AA/16).
- 35 Straumann, "Riese," 361; Rohland, *Risk*, 42.
- 36 Herzog, "Dokumente," p. 97.

- 37 “VSek – Küppers, Entstehung des USA-Geschäfts der Münchener Rück, 16. 5. 1977,” in HAMR, AA/16.
- 38 Excerpt of the minutes of the supervisory board meeting on 11 Nov. 1911, in HAMR, AA/546.
- 39 “The First Reinsurance Company of Hartford, Beteiligung der Münchener 1911/12–1920/21,” *ibid.*; Munich Re-Insurance Company, United States Department, to Münchener Rückversicherungs-Gesellschaft, 28 Oct. 1912, *ibid.*; Thorsten C. Kölmel, *Das Auslandsgeschäft deutscher Versicherungsunternehmen in den USA* (Frankfurt am Main, 2000), 230.
- 40 Pemsel, “Aufzeichnungen,” in HAMR, Personalia/8.
- 41 Herzog, “Dokumente,” p. 522. One year after MR, its Russian business partner Ros-sija opened a branch in Hartford for the fire reinsurance business. Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge, MA, 2004), 531.
- 42 “Erinnerungen an Carl Schreiner und das Foreign Department,” *ms.*, no author, n.d., in HAMR, Personalia/17.
- 43 Kluge, “Einfluss,” 230.
- 44 Meuschel regards the stated ratio of 40 % of the premiums of all professional reinsurers rightly as too high. According to Meuschel, MR took in 39.4 % of fire insurance premiums, a third of the transportation premiums, and 72 % of the life and casualty premiums among the 38 German reinsurance companies. Meuschel, “Geschichte,” Pt. 1, p. 47.
- 45 Cornelius Torp, *Die Herausforderung der Globalisierung. Wirtschaft und Politik in Deutschland 1860–1914* (Göttingen, 2005); Peter E. Fäßler, *Globalisierung* (Cologne, 2007), 74 f.
- 46 Boris Barth, “Möglichkeiten einer Globalgeschichte der Finanzwirtschaft,” in idem, Stefanie Gänger, and Niels P. Petersson, eds., *Globalgeschichten. Bestandsaufnahme und Perspektiven* (Frankfurt am Main, 2014), 114.
- 47 Herzog, “Dokumente,” pp. 161 f.
- 48 *Ibid.*, pp. 756 ff.; “Notiz betr. Nippon Feuerversicherungs-Gesellschaft, Tokio,” in HAMR, AA/1.
- 49 Meuschel, “Geschichte,” Pt. 1, p. 46.
- 50 *Ibid.*
- 51 Wehner, “Die Entwicklungsgeschichte der Münchener Rückversicherungs-Gesellschaft, Vortrag 21. 3. 1962,” in HAMR, AA/10.
- 52 The Mannheimer Versicherungsgesellschaft received two-thirds of its premiums from abroad before 1914. Borscheid, “Vertrauensgewinn,” 328. On Bosch, see Johannes Bähr and Paul Erker, *Bosch. History of a Global Enterprise* (Munich, 2015), 73. It was similar with Bayer’s paint business. Cf. Torp, *Herausforderung*, 103, 105.
- 53 Paul Guggenbühl, “Schweizerische Rückversicherungs-Gesellschaft 1863–1938,” *ms.* (Zurich, 1939), p. 62 (Swiss Re Company Archives 10. 108 184 [hereafter SRCA]).
- 54 Pearson, “Development,” 506. See also Herzog, “Dokumente,” p. 247; Arps, *Allianz*, 30.
- 55 Hollitscher, *Rückversicherung*, 101.
- 56 *Ibid.*, 101 f.
- 57 Herzog, “Dokumente,” p. 197.

- 58 Christopher Kobrak, "USA: The International Attraction of the US Insurance Market," in Borscheid and Haueter, eds., *World Insurance*, 282 f.; Wilkins, *History*, 529 f.
- 59 Wilkins, *History*, 529.
- 60 *Ibid.*, 531.
- 61 Cornel Zwierlein, *Der gezähmte Prometheus: Feuer und Sicherheit zwischen Früher Neuzeit und Moderne* (Göttingen, 2011), 75; Lionel E. Frost and Eric L. Jones, "The Fire Gap and the Greater Durability of Nineteenth Century Cities," *Planning Perspectives* 4 (1989): 337–347.
- 62 Arps, *Versicherungswirtschaft*, 650.
- 63 Clive Trebilcock, *Phoenix Assurance and the Development of British Insurance*, Vol. 2: *The Era of Industrial Giants, 1870–1984* (Cambridge, 1998), 263 f.
- 64 *Ibid.*, 263. Arps calculates the converted losses from the Great Baltimore Fire at 200 million marks. Arps, *Versicherungswirtschaft*, 651.
- 65 Arps, *Versicherungswirtschaft*, 651.
- 66 MR, annual report 1904/05.
- 67 Arps, *Versicherungswirtschaft*, 650 f.; losses amounted to a converted value of about 670 million marks for the Great Chicago Fire. *Ibid.*
- 68 Tilmann J. Röder, *Rechtsbildung im wirtschaftlichen Weltverkehr. Das Erdbeben von San Francisco und die internationale Standardisierung von Vertragsbedingungen (1871–1914)* (Frankfurt am Main, 2008), 52.
- 69 *Ibid.*, 54.
- 70 "Memorandum an den Aufsichtsrath der Münchener Rückversicherungs-Gesellschaft, 16. 5. 1889," in HAMR, AA/319.
- 71 Röder, *Rechtsbildung*, 53; "Die Ersatzpflicht der Feuerversicherungs-Gesellschaften bei der Katastrophe von San Francisco," *Österreichische Versicherungs-Zeitung* 1906, 135 (HAMR, AA/189).
- 72 Cf. Röder, *Rechtsbildung*, 56. On the earthquake of San Francisco and its consequences, see further idem, "Katastrophe als Katalysator. Der Untergang von San Francisco als Impuls für die Entwicklung einer Weltgesellschaft," in René Unkelbach, Tobias Werron, and Stefan Nacke, eds., *Weltereignisse. Theoretische und empirische Perspektiven* (Wiesbaden, 2008), 203–226; Simon Winchester, *A Crack in the Edge of the World: America and the Great California Earthquake of 1906* (New York, 2005).
- 73 "Die Katastrophe von San Franzisko," *Deutsche Versicherungs-Presse*, 27 Apr. 1906 (HAMR, AA/189).
- 74 *Ibid.*
- 75 *Ibid.*
- 76 Röder, *Rechtsbildung*, 200.
- 77 *Ibid.*, 198.
- 78 *Ibid.*, 199.
- 79 Minutes of the supervisory board meeting of 21 Apr. 1906, in HAMR, AR-P/13.
- 80 *Ibid.* (quote). Walther Meuschel wrote in his history of MR on this: "The proposal of supervisory board chairman Wilhelm Finck to completely discontinue the fire business was, after the supervisory board had at first postponed a decision, certainly not upheld by Finck himself, even though in the general assembly inexpert shareholders had made the same suggestion." Meuschel, "Geschichte," Pt. 1, pp. 45 f.
- 81 MR, annual report 1904/1905.

- 82** Herzog, "Dokumente," p. 183.
- 83** Österreichischer Phönix Wien to Thieme, 10 Aug. 1906, in HAMR, AA/606. On this see Rohland, *Risk*, 111 f.
- 84** Quoted in <http://www.lloyds.com/lloyds/about-us/history/catastrophes-and-claims/san-francisco-1906-earthquake> [accessed 20 Mar. 2015]. See on this Winchester, *Crack*, 326 ff.
- 85** Ten reinsurers from Germany were represented at this conference, including MR and Kölnische Rück; there were three from Denmark, two each from Switzerland (including Swiss Re) and Russia, as well as one each from Austria-Hungary, France, and Italy. "Kollektivschreiben der Rückversicherer, 30. 4. 1906," in SRCA, 10 144 430.02. On this, cf. Röder, *Rechtsbildung*, 74.
- 86** Röder, *Rechtsbildung*, 75; Rohland, *Risk*, 113 ff.
- 87** "Englische Feuerversicherungs-Gesellschaften und ihre Verbindlichkeiten in San Francisco," in SRCA, 10 144 425.01.
- 88** Copy of cablegram received from American Companies dated 1 June 1906, in SRCA, 10 144 425.02.
- 89** Röder, *Rechtsbildung*, 84.
- 90** Winchester, *Crack*, 329.
- 91** Minutes of the 129th supervisory board meeting of 29 June 1906, in HAMR, AR-P/13.
- 92** Cf. Winchester, *Crack*, 329.
- 93** "Agree to Combat Five Welchers," *San Francisco Call* 100, no. 84, 24 Aug. 1906. <http://cdnc.ucr.edu/cgi-bin/cdnc?a=d&d=SFC19060824.2.109> [accessed 20 Mar. 2015].
- 94** *Ibid*; Rohland, *Risk*, 119.
- 95** The two had met a few days after the catastrophe of San Francisco. "Konferenz der Herren Direktoren Grossmann & Thieme am 23. 4. 1906 in Lindau," in HAMR, AA/606.
- 96** Röder, *Rechtsbildung*, 101 f.
- 97** L. A. Redman to Francis Hendricks, Superintendent of Insurance, Albany, N. Y., 11 Sept. 1906, in HAMR, AA/607.
- 98** Spree, "Chapters," 32.
- 99** Herzog, "Dokumente," p. 184.
- 100** Spree, "Chapters," 32.
- 101** Quoted in *ibid*.
- 102** Minutes of the 130th supervisory board meeting of 22 Oct. 1906, in HAMR, AR-P/13.
- 103** Quoted in Herzog, "Dokumente," p. 182. See also Eggenkämper et al., *Allianz*, 46.
- 104** Minutes of the 130th supervisory board meeting of 22 Oct. 1906, in HAMR, AR-P/13. On Allianz's takeover of the Süddeutsche Feuerversicherungs-Bank see Eggenkämper et al., *Allianz*, 47 f.
- 105** Minutes of the 130th supervisory board meeting of 22 Oct. 1906, in HAMR, AR-P/13.
- 106** Kießkalt, "Erinnerungen," p. 36.
- 107** Herzog, "Dokumente," p. 181; Munich Re, press release of 29 Dec. 2005.
- 108** "Entstehung des USA-Geschäfts der Münchener Rück, 16. 5. 1977," in HAMR, AA/16.
- 109** Deutsche Bundesbank, "Kaufkraftäquivalente historischer Beträge in deutschen Währungen, 16 12014," <http://www.bundesbank.de/Redaktion/DE/Standardar>

- tikel/Statistiken/kaufkraftvergleiche_historischer_geldbeträge.html [accessed 20 Mar. 2015].
- 110** MR's gross premium revenues for fiscal year 1905/06 amounted to 150,440,000 marks, in fiscal year 2005 they comprised 19.16 billion euros. MR, annual reports of 1905/06 and 2005.
- 111** Minutes of the 130th supervisory board meeting of 22 Oct. 1906, in HAMR, AR-P/13.
- 112** Meuschel, "Geschichte," Pt. 1, p. 46.
- 113** *Neumanns Zeitschrift für Versicherungswesen* 1930, p. 1200 (HAMR, AA/187); Herzog, "Dokumente," p. 127.
- 114** "Eine Grenzerfahrung für die Assekuranz," *Süddeutsche Zeitung*, 17 May 2010. The Norddeutsche Feuerversicherung, the Transatlantische Feuerversicherung and the Süddeutsche Feuerversicherungs-Bank, among others, had liquidity problems on account of the catastrophe of San Francisco. Eggenkämper et al., *Allianz*, 47.
- 115** Hollitscher refers to American figures, according to which MR paid the highest amount for losses from San Francisco (\$2.25 million), ahead of Rossija (\$1.57 million), Aachener Rück (\$1 million) and Kölnische Rück (\$858,000). Hollitscher, *Rückversicherung*, 147.
- 116** Kerry A. Odell and Marc D. Weidenmier, "Real Shock, Monetary Aftershocks: The 1906 San Francisco Earthquake and the Panic of 1907," *Journal of Economic History* 64 (2004): 1002–1027. See also Robert F. Bruner and Sean D. Carr, *The Panic of 1907: Lessons Learned from the Market's Perfect Storm* (Hoboken, NJ, 2007).
- 117** Munich Re, press release of 29 Jan. 2005. According to current Munich Re statistics generated by Geo Risks Research, the losses amounted to \$524 million. <http://www.iii.org/fact-statistic/earthquakes-and-tsunamis> [accessed 20 Mar. 2015].
- 118** Hollitscher, *Rückversicherung*, 147. MR's contribution in this table is given as \$2.2 million.
- 119** Ibid.
- 120** <http://www.lloyds.com/lloyds/about-us/history/catastrophes-and-claims/san-francisco-1906-earthquake> [accessed 20 Mar. 2015].
- 121** <http://firemansfundtimeline.com/year=1906&story=SanFranciscoEarthquake> [accessed 20 Mar. 2015].
- 122** For example, a piece on MR in the *greenpeace magazin* from March 2011 tells the following story: "From Germany Carl von Thieme arrived ... and managed the situation in as uncomplicated a fashion as possible: He drew up a check for eleven million marks, endorsed it with the blue ink of his fountain pen and thus settled his share of the total losses. The Americans were impressed by the seriousness of the German insurer." Vito Avantario, "Der Weltversicherer," *greenpeace magazin*, no. 3 (2011), <https://www.greenpeace-magazin.de/der-weltversicherer/> [accessed 20 Apr. 2016].
- 123** Wältermann, *Unternehmererfolg*, 101, note 381.
- 124** Röder, *Rechtsbildung*, 136 f.
- 125** Ibid., 121 ff., 353 f.
- 126** Ibid., 214.
- 127** Ibid., 232.
- 128** Ibid., 264.
- 129** Meuschel, "Geschichte," Pt. 2, p. 9.

5. Munich Re before the First World War

- 1 “Personal-Statistik seit 1880,” in HAMR, AA/403.
- 2 Herzog, “Dokumente,” p. 200.
- 3 Note by Wehner concerning the history of MR, 29 Mar. 1963, in HAMR, AA/403.
- 4 “Personal-Statistik seit 1880,” *ibid.* Interns were not trained at MR until 1948.
- 5 Interview with Herr Hosp, in HAMR, AA/403.
- 6 Kißkalt, “Erinnerungen,” p. 7.
- 7 Interview with Herr Hosp, in HAMR, AA/403.
- 8 *Ibid.*
- 9 “Beitrag zur Geschichte der Münchener Rück, 11. 10. 1963” (from reports of former employee Schmidler, who joined MR in 1901), *ibid.*
- 10 Herzog, “Dokumente,” p. 314; note by Wehner concerning the history of MR, 29 Mar. 1963, in HAMR, AA/403.
- 11 See the transcripts and summaries of eyewitness interviews in HAMR, AA/403.
- 12 Interview with Herr Roth, in *ibid.*
- 13 Herzog, “Dokumente,” p. 314.
- 14 Note by Wehner concerning the history of MR, 29 Mar. 1963, in HAMR, AA/403. This note summarizes a conversation that its author had with former employee Ludwig Schaflitzl. Schaflitzl joined MR in 1906.
- 15 “Personal-Statistik seit 1880,” in HAMR, AA/403; Meuschel, “Geschichte,” Pt. 2, p. 10.
- 16 Herzog, “Dokumente,” p. 203.
- 17 *Ibid.*, 203 f. (with a long quotation from Finck’s speech at the general assembly of 28 Dec. 1911).
- 18 “Münchener Rückversicherungs-Gesellschaft,” *Annalen des gesamten Versicherungswesens* (1910): 727 f. (HAMR, AA/328).
- 19 *Ibid.*
- 20 *Ibid.*, 727.
- 21 Herzog, “Dokumente,” p. 202; “100 Jahre Münchener Rück 1880–1980” (attachment to MR, annual report 1978/79), p. 28.
- 22 Herzog, “Dokumente,” p. 206.
- 23 *Annalen des gesamten Versicherungswesens* (1910): 914 (HAMR, AA/329).
- 24 Minutes of the 158th supervisory board meeting of 20 Feb. 1911, in HAMR, AR-P/16 (excerpt in HAMR, AA/329); Herzog, “Dokumente,” p. 204.
- 25 Eduard Oswald Bieber (1876–1900), who was a member of the Deutscher Werkbund, later built, among other things, the Borstei housing development on Dachauer Straße together with Bernhard Borst. He was substantially involved in several National Socialist construction projects (Haus des Deutschen Rechts [House of German Law], barracks of the SS-Standarte Deutschland). The Park-Café on Sophienstraße was built to his design at that time.
- 26 Fritz Erler (1868–1940) and Reinhold Max Eichler (1872–1947) were among the outstanding representatives of the post-Impressionist art scene in Munich. On Erler, Eichler, and the art circle “Die Scholle,” see Siegfried Unterberger, Felix Billeter, and Ute Strimmer, eds., *Die Scholle. Eine Künstlergruppe zwischen Sezession und Blauer Reiter* (Munich, 2007).
- 27 Max Rittenberger, “Art as a Factor in Business – Some Object Lessons in Modern

- Germany,” *International Review of Commerce and Industry* (May 1914). Quoted from the translation in HAMR, AA/329.
- 28 “50 Jahre Münchener Rückversicherung,” p. 9.
 - 29 Kißkalt, “Erinnerungen,” p. 2.
 - 30 Cf. H. von Pemsel to W. Pemsel, 22 June 1909, quoted in Spree, “Chapters,” 35.
 - 31 Kaempf to H. von Pemsel, 20 Jan. 1909, quoted in Herzog, “Dokumente,” p. 316. Johannes Kaempf (1842–1918), a banker and later president of the Reichstag, represented the Bank für Handel und Industrie on MR’s supervisory board.
 - 32 Kißkalt, “Erinnerungen,” p. 2.
 - 33 Herzog, “Dokumente,” p. 316.
 - 34 Ibid.; Kißkalt, “Erinnerungen,” p. 2.
 - 35 See above, p. 36.
 - 36 H. von Pemsel to W. Pemsel, 22 June 1909, quoted in Spree, “Chapters,” 35.
 - 37 H. von Pemsel to W. Pemsel, 9 Feb. 1909, quoted in *ibid.*
 - 38 H. von Pemsel to W. Pemsel, 22 June 1909, quoted in *ibid.*
 - 39 Ibid. The wedding between Walter Thieme and Hertha Schreiner in 1907 was a marriage of love and was not related to any business considerations of their two fathers. Walter Thieme was a pastor at the Berlin city mission. The couple was allegedly supported financially by Carl Schreiner.
 - 40 H. von Pemsel to W. Pemsel, 22 June 1909, quoted in *ibid.*
 - 41 Wilhelm Kißkalt, “Die Vollstreckbarkeit kalifornischer Urteile in Deutschland,” *Leipziger Zeitschrift für Handels-, Konkurs- und Versicherungsrecht* 1, no. 10 (1 Oct. 1907): cols. 689–702 (HAMR, AA/606).
 - 42 Kißkalt, “Erinnerungen,” p. 7.
 - 43 Ibid., p. 7 f.
 - 44 MR, annual report 1913/14.
 - 45 Herzog, “Dokumente,” p. 192.
 - 46 Interview with Herr Hosp, in HAMR, AA/403.
 - 47 Kißkalt, “Erinnerungen,” p. 9; Siegmund Kurzthaler, “Hotel Pension und Bad im Schlosse Weißenstein Windischmatrei in Tirol,” *Osttiroler Heimatblätter* 69, no. 6 (2001): n.p.
 - 48 Herzog, “Dokumente,” p. 318.
 - 49 Else Thieme (from 1914 von Thieme), née von Witzleben (1861–1946), was from a noble Thuringian family and had grown up at Schloss Daun in the Eifel region.
 - 50 Beate Menke, *Die Riemerschmid-Innenausstattung des Hauses Thieme Georgenstraße 7*, Schriften aus dem Institut für Kunstgeschichte der Universität München 37 (Munich, 1990), 6 ff. Today, the Institute of Art History of Ludwig-Maximilians University of Munich is located in this building. At Georgenstraße 5 (originally Georgenstraße 1) Heinrich Merck, the cofounder of the bank Merck, Finck & Co., had acquired a villa in 1884. Hermann Pemsel bought the property at Georgenstraße 2 in 1889 (originally Georgenstraße 18) and had a villa built there. Spree, *Karriere*, 280 f.
 - 51 The music salon and study were lavishly decorated to the design of Art Nouveau artist Richard Riemerschmid (1868–1957), a member of the Deutscher Werkbund. Menke, *Riemerschmid-Innenausstattung*, 61. The dining room at MR’s directorate in the first administrative building on Maffeistraße had already been furnished in Art Nouveau style according to a design by Riemerschmid. Kißkalt, “Erinnerun-

- gen,” p. 5. On Riemerschmid see Winfried Nerdinger, *Richard Riemerschmid. Vom Jugendstil zum Werkbund. Werke und Dokumente* (Munich, 1982).
- 52** Kurzthaler, “Hotel Pension und Bad im Schlosse Weißenstein Windischmatrei in Tirol.” The current owners are three descendants of Carl von Thieme, with equal shares: Kay Thieme, Jörg Demus, and Christian Lange.
- 53** On Friedrich (Fritz) Thieme (1871–1951) see Herzog, “Dokumente,” p. 325.
- 54** Carl Thieme Jr. (1874–1967) was first an officer and, in 1913, had taken over the management of the Austrian branch of the Nationale Versicherung, a Hungarian associated company of MR. See *ibid.*, 325 f.; “Stammbaum Familie des Gründers Carl von Thieme,” in HAMR.
- 55** Oskar Thieme (1863–1946) worked for insurers in Paris, Great Britain, and the United States. In the U.S., he became co-owner of the company Snow & Thieme, which represented Schweizer National, among others. In 1923 he became a member of the board of management of the insurance brokerage Hafag Heinrich Fraenkel AG in Berlin. HAMR, Personalia/15 Oskar Thieme; “Stammbaum Familie des Gründers Carl von Thieme,” in HAMR; Spree, “Chapters,” 12; Herzog, “Dokumente,” pp. 564 f.
- 56** “Münchener Rückversicherungs-Gesellschaft, Dividenden 1880/81–1914/15,” in HAMR, AA/315.
- 57** MR, annual report 1913/14.
- 58** MR, annual report 1914/15.
- 59** Kluge, “Einfluss,” 228 ff. For the profit figures, one must consider that the profit published in the annual report is not necessarily the same as what was indicated in the tax return.
- 60** Calculated from the tables in Kluge, “Einfluss,” 238, 241.
- 61** *Ibid.*, 229.
- 62** Meuschel, “Geschichte,” Pt. 1, p. 46.
- 63** Herzog, “Dokumente,” pp. 506 f.
- 64** Borscheid, *Allianz*, 33; Herzog, “Dokumente,” p. 511.
- 65** Thieme to Kifskalt, 23 Nov. 1918, quoted in Herzog, “Dokumente,” p. 265.
- 66** Herzog, “Dokumente,” pp. 83, 86, 567.
- 67** *Ibid.*, pp. 88, 553. On the founding of Providentia see above p. 54.
- 68** Herzog, “Dokumente,” p. 88.
- 69** *Ibid.*, p. 522.
- 70** According to Herzog, Thieme was a member of the supervisory or administrative boards of the following insurance companies: Allianz (from 1905), Alleanza (Genoa), Anatolie (Athens), Bayerischer Lloyd, Germany (Berlin), Elementar-Phönix (Vienna), Europäische Güter- und Reisegepäck-Versicherung (Budapest), Fides, Franco-Hongroise, Globus, Lebens-Phönix (Vienna), Oberrheinische Versicherungs-Gesellschaft (Mannheim), Prudentia, Schweizerische National-Versicherung (Basel), Securitas (Vienna), Universal (Vienna), Urania (Dresden). *Ibid.*, p. 315.
- 71** *Ibid.*, p. 81.
- 72** See Table 7 on p. 93. On the investment in Lebens-Phönix see pp. 90, 196 f.
- 73** Herzog, “Dokumente,” pp. 109, 404.
- 74** Kifskalt, “Erinnerungen,” p. 10; Herzog, “Dokumente,” pp. 110 ff.; Koch, *Geschichte*, 158; Eggenkämper et al., *Allianz*, 50 f.; Münchener-Rück-Gruppe, annual report 2004, p. 29.

- 75 Herzog, "Dokumente," pp. 112–120. MR only had a 60 % share of the pool's business; Allianz had 20 %, Providentia and Schweizer National each had 10 %. *Ibid.*, 117.
- 76 *Ibid.*, 107; Eggenkämper et al., *Allianz*, 40 f.
- 77 Herzog, "Dokumente," p. 522.
- 78 "Akttenotiz betr. Europäische Güter- und Reisegepäck-Versicherung," n.d., in Archiv der ERGO Versicherungsgruppe AG [hereafter ERGO-Archiv], Bestand ERV, Nr. Q 0009–00046.
- 79 Herzog, "Dokumente," p. 524.
- 80 Koch, *Geschichte*, 261.
- 81 See Christoph Maria Merki, *Der holprige Siegeszug des Automobils 1895–1930. Zur Motorisierung des Straßenverkehrs in Deutschland, Frankreich und der Schweiz* (Vienna, 2002).
- 82 Herzog, "Dokumente," pp. 388 f.
- 83 "50 Jahre Münchener Rückversicherung," p. 16.
- 84 Meuschel, "Geschichte," Pt. 1, p. 47.
- 85 See Michael Tigges, *Geschichte und Entwicklung der Versicherungsaufsicht* (Karlsruhe, 1985).
- 86 Nils Kößler, *Die Versicherungsaufsicht über Rückversicherungsunternehmen. Vom Reichsgesetz von 1901 bis zur Richtlinie über die Rückversicherung* (Hamburg, 2008), 37 f.
- 87 *Ibid.*, 40 f.
- 88 "Die deutschen Rückversicherungen unter der Staatsaufsicht," *Neumanns Zeitschrift für Versicherungswesen* (1909–1910): Vol. 1, 92 (HAMR, AA/251).

6. The First World War and the Restructuring of the World Market

- 1 MR, annual report 1933/34.
- 2 Kießkalt, "Erinnerungen," p. 13. According to the notices in the annual reports for 1913/14–1917/18, 15 MR employees fell in the First World War. In 1915, the company had about 480 employees. "Personal-Statistik seit 1880," in HAMR, AA/403.
- 3 In MR's personnel statistics compiled later, the war-time assistants and inflation assistants from 1919 to 1923 were pooled. "Personal-Statistik seit 1880," in HAMR, AA/403.
- 4 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29.
- 5 Herzog, "Dokumente," p. 229.
- 6 Thieme to Allianz Versicherungs-AG, 7 Aug. 1914, in HAMR, AA/347.
- 7 "Die Rückversicherung im gegenwärtigen Kriege und im Jahre 1913," *Deutsche Versicherungs-Zeitung* (1914): 501 (HAMR, AA/155).
- 8 Herzog, "Dokumente," p. 217.
- 9 *Ibid.*
- 10 *Ibid.*, pp. 212 ff., 218.
- 11 MR, annual reports 1913/14 and 1917/18.
- 12 See above p. 63.
- 13 MR listed this portion as 37 % in its annual report of 1922/23, which was probably too low in light of the regional distribution of premium revenues in 1913 (see above, p. 63, Diagram 1). MR, annual report 1922/23.

- 14 Herzog, "Dokumente," p. 223.
- 15 Ibid., pp. 223 ff., 519 f. Atlas was founded by the Swedish insurer Tygg.
- 16 Ibid., p. 224.
- 17 Ibid., p. 226.
- 18 Ibid.
- 19 "Die See-Unfallversicherung im Jahre 191" (translated from the *Algemeen Handelsblad*, 18 Jan. 1918), in Bundesarchiv Berlin [hereafter BAB], R 3101/17135.
- 20 Friso Wielenga, *Die Niederlande. Politik und politische Kultur im 20. Jahrhundert* (Münster, 2008), 87.
- 21 "Dampfer Lusitania," *Zeitschrift für Versicherungswesen* (1915): 190 (HAMR, AA/187).
- 22 Minutes of the 180th supervisory board meeting of 17 July 1915, in HAMR, AR-P/19; Herzog, "Dokumente," p. 197.
- 23 Herzog, "Dokumente," p. 836.
- 24 Ibid., p. 836 f.
- 25 "Die Katastrophe in Bergen" (translated from "Gjallarhornet," 29 Jan. 1916), in HAMR, AA/613.
- 26 Herzog, "Dokumente," pp. 192 f.; "50 Jahre Münchener Rückversicherung," p. 9.
- 27 Arps, *Versicherungswirtschaft*, 156 ff.; Herzog, "Dokumente," pp. 356 ff.
- 28 Herzog, "Dokumente," pp. 218 f.
- 29 Ibid., p. 232.
- 30 Ibid., p. 220.
- 31 Ibid., p. 234.
- 32 "Bericht der Deutschen Gesandtschaft Bern an das Auswärtige Amt, 30. 4. 1919," in BAB, R 3101/17138.
- 33 Herzog, "Dokumente," pp. 239 ff., 243 ff.
- 34 Quoted in *ibid.*, p. 217.
- 35 Mira Wilkins, "Multinational Enterprise in Insurance: An Historical Overview," *Business History* 51, no. 3 (May 2009): 335.
- 36 Ibid.; Borscheid, "Vertrauensgewinn," 328.
- 37 Herzog, "Dokumente," p. 228; Guggenbühl, "Schweizerische Rückversicherungsgesellschaft," p. 145 (SRCA 10. 108 184).
- 38 Herzog, "Dokumente," pp. 454 f.; Hermann Habicht, *50 Jahre Hermes Kreditversicherungs-Aktiengesellschaft – Ein Beitrag zur Geschichte der Kreditversicherung in Deutschland* (Hamburg, 1967), 17 ff.

7. Banned from the World Market: The Development of the Corporation in Central Europe during the Inflation Period

- 1 On this, see, esp., Allan Mitchell, *Revolution in Bayern 1918/1919. Die Eisner-Regierung und die Räterepublik*, 2nd ed. (Munich, 1982); Karl Bosl, ed., *Bayern im Umbruch. Die Revolution von 1918, ihre Voraussetzungen, ihr Verlauf und ihre Folgen* (Munich, 1969).
- 2 Kißkalt, "Erinnerungen," p. 13.
- 3 Herzog, "Dokumente," p. 248.
- 4 Ibid.
- 5 Kißkalt, "Erinnerungen," pp. 11 f.; excerpt from Christian Frohner, "Tantiemen-

- Vampire,” in Otto Zaduck, *Wie und warum mir meine Existenz vernichtet wurde. Ein wahrer Roman über Intriguen und Machinationen in den Arbeitssälen der Münchener Rückversicherungs-Gesellschaft mit vernichtenden Enthüllungen über das Geschäftsgebahren der Verwaltung dieses Konzernunternehmens auf grosskapitalistischer u. privatmonopolistischer Grundlage. Populäre und öffentliche Schilderung der Erlebnisse u. Erfahrungen des ehemaligen langjährigen Beamten der Münchener Rückversicherungs-Gesellschaft Otto Zaduck*, Book 1 (Munich, 1919) (excerpts in HAMR, Personalia Thieme/4).
- 6 <http://www.deutsche-revolution.de/lexikoneintrag-439.html> [accessed 20 Mar. 2015]; Kißkalt, “Erinnerungen,” pp. 11 f. Frohner’s murderer were not held responsible. See Emil Julius Gumbel, *Vier Jahre politischer Mord* (Berlin, 1922).
 - 7 Kißkalt even characterized Frohner’s murder as “a stroke of luck.” Kißkalt, “Erinnerungen,” p. 12.
 - 8 “Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück,” n.d., in HAMR, NA/29.
 - 9 “Die Bestattung Karl von Thiemes,” *Allgemeine Zeitung*, 14 Oct. 1924 (Stadtarchiv München ZA-Personen Thieme, Carl).
 - 10 Quoted in Herzog, “Dokumente,” p. 220. See also Wilhelm Kißkalt, *Die Verstaatlichung der Privatversicherung* (Munich, 1919).
 - 11 Arps, *Zeiten*, Pt. 1, 204–224.
 - 12 Herzog, “Dokumente,” pp. 774 f.
 - 13 *Ibid.*, p. 775. It can no longer be determined with certainty who the first chairman of the works council was. At Carl von Thieme’s memorial service in October 1924, Works Council Chairman Burghardt spoke on behalf of the staff. “Die Bestattung Karl von Thiemes,” *Allgemeine Zeitung*, 14 Oct. 1924 (Stadtarchiv München ZA-Personen Thieme, Carl).
 - 14 Herzog, “Dokumente,” pp. 468 f.
 - 15 *Ibid.*, pp. 470 f.
 - 16 The report for fiscal year 1917/18 stated that one believed “in light of the possibility of gradually rekindling international relations, the future should not be faced without trust.” Quoted in *ibid.*, p. 220.
 - 17 *Ibid.*, p. 247.
 - 18 *Ibid.*, pp. 259 f.
 - 19 Straumann, “Riese,” 373, 376.
 - 20 Converted into Swiss francs, MR’s gross premium revenues for 1918 amounted to CHF 188 million and in 1919 to CHF 124 million. The gross premium revenues of Swiss Re comprised CHF 126 million in 1918 and CHF 141 million in 1919. MR, annual reports 1917/18 and 1918/19; James, ed., *Swiss Re*, 491; RM values calculated from the exchange rates in *ibid.*, 469.
 - 21 Schreiner to Pemsel, 12 Mar. 1941, in HAMR, Personalia/8.
 - 22 This information is based on the contemporary study by Kopf, “Notes,” 70. The presentation of these affairs in Herzog, “Dokumente,” p. 539, is obviously inaccurate.
 - 23 Herzog, “Dokumente,” p. 539.
 - 24 U.S. Court of Appeals for the Second Circuit, *Munich Reinsurance Co. v. First Reinsurance Co.* 6 F.2d 742, April 6, 1925, <http://law.justia.com/cases/federal/appellate-courts/F2/6/742/1551460> [accessed 20 Mar. 2015]; “Münchener Rückversicherungsgesellschaft,” *Münchner Neueste Nachrichten*, 9 Mar. 1927 (HAMR, AA/546).

- 25 Herzog, "Dokumente," p. 539; Kölmel, *Auslandsgeschäft*, 230. Rossia and First Re, however, are also mentioned in a verdict from 1944. Circuit Court of Appeals, Second Circuit, *Galdi v. Jones* 141 F.2d 984 (2d Cir. 1944), Decided April 4, 1944. <https://casetext.com/case/galdi-v-jones> [accessed 20 Mar. 2015].
- 26 Herzog, "Dokumente," p. 213.
- 27 *Ibid.*, p. 189.
- 28 See Fäßler, *Globalisierung*, 98–119.
- 29 Herzog, "Dokumente," pp. 610 ff. The Österreichischer Phönix (Elementar-Phönix) was founded in 1860 under the name Anker by the Dresdner Feuerversicherung.
- 30 See Gerald D. Feldman, "Competition and Collaboration among the Axis Insurers: Munich Re, Generali and Riunione Adriatica," in Christopher Kobrak and Per H. Hansen, eds., *European Business, Dictatorship and Political Risk, 1924–1945* (New York, 2004), 46.
- 31 Phönix Director Wilhelm Berliner was engaged in financial diplomacy for the Austrian government, including in the negotiations for the peace treaty of St. Germain. On Wilhelm Berliner and his ties to the Austrian government, see above, pp. 199 f.
- 32 Report from 1932 on MR's relations with Lebens-Phönix, printed in Herzog, "Dokumente," p. 553.
- 33 *Ibid.*, p. 554.
- 34 *Ibid.*, p. 278.
- 35 *Ibid.*, p. 264.
- 36 *Ibid.*, p. 263.
- 37 *Ibid.*, p. 264.
- 38 *Ibid.*, p. 575.
- 39 *Ibid.*, pp. 265 f.
- 40 *Ibid.*, p. 261.
- 41 *Ibid.*, p. 577.
- 42 Meuschel, "Geschichte," Pt. 2, p. 35.
- 43 Herzog, "Dokumente," p. 263.
- 44 *Ibid.*, pp. 266 f.; Miroslav Marvan and Alois Mosser, "Die Neuordnung der versicherungswirtschaftlichen Beziehungen," in Alice Teichova and Herbert Mathis, eds., *Österreich und die Tschechoslowakei 1918–1938. Die wirtschaftliche Neuordnung in Zentraleuropa in der Zwischenkriegszeit*, Studien zur Wirtschaftsgeschichte und Wirtschaftspolitik 4 (Vienna, 1996), pp. 225 ff.
- 45 Marvan and Mosser, "Neuordnung," 228.
- 46 Herzog, "Dokumente," p. 269.
- 47 Kißkalt to Schreiner, 2 Aug. 1921, in ERGO-Archiv, Bestand ERV, Nr. Q 0009–00046; Herzog, "Dokumente," pp. 526 f.; ETI-Group, "Our History," http://www.eti-group.biz/eti/g_article/7043/ [accessed 20 Mar. 2015].
- 48 Herzog, "Dokumente," pp. 526 f.; Meuschel, "Geschichte," Pt. 2, p. 50.
- 49 Herzog, "Dokumente," p. 527.
- 50 *Ibid.*
- 51 Gerald D. Feldman, *The Great Disorder: Politics, Economics and Society in the German Inflation, 1914–1924* (New York, 1993) (Figures for the exchange rate between the mark and the U.S. dollar are on p. 5); Carl-Ludwig Holtfrerich, *Die deutsche Inflation 1914–1923. Ursachen und Folgen in internationaler Sicht* (Berlin, 1980).

- 52 Kißkalt to Schima, 30 July 1923, in HAMR, AA/377.
- 53 Ibid.
- 54 Kißkalt to Schreiner, 14 Apr. 1923, in HAMR, AA/87.
- 55 Herzog, "Dokumente," pp. 299 f.
- 56 Ibid., pp. 737 ff.
- 57 "Die Bestattung Karl von Thiemes," *Allgemeine Zeitung*, 14 Oct. 1924 (Stadtarchiv München, ZA-Personen Thieme, Carl).
- 58 Hensel, *50 Jahre Allianz*, 12.
- 59 Wilhelm Kißkalt, in HAMR, P/27; Walther Meuschel, "So kam es. Eine Rückschau auf mein Leben," ms. Garmisch-Partenkirchen, 20 Aug. 1977, pp. 44 f. (HAMR P/74).
- 60 Herzog, "Dokumente," p. 324.
- 61 August von Finck (1898–1980) was Wilhelm von Finck's second son. Since his older brother had fallen in the First World War, he and his two sisters became joint shareholders of the bank Merck, Finck & Co. He succeeded his father as chairman of the supervisory board at Allianz as well.
- 62 This tally includes both direct votes and proxy votes of deposit accountholders of the Merck, Finck & Co. bank. It cannot be determined from surviving shareholder registries how many of the shares were owned by the Finck family. Together with Hugo Ritter von Maffei, Wilhelm von Finck had 3,548 direct votes and proxy votes of a total of 7,380 (48.07%). Thus, MR's founders, as before, held a secure assembly majority, even without Carl von Thieme (105 votes). "Verzeichnis der erschienenen Aktionäre oder Vertreter von Aktionären in der Generalversammlung vom 6. 2. 1923," in BWA, V5/2176.
- 63 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., p. 54II, in HAMR, NA/29.
- 64 Ibid.
- 65 Ibid., pp. 54II f.
- 66 Ibid., p. 54.
- 67 Kißkalt to Schisma, 30 July 1923, in HAMR, AA/377. According to the opening gold standard balance of 1924, MR owned 49 real estate properties in addition to the administration building. MR, "Geschäftsbericht 1923/24, Prüfungsbericht des Vorstands und des Aufsichtsrats zur Goldmarkbilanz."
- 68 Martin H. Geyer, *Verkehrte Welt. Revolution, Inflation und Moderne 1914–1924* (Munich, 1998), 256.
- 69 Borscheid, *Allianz*, 42 f.
- 70 Kißkalt, "Erinnerungen," pp. 10 f.
- 71 Kurt Schmitt (1886–1950) had been hired by MR in June 1913 after studying law to work as a legal consultant in the machine insurance segment. Shortly thereafter, Kißkalt recommended him to the Allianz branch office in Munich, which was looking for a competent jurist at that time. Gerald D. Feldman, *Allianz and the German Insurance Business 1933–1945* (Cambridge, 2001), 4 ff. On Schmitt's later activity as the Reich Economics Minister and as the chairman of MR's board of management (1937–1945), see Chapters 9 and 10 in this book.
- 72 Herzog, "Dokumente," p. 511; Eggenkämper et al., *Allianz*, 76 ff.; Kluge, "Einfluss," 231.
- 73 Eggenkämper et al., *Allianz*, 93 f.; Borscheid, *Allianz*, 48, 50.

- 74 Borscheid, *Allianz*, 50.
- 75 Arps, *Zeiten*, Pt. 1, 304.
- 76 Kluge, "Einfluss," 232.
- 77 See Gerald Spindler, *Recht und Konzern. Interdependenzen der Rechts- und Unternehmensentwicklung in Deutschland und den USA zwischen 1870 und 1933*, Beiträge zur Rechtsgeschichte des 20. Jahrhunderts 9 (Tübingen, 1993), 15.
- 78 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29.
- 79 Ibid.
- 80 Arps, *Zeiten*, Pt. 1, 317.
- 81 Ibid., p. 320.
- 82 Ibid., p. 304.
- 83 Ibid., pp. 313 f.
- 84 A. Pfeiffer, "Beitrag zur Chronik der Münchener Rück, 11. 10. 1963 (Notiz über ein Gespräch mit Herrn Schmidtler)" in HAMR, AA/403.
- 85 Ibid.
- 86 Arps, *Zeiten*, Pt. 1, 281 f.
- 87 Ernst Fritz, "Währungs- sowie Währungsumstellungsprobleme und Versicherungsaufsicht," in Walter Rohrbeck, ed., *50 Jahre materielle Versicherungsaufsicht*, Schriften des Instituts für Versicherungswissenschaft an der Universität zu Köln 9 (Berlin, 1952), 158 f.
- 88 Arps, *Zeiten*, Pt. 1, 282 f.
- 89 Ibid., p. 283; Fritz, "Währungsumstellungsprobleme," 158 f.
- 90 Burkhardt Jähncke, "Die Bemühungen privater Interessenvertreter um die Freigabe deutschen Vermögens in den USA nach dem Ersten und Zweiten Weltkrieg," in Michael Wala, ed., *Gesellschaft und Diplomatie im transatlantischen Kontext. Festschrift für Reinhardt R. Dörries zum 65. Geburtstag*, USA-Studien 11 (Stuttgart, 1999), 351.
- 91 Feldman, *Disorder*, 5.
- 92 Schreiner to Kißkalt, 21 Mar. 1923, in HAMR, AA/87.
- 93 Kißkalt to Schreiner, 14 Apr. 1923, in *ibid.* Kißkalt presented these reasons in a similar way in a letter to Ernst von Liebig from the Reich Supervisory Office for Private Insurance of 9 May 1923. See the extensive quotation from this text in Herzog, "Dokumente," pp. 689 f.
- 94 According to Kißkalt, the companies in question were the Deutsche Rückversicherung, the Frankfurter Rückversicherung and the Stuttgarter Mit- und Rückversicherung, Kißkalt to Schreiner, 14 Apr. 1923, in HAMR, AA/87.
- 95 Ibid.
- 96 "Hinterlegung von \$ 1000 000," n.d. (April 1923), in HAMR, AA/87.
- 97 In November 1923, MR jointly founded a rescue company with Allianz in Neustadt an der Haardt on account of the threat of the Palatinate seceding. In early 1923 Allianz had already founded a subsidiary in Cologne for the same reason. Borscheid, *Allianz*, 52.
- 98 Notice from Union Rückversicherungs-Gesellschaft, 1 July 1923, in SRCA, 10 130 374.01.
- 99 The exchange rate is based on information from Kißkalt in "Hinterlegung von \$1 000 000," n.d., (April 1923), in HAMR, AA/87.

- 100 Notice from Union Rückversicherungs-Gesellschaft, 1 July 1923, in SRCA, 10 130 374.01..
- 101 Rudolf Ernst joined the administrative board of Schweizer National in 1894, and Thieme joined four years later. In 1913 he took over the leadership of this body. In the same year, Jaberg and Kißkalt joined. Thieme and Kißkalt left it in 1921. <http://db.dodis.ch/document/24760> [accessed 20 Mar. 2015].
- 102 Schweizerische Bankgesellschaft to Union Rückversicherungs-Gesellschaft, 30 Apr. 1923, in SRCA, 10 130 374.01.
- 103 See pp. 141, 195 f.
- 104 Kißkalt to Schreiner, 14 Apr. 1923, in HAMR, AA/87; Arps, *Zeiten*, Pt. 1, 381, 425, 428.
- 105 Herzog, "Dokumente," pp. 691, 739 f.; Stefan Karlen, Lucas Chocomeli, Kristin D'haemer, Stefan Laube, and Daniel C. Schmid, *Schweizerische Versicherungsgesellschaften im Machtbereich des "Dritten Reichs,"* Veröffentlichungen der Unabhängigen Expertenkommission Schweiz – Zweiter Weltkrieg 12, 2 Vols. (Zurich, 2002), 671 ff.
- 106 Borscheid, *Allianz*, 53.
- 107 Pohl, *Skizzen*, 24.
- 108 *Ibid.*, 33 f.
- 109 This is how the Hypo-Bank rationalized the sale in its annual report for 1923. Eggenkämper et al., *Allianz*, 90; Pohl, *Skizzen*, 33.
- 110 See Ulrike Barnerssoi, Hans Dilley, and Norbert Barnerssoi, "Zur Geschichte der Bayerischen Rück 1911 bis 1924, Berichtteil," in BWA, F 6/604, p. 14. Similarly, see Pohl, *Skizzen*, 29.
- 111 Borscheid, *Allianz*, 53.
- 112 "Bayerische Hypotheken- und Wechselbank," *Münchner Neueste Nachrichten*, 15 Dec. 1923.
- 113 See Eggenkämper et al., *Allianz*, 88 ff.
- 114 Wältermann, *Unternehmererfolg*, 190 f.
- 115 Straumann, "Riese," 380.
- 116 See Ulrike Barnerssoi, Hans Dilley, and Norbert Barnerssoi, "Zur Geschichte der Bayerischen Rück 1911 bis 1924, Berichtteil," in BWA, F 6/604, p. 22; Pohl, *Skizzen*, 34.

8. "Insurance Has Its Own Economy": Munich Re in the Great Depression

- 1 MR, annual report 1923/24.
- 2 On this see pp. 63 f., 97.
- 3 MR, annual report 1929/30.
- 4 On this, see the figures in "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29; Meuschel, "Geschichte," Pt. 1, p. 46; Kölmel, *Auslandsgeschäft*, 228.
- 5 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29.
- 6 Kluge, "Einfluss," 235.
- 7 Borscheid, *Allianz*, 61 ff.

- 8 “Gefahren des Versicherungstrusts,” *Vossische Zeitung*, 9 Oct. 1927.
- 9 Gerd Modert, “1929: Der Zusammenbruch der Favag und die Hintergründe eines Skandals,” in Barbara Eggenkämper, Gerd Modert, and Stefan Pretzlik, *Die Frankfurter Versicherungs-AG 1865–2004* (Munich, 2004), 15 ff., 27 ff. On Artur Lauinger’s biography, see *ibid.*, 23. On FAVAG’s collapse, see also Feldman, *Allianz*, 17–22; *idem*, “Die Deutsche Bank vom Ersten Weltkrieg bis zur Weltwirtschaftskrise 1914–1933,” in Lothar Gall, Gerald D. Feldman, Harold James, Carl-Ludwig Holtfrerich, and Hans E. Büschgen, *Die Deutsche Bank 1870–1995* (Munich, 1995), 274 f.
- 10 Borscheid, *Allianz*, 71 (quote); Modert, “Zusammenbruch,” 19 ff.
- 11 MR, annual report 1929/30.
- 12 Modert, “Zusammenbruch,” 38.
- 13 Kößler, *Versicherungsaufsicht*, 45 ff.
- 14 Feldman, *Allianz*, 31.
- 15 Modert, “Zusammenbruch,” 34.
- 16 Feldman, *Allianz*, 24.
- 17 Quoted in *ibid.*, 48.
- 18 Guggenbühl, “Schweizerische Rückversicherungs-Gesellschaft,” p. 147 (SRCA 10. 108 184).
- 19 This remark pertained to its equity investment in Settentrionale, a transportation insurer in Milan that Allianz, MR, and Providentia had secretly founded after the First World War in order to transfer Providentia’s business in the parts of Austria-Hungary ceded to Italy to it. Herzog, “Dokumente,” p. 659. Herzog cites an Allianz letter from 22 May 1928 as a source.
- 20 Feldman, *Allianz*, 35.
- 21 “Personal-Statistik seit 1880,” in HAMR, AA/403. World market leader Swiss Re had 401 employees in 1929. Straumann, “Riese,” 489.
- 22 “Erinnerungen von Herrn Reichert” (transcript of a recording), in HAMR, AA/403.
- 23 *Ibid.*
- 24 Borscheid, *Allianz*, 158 f.
- 25 On Meuschel’s career and work at MR, see his autobiography: Meuschel, “So kam es.”
- 26 Herzog, “Dokumente,” p. 327.
- 27 *Ibid.*, p. 683.
- 28 *Ibid.*, pp. 681 f.
- 29 *Ibid.*, pp. 684 f.
- 30 Borscheid, “Vertrauensgewinn,” 334 ff., 342.
- 31 Pace was founded by MR and Allianz in 1922 together with Providentia in Milan. Plus Ultra emerged from the transportation insurer Centro Catalan in Barcelona. MR and Allianz acquired this company, moved its headquarters to Madrid and expanded it under the new name Plus Ultra. Herzog, “Dokumente,” pp. 657 and 662 ff.
- 32 “Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück,” n.d., in HAMR, NA/29.
- 33 Note by Kißkalt, 27 July 1928, in HAMR, AA/119; MR, Feuer-Vertrags-Abteilung to Allianz and Stuttgarter Verein Versicherungs-Aktien-Gesellschaft, 30 July 1928, in *ibid.*
- 34 Herzog, “Dokumente,” pp. 751 ff.
- 35 *Ibid.*, pp. 724 ff.

- 36 Ibid., p. 726.
- 37 Ibid., p. 698. At the beginning of 1939, MR's share of Pilot comprised 49.98 % whereas Generali now held 18.67 % of the share capital, Allianz had 14.93 %, and Union Rück had 7.47 %. 6.31 % were held by American directors (probably supervisory board members). Wilkins, *History*, 424 f.
- 38 Herzog, "Dokumente," pp. 699 f.
- 39 Ibid., pp. 702 f.
- 40 Schreiner to W. Pemsel, 13 Feb. 1941, in HAMR, Personalialia/8.
- 41 Kißkalt, "Erinnerungen," p. 19.
- 42 "Die größten Rückversicherungsunternehmen der Erde," *Deutsche Rückversicherungs-Zeitung*, 10 Dec. 1929 (with figures from the English professional journal *The Review*).
- 43 Ibid.
- 44 "50 Jahre Münchener Rückversicherung," p. 16; MR annual reports 1913/14 and 1929/30.
- 45 "Persönliche Aufzeichnungen von Martin Herzog über die Geschichte der Münchener Rück," n.d., in HAMR, NA/29.
- 46 Merki, *Siegeszug*, 359.
- 47 Herzog, "Dokumente," p. 390.
- 48 "Die Zwangshaftpflichtversicherung der Kraftfahrzeughalter in Deutschland," 17 Jan. 1934, in HAMR, AA/230.
- 49 "Gesetz über die Einführung der Pflichtversicherung für Kraftfahrzeughalter und zur Änderung des Gesetzes über den Verkehr mit Kraftfahrzeugen sowie des Gesetzes über den Versicherungsvertrag. Vom 7. 11. 1939," RGBl. I, S. 2223. See Merki, *Siegeszug*, 359. Already in July 1933, Hitler implemented standardization of motor insurance rates. Kurt Schmitt, who was Reich Economics Minister at that time, was apparently able to prevent the plans to introduce obligatory liability insurance from being pursued any further. "Die Zwangshaftpflichtversicherung der Kraftfahrzeughalter in Deutschland," 17 Jan. 1934, in HAMR, AA/230.
- 50 MR to Försäkrings-Aktiebolaget Fylkgia, 24 Apr. 1919, in HAMR, AA/244.
- 51 Herzog, "Dokumente," pp. 393 f.
- 52 "Europäische – USA," in ERGO-Archiv, Bestand ERV, Nr. Q 0009–00001.
- 53 Oscar Rücker-Emden was MR's medical director from 1916 to late 1932. Josef Sturm was his successor (from 1931 to 1938). "Ärzte der Münchener Rückversicherungs-Gesellschaft," in HAMR, AA/238. There are no surviving records of how the department for insuring heightened risks developed after Sturm's departure. Sturm transferred in mid-1938 to MR subsidiary Fénix Sudamericano in Buenos Aires because his wife was Jewish. Hans Freund, "Münchener Rückversicherungs-Gesellschaft und Nationalsozialismus," July 1998, p. 26, in HAMR, NA/25. The results of some studies from the research office can be found in Oscar Rücker-Emden, *Die vertrauensärztliche Untersuchung mit besonderer Berücksichtigung der erhöhten Risiken* (Munich, 1928).
- 54 Herzog, "Dokumente," pp. 379, 706.
- 55 Ibid., p. 706.
- 56 Fritz Blauch, *Der Schwarze Freitag. Inflation und Wirtschaftskrise*, 2nd ed. (Munich, 1990), 168 f. See also Charles P. Kindleberger, *Die Weltwirtschaftskrise 1929–1939*, 3rd ed. (Munich, 1984).

- 57 MR, annual reports 1924/25 and 1929/30 to 1933/34.
- 58 MR, annual report 1929/30.
- 59 Stephan Werner, "Rückversicherung in der Weltwirtschaftskrise. Performanceanalyse professioneller Rückversicherungsunternehmen in der Schaden- und Unfallversicherung 1924–1935," master's thesis, Ludwig-Maximilians-Universität München, ms. (Munich, 2010), p. 69.
- 60 MR, annual reports 1929/30 to 1931/32 (with quotation).
- 61 Circular from 18 July 1931, printed in Herzog, "Dokumente," p. 747. On the collapse of the Darmstädter and Nationalbank and on the German banking crisis of 1931, see Johannes Bähr and Bernd Rudolph, *Finanzkrisen 1931–2008* (Munich, 2010).
- 62 See Werner, "Rückversicherung," p. 52.
- 63 MR, annual report 1931/32, p. 4.
- 64 Calculated from figures in MR, annual reports 1930/31, 1931/32 and 1932/33.
- 65 On this, see Werner, "Rückversicherung," p. 83.
- 66 MR, annual report 1930/31.
- 67 Eggenkämper et al., *Allianz*, 122.
- 68 Herzog, "Dokumente," pp. 461 f.; Habicht, *50 Jahre*, 52–59.
- 69 Kerstin Hahn, *Die Kapitalanlage von Versicherungsunternehmen nach dem VAG unter besonderer Berücksichtigung der Asset-Backed-Securities* (Karlsruhe, 2005), 21 ff.
- 70 Straumann, "Riese," 394. See also Werner, "Rückversicherung," pp. 53 ff.
- 71 "Versicherungs-Konzerne," *Münchener Neueste Nachrichten*, 28 Dec. 1932.
- 72 "Versicherungs-Skandale und kein Ende," *Montag Morgen*, 16 June 1930 (BAB, R 3101/17323).
- 73 Kißkalt to Schreiner, 2 Dec. 1932, in HAMR, AA/99. On the "near insolvency" of Kölnische Rück in 1932 see also Werner, "Rückversicherung," pp. 56 ff.
- 74 "Kölner Rück," *Münchener Neueste Nachrichten*, 30 Dec. 1932; "Der Fall Kölnische Rückversicherung," *Frankfurter Zeitung*, 1 Dec. 1932; "Sanierung der Kölnischen Rückversicherung," *Frankfurter Zeitung*, 31 Dec. 1932; Werner, "Rückversicherung," p. 58.
- 75 Kißkalt to Spans, 6 Dec. 1932, in HAMR, AA/99.
- 76 Kißkalt to Schreiner, 2 Dec. 1932, in *ibid.*
- 77 *Ibid.*
- 78 On the founding and rise of the Gerling Corporate Group, see Boris Barth, "Der Gerling-Konzern als Familienunternehmen," in Susanne Hilger and Ulrich S. Soénius, eds., *Familienunternehmen im Rheinland im 19. und 20. Jahrhundert*, Schriften zur rheinisch-westfälischen Wirtschaftsgeschichte 47 (Cologne, 2009), 103–118.

Part II: Munich Re during the National Socialist Regime (1933–1945)

9. The National Socialist Takeover and Munich Re: Business Development, Political Ties, and Management

- 1 Kißkalt's presentation at the 234th supervisory board meeting of MR on 6 July 1932, in HAMR, AR-P/27.
- 2 Bayerische Treuhand AG, Prüfbericht über den Jahresabschluss 1932/33, 4. 11. 1933, in HAMR; Prüfbericht über den Jahresabschluß 1935/36, 24. 10. 1936, in *ibid.*

- 3 MR, annual reports 1932/33 to 1938/39.
- 4 “Gesetz über die Beaufsichtigung der privaten Versicherungsunternehmen und Bausparkassen. Vom 6. 6. 1931,” RGBl. I, S. 315.
- 5 Evidence can be found in the minutes of the Trustee Council of 19 Mar. 1937, in HAMR, AA/403.
- 6 This is according to Alzheimer’s statements in his hearing before the American military government, 30 July 1945, in Bundesarchiv Koblenz [hereafter BAK], OMGUS 2/224/12.
- 7 Minutes of the 236th supervisory board meeting on 14 Nov. 1933, in HAMR, AR-P/27.
- 8 Johannes Bähr, *Die Dresdner Bank in der Wirtschaft des Dritten Reiches* (Munich, 2006), 96, 611 f. (*Die Dresdner Bank im Dritten Reich*, Vol. 1); minutes of the 242nd supervisory board meeting on 3 Nov. 1936, in HAMR, AR-P/28; materials on the 244th supervisory board meeting on 15 July 1937, in HAMR, AR-P/77.
- 9 Feldman, *Allianz*, 76.
- 10 OMGUS, *Ermittlungen gegen die Dresdner Bank*, ed. Hamburger Stiftung für Sozialgeschichte des 20. Jahrhunderts (Nördlingen, 1986), 214 ff.
- 11 “Bericht über die Einladungen ausländischer Gäste zum “Tag der Deutschen Kunst” durch die MR und Auswirkungen dieser Besuche,” 11 sheets, n.d. (October 1933), in HAMR, AA/321.
- 12 Minutes of the 236th supervisory board meeting on 14 Nov. 1933, in HAMR, AR-P/27.
- 13 Memo by Mattfeld on a visit to Sweden from 21–24 Sept. 1934, in HAMR, AA/146.
- 14 Minutes of the 238th supervisory board meeting on 8 Nov. 1934, in HAMR, AR-P/27.
- 15 Alois Alzheimer’s contention that in 1933 MR had “difficulties” with the foreman of its NSBO Factory Cell is refuted by Kißkalt’s statement in the supervisory board at around the same time and by board of trustees minutes (Alzheimer’s synopsis for the American military government, 30 July 1945, in BAK, OMGUS, 2/224/12).
- 16 Excerpts from the board of trustees minutes as a continuation for the community book (1934–1937), in HAMR, AA/403. On the costs of the works outings, the May celebration, the DAF uniforms, the rental of the sports fields and the Hitler pictures, see the materials for the 244th supervisory board meeting on 15 July 1937, in HAMR, AR-P/77. On the processions for May 1934, 1935 and 1936 see the photo album, in HAMR, F/48.
- 17 Materials for the 244th supervisory board meeting on 15 July 1937; BAK, OMGUS, 2/56/9.
- 18 Pictures in an MR photo album, in HAMR, F/48 and F/22.
- 19 Minutes of the 237th supervisory board meeting on 3 July 1934, in HAMR, AR-P/27.
- 20 Feldman, *Allianz*, 93 ff.
- 21 Materials for the 240th supervisory board meeting on 6 Nov. 1935, in HAMR, AR-P/76.
- 22 Overview of the development of administrative costs, 20 Oct. 1938, in Materials for the 248th supervisory board meeting on 25 Oct. 1938, in HAMR, AR-P/80.
- 23 HAMR, AA/403.
- 24 Materials for the 250th supervisory board meeting on 24 Oct. 1939, in HAMR, AR-P/82.
- 25 Memo Burbach, 8 Feb. 1949, in HAMR, Aktenverfilmung Volksfürsorge.
- 26 Materials for the 251st supervisory board meeting on 16 Apr. 1940 and for the 252nd supervisory board meeting 24 Oct. 1940, in HAMR, AR-P/83 and AR-P/84. On the

- insurance companies belonging to DAF, see Rüdiger Hachtmann, *Das Wirtschaftsimperium der Deutschen Arbeitsfront 1933–1945* (Göttingen, 2012), 190–265.
- 27 Memo Alzheimer, 11 Oct. 1935, in HAMR, Aktenverfilmung Volksfürsorge.
- 28 Memo Mattfeld, 30 Oct. and 18 Nov. 1935, in *ibid.*
- 29 Feldman, *Allianz*, 63 f.
- 30 Alzheimer's contention that he joined the Nazi Party at the urging of the leader of the Munich NS lawyers' league does not seem to be plausible. (Alzheimer's synopsis for the American military government, 30 July 1945, in BAK, OMGUS, 2/224/12; Alzheimer's interrogation by the American military government on 17 July 1947, in OMGUS, 2/56/1). Alzheimer composed his presentation under pressure to justify himself as the American military government was threatening to arrest him.
- 31 Schneider is first named as a deputy member of the board of management in the annual report for 1943/44.
- 32 List of Nazi Party members at MR, n.d. (August/September 1945), in BAK, B 280/25128.
- 33 Overview of the total workforce at MR, October 1935, in HAMR, AR-P/76.
- 34 Overview of Nazi Party membership among the leadership of MR, n.d. (August/September 1945), in HAMR, AA/398. According to Alzheimer's statements to the American military government, 20 % of MR's leadership were Nazi Party members.
- 35 Hans Heß's interrogation by the American military government, 17 Sept. 1947, in BAK, OMGUS, 2/57/4.
- 36 See the edition of the committee's drafts and consultations in Werner Schubert, ed., *Akademie für Deutsches Recht 1933–1945. Ausschuss für Aktienrecht* (Munich, 1986).
- 37 Minutes of the discussion in the Reich ministry of justice on 8 Oct. 1935, in *Akten der Reichskanzlei, Regierung Hitler 1933–1945*, ed. Friedrich Hartmannsgruber, Vol. 2 (1934/35) (Munich, 1999), 828–842.
- 38 Second report of the chairman of the committee for corporate law, April 1935, in *Ausschuss für Aktienrecht*, 497–518.
- 39 Feldman, *Allianz*, 4 ff.
- 40 *Ibid.*, 133; William E. Dodd and Martha Dodd, *Diplomat auf heißem Boden* (Berlin, 1962).
- 41 Feldman, *Allianz*, 53–59.
- 42 *Ibid.*, 92.
- 43 Henry A. Turner, *Die Großunternehmer und der Aufstieg Hitlers* (Berlin, 1985), 393 f.
- 44 Feldman, *Allianz*, 71.
- 45 Schmitt was not relieved of his office until 3 August 1934, but he no longer performed his official duties from 29 July 1934.
- 46 Feldman, *Allianz*, 99 ff.
- 47 Dodd and Dodd, *Diplomat auf heißem Boden*, 127 f., 131 f.
- 48 On this, see Adam Tooze, *Ökonomie der Zerstörung. Die Geschichte der Wirtschaft im Nationalsozialismus* (Munich, 2007), 98–113.
- 49 Dodd and Dodd, *Diplomat auf heißem Boden*, 142 f.
- 50 Materials for the 240th supervisory board meeting on 6 Nov. 1935, in HAMR, AR-P/76.
- 51 Feldman, *Allianz*, 105.
- 52 Materials for the 248th supervisory board meeting on 25 Oct. 1938, in HAMR, AR-P/80.

- 53 “Aktennotiz des persönlichen Referenten des Hauptabteilungsleiters Schmeer im Reichswirtschaftsministerium, 8. 11. 1938,” in BAB, R 3101 (Reichswirtschaftsministerium), Nr. 9275.
- 54 Note by Krause (RWM) on a telephone call with Schmitt, 16 Nov. 1938, in *ibid.*; cf. Feldman, *Allianz*, 183 f.
- 55 Report by the American military government on Schmitt, January 1948, in BAK, OMGUS, 2/56/8. Schmitt was promoted in September 1935 to SS Brigadeführer. Feldman, *Allianz*, 77, gives September 1933 as the date he entered the SS.
- 56 Letter from Schmitt to Himmler’s adjutant Kurt Wolff, 6 July 1939 (on MR letterhead), in BAB, NS 19 (Persönl. Stab des Reichsführers SS), Nr. 731.
- 57 Letter from Wolff to Schmitt, 15 Sept. 1939, in *ibid.*
- 58 Letter from Schmitt to Wolff, 19 Sept. 1939 and 14 Oct. 1939, in *ibid.*
- 59 Memo of SS-Hauptsturmführer Brandt, 1 Dec. 1939, in *ibid.*
- 60 Materials for the 250th supervisory board meeting on 24 Oct. 1939, in HAMR, AR-P/82.
- 61 Feldman, *Allianz*, provides a good analysis of these contradictions, characterizing them in a very different way. Carlos Collado Seidel, “Vom Reichswirtschaftsminister zum Gegner des NS-Regimes. Der Wirtschaftsführer Kurt Schmitt: Financier Hitlers und des Widerstandes?,” in Detlef Blesgen, ed., *Financiers, Finanzen und Finanzierungsformen des Widerstandes* (Berlin, 2006), 53–72, constitutes a less satisfying biographical sketch.
- 62 Eyewitness statement by Martin Niemöller, in “Protokoll der öffentlichen Spruchkammerverhandlungen gegen Kurt Schmitt im September 1947,” in BAK, OMGUS, 2/224/11.
- 63 Letter from Schmitt to v. Neurath, 19 Sept. 1939; Letter from v. Neurath to Schmitt, 21 Nov. 1939, in: HAMR, P/32.
- 64 Ulrich von Hassell, *Vom anderen Deutschland. Aus den nachgelassenen Tagebüchern von 1938–1944* (Zurich, 1946), 289 f. (entry from 22 Jan. 1943).
- 65 *Ibid.*, 117 (entry from 28 Jan. 1940).
- 66 *Ibid.*, 42 (entry from 29 Dec. 1938).
- 67 Letter from Schmitt to Himmler’s adjutant Kurt Wolff, 5 June 1940, in BAB, NS 19, Nr. 731. Himmler’s personal staff passed the entry permit request on with its support on 14 June 1940.
- 68 Letter from SS-Oberführer Kranefuß to SS-Obersturmbannführer Dr. Rudolf Brandt (Personal Staff of the Reichsführer SS), 2 June 1942; letter from Brandt to Kranefuß, 16 June 1942, in *ibid.*
- 69 Alfred Manes, ed., *Versicherungs-Lexikon* (Berlin, 1930); letter from Schwede-Coburg to Schmitt (with a duplicate to Himmler), 5 Mar. 1943, in BAB, NS 19, Nr. 731. For Manes’ résumé, see Koch, *Geschichte*, 171 f.
- 70 Letter from SS-Obersturmführer Brandt to Kranefuß, 15 Mar. 1943, in BAB, NS 19, Nr. 731.
- 71 Letter from Himmler to Schwede-Coburg, 15 Mar. 1943, in *ibid.*; cf. Feldman, *Allianz*, 340 f.
- 72 Feldman, *Allianz*, 409–415.
- 73 Letter from Kranefuß to Brandt, 18 Mar. 1943, in BAB, NS 19, Nr. 731; letter from Kranefuß to Himmler, 21 Apr. 1943, in *Nürnberger Dokumente*, NI-8106 (available at Institut für Zeitgeschichte, Munich) (also in BAK, OMGUS, 2/56/9).

- 74** Letter from Kranefuß to Brandt, 18 Mar. 1943, in BAB, NS 19, Nr. 731.
- 75** Letter from Kranefuß to SS-Obersturmbannführer Dr. Rudolf Brandt, 17 Dec. 1942, in *ibid.*
- 76** Transcript of Schmitt's memo for Göring, 22 Mar. 1941, in BAB, NS 19, Nr. 2220.
- 77** Hassell, *Tagebücher*, 272 (4 Aug. 1942).
- 78** "Statistik über die Entwicklung der Lebensversicherungs-Rückkäufe bei der MR," in materials on the 252nd supervisory board meeting on 24 Oct. 1940, in HAMR, AR-P/84.
- 79** "Bericht über den Geschäftsverlauf in der Lebensversicherung 1938/39 und über die Aussichten für 1940," n.d., no author, in *ibid.*
- 80** Figures from a chart in the materials on the 252nd supervisory board meeting on 24 Oct. 1940. The figures for 1936 were not factored in on account of the unusual losses generated by the insolvency of the Austrian life insurer Phönix.
- 81** Preliminary report of board of management member Gustav Mattfeld on fiscal year 1939/40, in HAMR, AR-P/83.
- 82** On confiscations of life insurance policies by the Reich, see Feldman, *Allianz*, 262–277.
- 83** This is indicated by the statistics on the surrenders of Jewish customers' policies at Allianz, which were compiled in the late 1990s by the auditing firm Arthur Anderson on behalf of Allianz. Cf. Feldman, *Allianz*, 249.
- 84** Minutes on the discussion of the Jewish question on 12 Nov. 1938, in *Nürnberger Dokumente*, Vol. 28, 499–540, Dokument 1816-PS (available at Institut für Zeitgeschichte, Munich); cf. Andre Botur, *Privatversicherung im Dritten Reich. Zur Schadensabwicklung nach der Reichskristallnacht unter dem Einfluß nationalsozialistischer Rassen- und Versicherungspolitik* (Berlin, 1994), 183, and Feldman, *Allianz*, 190–227.
- 85** "Verordnung zur Wiederherstellung des Straßenbildes bei jüdischen Gewerbebetrieben. Vom 12. 11. 1938," RGBl. I, S. 1581; "Durchführungsverordnung über die Sühneleistung der Juden. Vom 21. 11. 1938," RGBl. I, S. 1638.
- 86** Feldman, *Allianz*, 227.
- 87** *Ibid.*, 232 f.
- 88** HAMR, AA/21.
- 89** Newsletter of the Reichsgruppe Versicherungen, 15 Dec. 1939, in HAMR, AA/21.
- 90** Memo v. Reininghaus, 21 July 1947, in HAMR, VST/18.
- 91** Stadtarchiv München, Kommunalreferat, Bestand Jüdische Vermögen, Nr. 58. The file originally comes from the holdings of the Upper Bavarian district government, which was responsible for granting permission for real estate sales by Jews.
- 92** The estimated value for the regular fair market value was typically formed from the mean value of the building's value (minus amortization) and the earnings value.
- 93** "Bayerische Treuhand AG, Bericht über die Prüfung der vorläufigen Umstellungsrechnung für den 21. 6. 1948 der MR," n.d. (after 1950), in Bayerisches Hauptstaatsarchiv [hereafter BayHStA], Ministerium für Wirtschaft, Nr. 21681.

10. Munich Re in the Economy of the Third Reich: Business Policy, Foreign Currency Restrictions, and Participation in Financing Armaments

- 1 Minutes of the 251st supervisory board meeting on 16 Apr. 1940, in HAMR, AR-P/29; Feldman, *Allianz*, 281–287.
- 2 Association agreement between Allianz and MR, 11 Nov. 1940, HAMR, AA/119.
- 3 Minutes of the meetings of the common executive council in HAMR, AA/312.
- 4 List of MR investments in other insurers of more than 10 %, n.d. (30 June 1945), in HAMR, AA/120.
- 5 Hans Hartenstein (Group Leader at the Reich Office for Foreign Exchange Control and Head Government Advisor in the Reich Economics Ministry), *Devisennotrecht. Kommentar* (Berlin, 1935), 441, 739–743, 756 ff. For the application of these guidelines to MR, see MR's letter to the Reich Economics Ministry, 19 Nov. 1941, in HAMR, AA/147. On foreign currency control from the insurers' perspective, see Alois Alzheimer, *Die Entwicklung der Devisenbewirtschaftung für das Versicherungsgewerbe bis zur derzeitigen Rechtslage* (Munich, 1934, private printing); and Wolfgang Knochenhauer, *Die für Versicherungsverträge geltenden Devisenvorschriften* (Berlin, 1935).
- 6 Minutes of the 238th supervisory board meeting on 8 Nov. 1934. On the development of foreign currency control, see Ralf Banken, "Das nationalsozialistische Devisenrecht als Steuerungs- und Diskriminierungsinstrument 1933–1945," in Johannes Bähr and Ralf Banken, eds., *Wirtschaftssteuerung durch Recht im Nationalsozialismus* (Frankfurt am Main, 2006), 121–236.
- 7 Minutes of the 238th supervisory board meeting on 8 Nov. 1934, Minutes of the 241st supervisory board meeting on 15 July 1935, in HAMR, AR-P/28.
- 8 Report of the Directorate of the Reichsbank on foreign currency audit at MR of 2–15 May 1941, in HAMR, AA/147.
- 9 Letter by MR board of management member Mattfeld to the leader of the Economic Group for Private Insurance, 9 Oct. 1934, in HAMR, AA/146.
- 10 Minutes of the 238th supervisory board meeting on 8 Nov. 1934, Minutes of the 241st supervisory board meeting on 15 July 1935, in HAMR, AR-P/28.
- 11 Note in the materials for the 251st supervisory board meeting on 15 Apr. 1940, in HAMR, AR-P/83.
- 12 Werner A. Fischer, *Die Entwicklung der Zahlungs- und Verrechnungsabkommen in Deutschland* (Berlin, 1937), 35.
- 13 Herzog, "Dokumente," p. 18.
- 14 *Ibid.*, p. 198; MR, annual report 1937/38.
- 15 "Gesetz über die Gewinnverteilung von Kapitalgesellschaften (Anleihestockgesetz [Dividend and Bond Law]). Vom 4. 12. 1934," *RGBl. I*, S. 1222 f.
- 16 See the MR annual reports and the note from 19 Sept. 1938 in materials on the 248th supervisory board meeting on 25 Oct. 1938.
- 17 Internal memo "Kapitalberichtigung," 10 July 1941; minutes of the 254th supervisory board meeting on 22 Oct. 1941, in HAMR, AR-P/85.
- 18 Overview of MR's hidden reserves in securities and investments, in HAMR, AR-P/84; overview of its real estate holdings, 1940, in *ibid.*
- 19 Memo Alzheimer, 2 Oct. 1941, in HAMR, AR-P/86; MR, annual report 1941/42.

- 20 *Neumanns Jahrbuch der privaten und öffentlich-rechtlichen Versicherung im Deutschen Reich 1939 und 1942* (Berlin, 1938 and 1941).
- 21 BAB, R 3101/33610.
- 22 Overview of MR's tax payments in the materials for the 244th supervisory board meeting on 15 July 1937, in HAMR, AR-P/78; materials for the 252nd supervisory board meeting on 24 Oct. 1940, in HAMR, AR-P/84. On export support and subsidies, see Michael Ebi, *Export um jeden Preis* (Stuttgart, 2004).
- 23 Feldman, *Allianz*, 155–158, 162 f.
- 24 Letter from the Reich Economics Minister, per pro. State Secretary Ernst Posse to the head of the Reich Group of Insurers, 14 May 1935, in HAMR, AA/464.
- 25 Letter from the Reich Economics Minister, per pro. State Secretary Ernst Posse to the head of the Reich Group of Insurers, 18 Dec. 1937, in *ibid.*
- 26 Quarterly statement to the supervisory board of 1 Apr. 1939, in HAMR, AR-P/80.
- 27 Letter from the Reich Economics Minister to the Reich Group of Insurers, 12 Aug. 1938, in HAMR, AA/464.
- 28 Letter from the Reich Economics Minister to the Reich Group of Insurers, 27 Mar. 1939, in *ibid.*
- 29 HAMR, AA/410.
- 30 Materials on the 245th supervisory board meeting on 5 Nov. 1937, in HAMR, AR-P/79.
- 31 “Durchführungsverordnung über das Eiserne Sparen. Vom 10. 11. 1941” [Implementation order concerning the Iron Savings], RGBl. I, S. 705 f.
- 32 See MR's annual reports from 1936/37 to 1943/44.
- 33 Calculated from MR's annual business reports from 1938/39 to 1943/44.
- 34 Feldman, *Allianz*, 180 ff.
- 35 *Ibid.*, 315.
- 36 *Ibid.*, 316 ff.
- 37 Letter from Schmitt to Göring, 22 Mar. 1941, in BAB, NS 6/334.
- 38 Letter from Bormann to Schmitt, 25 Apr. 1941, in BAB, NS 6/328.
- 39 Feldman, *Allianz*, 333 f. Rath had been a Nazi Party member since 1933, an extraordinary professor since 1937 at the University of Göttingen, and an ordinary professor there since 1939; short résumé in Aniko Szabo, *Vertreibung, Rückkehr, Wiedergutmachung. Göttinger Hochschullehrer im Schatten des Nationalsozialismus* [Göttingen, 2000], 299).
- 40 Robert P. Ericksen, *Complicity in the Holocaust: Churches and Universities in Nazi Germany* (Cambridge, 2012), 202–218.
- 41 Klaus Wilhelm Rath, *Konkurrenzsysteem, Organisationsform und Wirtschaftlichkeit im Versicherungswese* (Leipzig, 1942).
- 42 See Alois Alzheimer's statement on Rath's assessment, 11 Jan. 1943, in HAMR, VST/1.
- 43 Schmitt to Göring, 16 Dec. 1942, in BAB, NS 19/731.
- 44 Schmitt to Schwede-Coburg, 31 Dec. 1942, in *ibid.*; Schmitt to Schwede-Coburg, 29 Jan. 1943, in *ibid.*
- 45 Information from BAB, NS 5/III (Amt für wirtschaftliche Unternehmungen der DAF), Nr. 64.
- 46 Letter from Schmitt to Schwede-Coburg, 29 Jan. 1943, in BAB, NS 19, Nr. 731.
- 47 Statement of the Arbeitswissenschaftliches Institut (AWI) of DAF, n.d. (December

- 1942), in BAB, NS 5/III (Deutsche Arbeitsfront – Amt für wirtschaftliche Unternehmungen der DAF), Nr. 64.
- 48 On Peter's résumé, see Karl Heinz Roth, *Intelligenz und Sozialpolitik im "Dritten Reich". Eine methodisch-historische Studie am Beispiel des Arbeitswissenschaftlichen Instituts der Deutschen Arbeitsfront* (Munich, 1993), 214 f.
- 49 Klaus Wilhelm Rath, "Um die Brechung des jüdischen Einflusses in Wirtschaft und Wirtschaftswissenschaft," *Die nationale Wirtschaft*, 25 July 1938; Ericksen, *Complicity in the Holocaust*, 216; Hauke Janssen, *Nationalökonomie und Nationalsozialismus* (Marburg, 1998), 231.
- 50 Letter Ley to Schwede-Coburg, 1 Feb. 1943, in BAB, NS 5/III, Nr. 64.
- 51 Letter Göring to Schmitt, 31 Dec. 1942, in HAMR, VST/1; letter Funk to the Reich Private Insurance Supervisory Office and the Chairman of the Reich Insurance Commission, 2 Feb. 1943, in BAB, NS 5/III, Nr. 64.
- 52 Feldman, *Allianz*, 184.
- 53 Ericksen, *Complicity in the Holocaust*, 217.
- 54 Feldman, *Allianz*, 338 f.
- 55 Note from Mattfeld for Alzheimer, 4 Mar. 1943, in HAMR, VST/25.
- 56 Jens Jessen, "Der Stand und die Leistung der deutschen Versicherungswirtschaft," n.d. Firmenhistorisches Archiv der Allianz, S-17.14; draft of Jessen's assessment, n.d. (June 1943); letter Alzheimer to Hilgard, 18 June 1943, in HAMR, VST/25.
- 57 Feldman, *Allianz*, 342 f.

11. Foreign Business, Foreign Investments, and the Expectation of War

- 1 Unabhängige Expertenkommission Schweiz – Zweiter Weltkrieg, *Die Schweiz, der Nationalsozialismus und der Zweite Weltkrieg. Schlussbericht* (Zurich, 2002), 61.
- 2 Tooze, *Zerstörung*, 93–124; Albrecht O. Ritschl, *Deutschlands Krise und Konjunktur 1924–1934. Binnenkonjunktur, Auslandsverschuldung und Reparationsproblem zwischen Dawes-Plan und Transfersperre* (Berlin, 2002), 185 ff.; Ralf Banken, "Die deutsche Goldreserven- und Devisenpolitik 1933–1939," *Jahrbuch für Wirtschafts-geschichte* (2003/1): 49–78; idem, "Devisenrecht," 121–236. On Schacht in particular, see Christopher Kopper, *Hjalmar Schacht. Aufstieg und Fall von Hitlers mächtigstem Bankier* (Munich, Vienna, 2006).
- 3 MR, annual report 1932/33.
- 4 Minutes of the 236th supervisory board meeting on 14 Nov. 1933, in: HAMR, AR-P/27.
- 5 Quoted in Schweizer Rück, "Mitteilungen des Revisionsbüros, Zur Frage der Autarkie in der Rückversicherung, 15. 12. 1933," in SRCA, 10 145 820.
- 6 Ibid.
- 7 Karlen et al., *Versicherungsgesellschaften*, 183 f.
- 8 On the activities of Swiss insurance companies in Germany during the Nazi era, see ibid. Information about the activities of Swiss direct and reinsurers on the German market can be found in ibid., 73–78, 120–135.
- 9 Straumann, "Riese," 397.
- 10 Feldman, *Allianz*, 432.
- 11 Minutes of the 239th supervisory board meeting on 9 July 1935, in HAMR, AR-P/27.

- 12 Author's calculations on the basis of the business figures in MR, annual reports 1932/33–1943/44; James, ed., *Swiss Re*, 491; RM values were calculated according to the exchange rates in *ibid.*, 469. In 1935 the exchange rate was 123.70 CHF per 100 RM, in 1937 175.15 CHF per 100 RM.
- 13 Ludwig Arps, *Durch unruhige Zeiten. Deutsche Versicherungswirtschaft seit 1914*, Pt. 2: *Von den zwanziger Jahren zum Zweiten Weltkrieg* (Karlsruhe, 1976), 59.
- 14 MR, annual reports 1913/14–1943/44; James, ed., *Swiss Re*, 491; RM values were calculated according to the exchange rates in *ibid.*, 469. The values for MR's fiscal years were indicated for the calendar year in which the fiscal year ended.
- 15 Karlen et al., *Versicherungsgesellschaften*, 82–90.
- 16 "Verordnung über die vorläufige Anwendung eines Abkommens über den deutsch-schweizerischen Verrechnungsverkehr. Vom 26. 7. 1934," *RGBl. II*, S. 717.
- 17 MR file memo, 18 Feb. 1935, in HAMR, AA/335.
- 18 Hjalmar Schacht, *Notwendigkeiten der deutschen Außenwirtschaft* (Berlin, 1934) (Reichsbank press).
- 19 File memo by MR board of management member Gustav Mattfeld about a conversation with the CEO of Swiss Re Bebler, 29 Jan. 1935, in HAMR, AA/335.
- 20 Herzog, "Dokumente," p. 704.
- 21 *Ibid.*
- 22 *Ibid.*
- 23 *Ibid.*, p. 706.
- 24 File note Kißkalt, 19 Feb. 1936, in HAMR, AA/35.
- 25 Kurt Bauer, "Diskrete Gebarung," *Die Presse – Spectrum*, 6 May 2006.
- 26 See Hans H. Lembke, *Phönix, Wiener und Berliner. Aufstieg und Sturz eines europäischen Versicherungskonzerns* (Wiesbaden, 2016); Isabella Ackerl, "Der Phönix-Skandal," in Ludwig Jedlicka and Rudolf Neck, eds., *Das Juliabkommen von 1936. Vorgeschichte, Hintergründe und Folgen. Protokoll des Symposiums in Wien am 10. und 11. Juni 1976* (Vienna, 1977), 241–279; Wolfgang Rohrbach, *Vor 40 Jahren. Die Tragödie der Lebensversicherungsanstalt Phönix* (Vienna, 1976).
- 27 On this, see above p. 91, 107 ff., 197.
- 28 Feldman, *Allianz*, 150 ff. Wilhelm Berliner (1881–1936) was born in Vienna and had worked for Lebens-Phönix since his student days. In 1912 he became the deputy director and two years later, the actual CEO of the company in place of chairman of the board of management Klang, who had become ill. Berliner died from complications of a protracted inner ear infection.
- 29 Feldman, *Allianz*, 150.
- 30 Hans Habe, *Ich stelle mich* (Vienna, 1954), 247 f. (quoted in Arps, *Zeiten*, Pt. 2, 63). Habe worked for a short time in Vienna as a news agent for Berliner. A similar description of Berliner can be found in Peter Berger, *Im Schatten der Diktatur. Die Finanzdiplomatie des Vertreters des Völkerbundes in Österreich, Meinoud Marinus Rost van Tonningen 1931–1936* (Vienna, 2006), 45 ff.
- 31 Karl Sigmund, "Versichern beruhigt: Tauber, Helly und die Wiener Phönix," in Friedrich Stadler, ed., *Österreichs Umgang mit dem Nationalsozialismus. Die Folgen für die naturwissenschaftliche und humanistische Lehre* (Vienna, New York, 2004), 111–125. Alfred Tauber ("Tauber-Theorem") worked as an adviser to Lebens-Phönix after retiring from the University of Vienna. He was murdered in Theresienstadt in 1942. Eduard Helly emigrated in 1938 to the U.S. and died in Chicago in 1943.

- 32 Berger, *Schatten*, 457.
- 33 “Kißkalt an die Direktion der Lebensversicherungs-Gesellschaft Phönix z. Hd. Generaldirektor Bauer, 12. 7. 1930,” printed in Herzog, “Dokumente,” p. 557.
- 34 A report written in 1932 on MR’s relationship to Lebens-Phönix, printed in *ibid.*, p. 555.
- 35 In 1921 MR, together with Lebens-Phönix, had acquired the majority of the Allianz und Giselaverein. This company’s German business was transferred to the subsidiary founded in Munich in December 1925, the Gisela Deutsche Lebens- und Aussteuer-Versicherungs-AG. After Lebens-Phönix’s collapse, MR took over its investment in the German Gisela, of which it now held 44 % of the share capital. Richard Stellwag, *Gisela: Ursprung und Wandel eines Versicherungsunternehmens, aufgezeichnet nach Akten, Urkunden, Archivunterlagen, Zeitungen, Zeitschriften, mündlichen Berichten und Persönlichen Erlebnissen*, Vol. 1: 1869–1948 (Munich, 1966), 117, 132, 151, 208.
- 36 “Kißkalt an die Direktion der Lebensversicherungs-Gesellschaft Phönix z. Hd. Generaldirektor Bauer, 12. 7. 1930,” printed in Herzog, “Dokumente,” p. 557.
- 37 A report written in 1932 on MR’s relationship to Lebens-Phönix, printed in *ibid.*, p. 556.
- 38 *Ibid.*, p. 555.
- 39 *Ibid.*
- 40 *Ibid.* On this, see also Feldman, “Competition,” 46.
- 41 “Kißkalt an die Direktion der Lebensversicherungs-Gesellschaft Phönix z. Hd. Generaldirektor Bauer, 12. 7. 1930,” printed in: Herzog, “Dokumente,” p. 558.
- 42 A report written in 1932 on MR’s relationship to Lebens-Phönix, printed in *ibid.*, p. 559.
- 43 *Ibid.*
- 44 In a letter to the Reich Economics Minister of 21 Feb. 1934, MR wrote: “We do not have any more information about circumstances at Phönix-Leben under the leadership of Herr Dr. Berliner,” HAMR, AA/34. The Reich Economics Minister at that point was Allianz’s former CEO Kurt Schmitt. Wilhelm von Thelemann, the chief representative of the bank Merck, Finck & Co. only found out from MR that Lebens-Phönix’s German contracts were secure. Moreover, the life insurance department recommended after conferring with Kißkalt that he provide information to customers “with reserve, say, with the reason that he could not judge how things stood with Phönix in other countries.” Note Lebens-Phönix – Merck, Finck & Co., 21 Sept. 1934, in *ibid.* Cf. also: Kißkalt to Kende, 15 June 1931, in *ibid.*; Generaldirektor Emil Stein, Pester Ungarische Commercial Bank, to Kißkalt, 8 June 1931, in *ibid.*
- 45 Herzog, “Dokumente,” p. 615.
- 46 Berger, *Schatten*, 457 f.
- 47 Stellwag, *Gisela*, 207.
- 48 Berger, *Schatten*, 457 f.; Bauer, “Diskrete Gebarung.”
- 49 Berger, *Schatten*, 457 f.
- 50 Ackerl, “Phönix-Skandal”; Bauer, “Diskrete Gebarung.”
- 51 Cf. “Hinter den Kulissen des Phönix-Skandals,” *Völkischer Beobachter*, 1 Apr. 1936.
- 52 Bauer, “Diskrete Gebarung”
- 53 List of those present among the shareholders of ÖVAG for the first ordinary general

- assembly on 3 Nov. 1937, in HAMR, AA/65; Dieter Stiefel, *Die österreichischen Lebensversicherungen und die NS-Zeit. Wirtschaftliche Entwicklung, Politischer Einfluß, Jüdische Polizzen* (Vienna, Cologne, 2001), 77; Berger, *Schatten*, 460. On the re-insurance contract: Mattfeld to DAF, 24 June 1938, in HAMR, AA/291.
- 54** Stiefel, *Lebensversicherungen*, 31; Berger, *Schatten*, 460.
- 55** This solution included the obligation for insurance companies licensed for direct operations in Czechoslovakia to contribute a yearly sum of 12 million korunas to cover Lebens-Phönix's liabilities. Pražská Mestská Pojišťovna to MR, 11 Oct. 1937, in HAMR, AA/35. On Lebens-Phönix's takeover of the Czechoslovakian contracts, see p. 204.
- 56** "Deutscher Phönix in Ordnung," *Münchener Zeitung*, 3 Apr. 1936; "Verluste beim Wiener Phönix," *Münchener Neueste Nachrichten*, 27 Mar. 1936.
- 57** "Der deutsche Phönix," *Münchener Zeitung*, 1 Apr. 1936 (Stadtarchiv München, ZA 1509); Koch, *Geschichte*, 279.
- 58** Arps, *Zeiten*, Pt. 2, 69.
- 59** Bayerische Rückversicherungsbank AG to Reichsaufsichtsamt für Privatversicherung, 16 May 1936, in BAB, R 3101/17325, sheets 215 ff.; Register of shareholders for the 1st ordinary general assembly of the Isar Lebensversicherungs-Aktiengesellschaft in Munich on 29 June 1937, BAK, B 280/3869. The authors thank Prof. Dr. Hans Lembke, Berlin, for pointing out these documents.
- 60** Arps, *Zeiten*, Pt. 2, 69.
- 61** Minutes of the 242nd supervisory board meeting on 3 Nov. 1936 (Report Kißkalt), in HAMR, AR-P/28.
- 62** Herzog, "Dokumente," p. 613. Elementar-Phönix had merged in 1925/26 with the Wiener Versicherungsgesellschaft and Providentia into the Phönix, Providentia and Wiener Vereinigte Versicherungs-AG. In 1930 the company assumed Elementar-Phönix's earlier designation: Allgemeine Versicherungs-Gesellschaft Phönix.
- 63** Ibid.
- 64** Ibid.
- 65** Memo from 17 Sept. 1935, quoted in *ibid.*
- 66** Ibid., p. 614 f.
- 67** Ibid., p. 615.
- 68** See p. 214.
- 69** Herzog, "Dokumente," pp. 615 f.
- 70** On this see above, p. 215, 234 f.
- 71** Interrogation of Dr. Alois Alzheimer, 17 July 1947, Archiv des Instituts für Zeitgeschichte [hereafter IfZ-Archiv], OMGUS 2/56/1. On the cooperation between MR and Generali in Poland, see p. 223 ff.
- 72** Herzog, "Dokumente," pp. 266 f.
- 73** Ibid., p. 586; note Slavische, Prag, 19 Oct. 1934, in HAMR, AA/36.
- 74** Herzog, "Dokumente," pp. 585 f.
- 75** Cf. Hachtmann, *Wirtschaftsimperium*, 229, n116. On Star's development after 1938: BAB, R2/13541.
- 76** File note, 4/5 Sept. 1936, in HAMR, AA/35.
- 77** Confidential file note Mattfeld, 10 June 1937, in HAMR, AA/95.
- 78** Memo Slavische Versicherungs-Anstalt Akt.-Ges., Prag, 25 July 1942, in *ibid.*
- 79** Quoted in Herzog, "Dokumente," p. 587.

- 80** Report on the audit of Slavische Versicherungs-AG in Prag, 17 June/10 July 1937, in HAMR, AA/95.
- 81** Memo Schneider re: Slavische – Prag, Bezüge Generaldirektor Dr. Rasin, 23 July 1937, in *ibid.*
- 82** Memo Schneider re: Slavische – Prag, 10 May 1938, in *ibid.*
- 83** *Ibid.*
- 84** MR to Slavische Versicherungs-Anstalt Akt.Ges. Prag, 23 May 1938, in *ibid.*
- 85** Herzog, “Dokumente,” p. 589. In 1936 Slavia enjoyed a 16.7 % share of the life insurance market while Slovanska had 4.8 %. Holocaust Claims Processing Office/New York State Department of Financial Services, “The Insurance Industry and the Economies of Central and Eastern Europe, 1918–1945,” October 2011, p. 37, URL: <http://www.dfs.ny.gov/consumer/holocaust/hcpor111031.pdf>.
- 86** Contracts with Mundial (12/14 July 1933) and Providentia (20/30 Nov. 1934), in HAMR, AA/89. On business relations between MR and Union Rück see also Feldman, *Allianz*, 431 f.
- 87** Letter from MR to Union Rück, 2 Apr. 1935, in SRCA, 10 135 238.04.
- 88** Agreement between Munich Re and Schweizerische Bankgesellschaft, 22/24 Jan. 1934, in HAMR, AA/49.
- 89** Power of attorney of MR to Union Rück, 22 Aug. 1938, in SRCA, 10 135 238.04.
- 90** File note Grieshaber, 24 Aug. 1938, in *ibid.*
- 91** Letter from MR to the Nationale Versicherungsanstalt AG Prag, 17 Sept. 1938, in HAMR, AA/89.
- 92** Hassell, *Tagebücher*, 27 (entry from 23 Oct. 1938).
- 93** “Münchener Rückversicherungs-Gesellschaft, Rechtfertigung,” p. 6, in BayHStA, MWi 25686; MR to Aterförsäkrings-Aktiebolaget Atlas, Direktor Meyjes, 3 Apr. 1939, in HAMR, A/97; Allianz Versicherungs-AG to the American military government, finance department, Berlin-Dahlem, 21 May 1946, in “Münchener Rückversicherungs-Gesellschaft: Pilot Reinsurance Company Report,” in National Archives and Record Administration (NARA), RG 260, M 1922.
- 94** Herzog, “Dokumente,” p. 701.
- 95** “Münchener Rückversicherungs-Gesellschaft, Rechtfertigung,” p. 8, in BayHStA, MWi 25686.
- 96** Herzog, “Dokumente,” p. 748.
- 97** File note Reininghaus (with a word-for-word reiteration of Barley’s report of 28 July 1939), in HAMR, AA/49; file note on a conversation in Munich Re’s office on 14 July 1939 (with quotation), *ibid.*
- 98** Herzog, “Dokumente,” p. 749.
- 99** Confidential memo Les Réassurances, Paris, 11 Nov. 1942, in HAMR, AA/49.
- 100** Guarantee declaration of Union Rück, 1 Sept. 1939, in SRCA, 10 135 238.04. The guarantee declaration pertained to contracts with cedents in France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland, Lithuania, Estonia, Yugoslavia, and Romania (list in HAMR, AA/360). According to a file note by Union Rück CEO Grieshaber of 13 March 1940, Union also took over MR’s contracts with the British insurers Norwich Union, London Guarantees and Accident, Prudential, Royal Exchange, and Royal (HAMR, Aktenverfilmung Union Rück).
- 101** Gustav Mattfeld, “Dr. Brix, die Deckung der Kriegsgefahr in der Lebensversicherung,” in HAMR, AA/242 (also in BAK, B 280/8627).

- 102** Herzog, "Dokumente," pp. 473 ff. The protracted battles over the settlement of claims from the Spanish Civil War were finally put to rest with an agreement (Convenio) of 14 July 1941, which, however, did not apply to life insurers. The affected direct and reinsurers agreed to a payment of 100 million pesetas (24 million RM). MR was involved in settling the Spanish "riot losses" to the tune of about 11.2 million pesetas (about 2.7 million RM). *Ibid.*, pp. 474 f.; Feldman, *Allianz*, 347 f.
- 103** Quoted in Herzog, "Dokumente," p. 333.
- 104** *Ibid.*, p. 334; Union Insurance Society of Canton Ltd. to Allianz und Stuttgarter Verein Versicherungs-AG, 22 June 1937, in HAMR, AA/217.
- 105** Horst Wagenführ, *Kriegswirtschaft und Versicherung* (Leipzig, 1939), 86 f.
- 106** Quoted in *ibid.*, 84.
- 107** Herzog, "Dokumente," p. 343.
- 108** Minutes of a discussion on 4 Dec. 1939, in BAK, B 280/8627; comments on newsletter R 44 of the Reich Supervisory Office, in *ibid.*; Wagenführ, *Kriegswirtschaft*, 52 ff.; Arno Surminski, *Versicherung unterm Hakenkreuz* (Berlin, 1999), 234 ff.

12. Occupation Rule and the War Economy: Munich Re in the Europe of the Third Reich

- 1** File note Phönix, Discussion in Venice, 23 May 1938, in HAMR, AA/65; Feldman, *Allianz*, 292 f.
- 2** After the annexation of Austria, Deutsche Bank wished to take over the Österreichische Creditanstalt – Wiener Bankverein. Hans Fischböck, the economics minister of the new government in Vienna, prevented this from happening. The Reich's own VIAG Group won the bid, taking over the controlling capital interest. The Deutsche Bank at first had to make do with a 25 % equity investment, but in the spring of 1942, it was finally able to take over the majority. Harold James, *Die Deutsche Bank im Dritten Reich* (Munich, 2003), 110 ff.
- 3** File note Meuschel, 20 Nov. 1937, in HAMR, AA/65.
- 4** Herzog, "Dokumente," p. 617.
- 5** *Ibid.*
- 6** *Ibid.*
- 7** Contract of 28 June/6 July 1938, in HAMR, AA/65. See also Herzog, "Dokumente," p. 617.
- 8** File note/Report Herzog for Dr. Schieren re. Assicurazioni Generali – Wiener Allianz, 30 Mar. 1977, in HAMR, AA/53; Herzog, "Dokumente," 617.
- 9** Herzog, "Dokumente," p. 560.
- 10** Ingo Böhle, "Die Expansion der Volksfürsorge Lebensversicherung in den mitteleuropäischen Raum 1938–1945," in Harald Wixforth, ed., *Finanzinstitutionen in Mitteleuropa während des Nationalsozialismus*, Geld und Kapital, Vol. 4, Jahrbuch der Gesellschaft für mitteleuropäische Banken- und Sparkassengeschichte 2000 (Stuttgart, 2001), 184 ff.
- 11** Mattfeld to DAF, 24 June 1938, in HAMR, AA/291.
- 12** Assicurazioni Generali to Allianz Versicherungs-AG, Munich, 12 Feb. 1949, in HAMR, AA/53.
- 13** "Rückstellungskommission beim Landesgericht f. ZRS Wien, Erkenntnis, 22. 6. 1950," p. 7, in *ibid.*

- 14 The Viennese restitution commission also decided that the applicants would not get the shares back for the purchase price from 1939. They had to compensate Allianz and MR for a portion of the expenses they had made for a capital increase these had carried out at the Wiener Allianz. File note/Report by Herzog for Dr. Schieren re. Assicurazioni Generali – Wiener Allianz, 30 Mar. 1977, in *ibid.*; file note re. Wiener Allianz, 23 Oct. 1950, in *ibid.*
- 15 File note re: Wiener Allianz, 23 Oct. 1950, in *ibid.* Wiener Allianz sued Allianz and MR at the same time for replacement of its added “erosion losses” Both parties agreed to a settlement in which Allianz and MR were obliged to make a payment of 1.5 million schillings. File note/Report by Herzog for Dr. Schieren re. Assicurazioni Generali – Wiener Allianz, 30 Mar. 1977, in *ibid.*
- 16 File note/Report by Herzog for Dr. Schieren re. Assicurazioni Generali – Wiener Allianz, 30 Mar. 1977, in *ibid.*
- 17 Attachment 3 to: Military Government of Germany, Questionnaire, Eberhard von Reininghaus, in Staatsarchiv München, SpkA 18 (Spruchkammerakte Eberhard von Reininghaus).
- 18 This was also Feldman’s assessment in Feldman, *Allianz*, 295.
- 19 File note Meuschel, 20 Nov. 1937, in HAMR, AA/65.
- 20 Herzog, “Dokumente,” p. 616.
- 21 Eberhard von Reininghaus, Comments [on the questionnaire of the American military government], p. 7, in HAMR, Personalialia/5.
- 22 Attachment 3 to: Military Government of Germany, Questionnaire, Eberhard von Reininghaus, in Staatsarchiv München, SpkA 18 (Spruchkammerakte Eberhard von Reininghaus).
- 23 See pp. 215, 234 f.
- 24 Feldman, *Allianz*, 296.
- 25 “Schmidt-Polex, Hans Walter,” in *Hessische Biografie*, <http://www.lagis-hessen.de/pnd/117511188> [last accessed on 20 Mar. 2015]. On Philipp Nicolaus Schmidt-Polex see above pp. 30, 32.
- 26 Feldman, *Allianz*, 296.
- 27 *Ibid.*, 357 f.
- 28 *Ibid.*
- 29 *Ibid.*, 359.
- 30 Herzog, “Dokumente,” p. 589.
- 31 Draft contract, 24 Oct. 1941, in HAMR, FIN/132. Herzog guesses, supported by Schmitt’s notes, that the equity investment did not take place because the authorities had ordered for all decisions not essential to the war to be postponed. Herzog, “Dokumente,” p. 589.
- 32 Hachtmann, *Wirtschaftsimperium*, 233.
- 33 *Ibid.*, 234. Cf. on this also Böhle, “Expansion,” 200 ff.
- 34 Feldman, *Allianz*, 356. Allianz Leben was only able to take over Slavia’s policies in the “Sudetenland.” *Ibid.*, 362.
- 35 File note re. insurance industry in the protectorate, 3 Feb. 1943, in HAMR, AA/14. The insurance companies were now controlled by means of the Central Association of Contractual Insurance in Bohemia and Moravia of the government of the protectorate. Holocaust Claims Processing Office et al., “Insurance Industry,” p. 64.
- 36 Böhle, “Expansion,” 201 f.

- 37 Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386; Feldman, *Allianz*, 359.
- 38 Quoted in Feldman, *Allianz*, 359.
- 39 Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386.
- 40 *Ibid.*, p. 1.
- 41 Affidavit of Franz Buchetmann, 20 Apr. 1946, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer).
- 42 Affidavit of Josef Ruzicka, 21 June 1948, in *ibid.*; Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386; Herzog, "Dokumente," p. 589.
- 43 Frank Drauschke, "Die Versicherungswirtschaft in den böhmischen Ländern und die Entziehung jüdischer Lebensversicherungspolizen," in Alois Mosser, ed., *Die Versicherungswirtschaft in Mitteleuropa während des Nationalsozialismus*, Geld und Kapital, Vol. 6, Jahrbuch der Gesellschaft für mitteleuropäische Banken- und Sparkassengeschichte 2002 (Stuttgart, 2004), 70, 75.
- 44 Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386.
- 45 Herzog, "Dokumente," pp. 271 f., 595 f.
- 46 Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386; File note Alzheimer, 12/13 Apr. 1943, in HAMR, Personalialia/12.
- 47 Cf. Armin Heinen, *Rumänien, der Holocaust und die Logik der Gewalt* (Munich, 2007).
- 48 File note Alzheimer, 12/13 Apr. 1943, in HAMR, Personalialia/12.
- 49 Kafka to Martini (copy), 10 Nov. 1946, in *ibid.*
- 50 Herzog, "Dokumente," p. 595.
- 51 Veesenmayer to Kißkalt, 10 June 1937 (with reference to a similar letter of 27 May 1939), in HAMR, AA/103.
- 52 For Veesenmayer's biography see Igor-Philip Matic, *Edmund Veesenmayer. Agent und Diplomat der nationalsozialistischen Expansionspolitik* (Munich, 2002).
- 53 Kißkalt to Veesenmayer, 1 June 1937, in HAMR, AA/103.
- 54 Karlen et al., *Versicherungsgesellschaften*, 705 ff.
- 55 Eckart Conze, Norbert Frei, Peter Hayes, and Moshe Zimmermann, *Das Amt und die Vergangenheit. Deutsche Diplomaten im Dritten Reich und in der Bundesrepublik* (Munich, 2010), 262 ff.
- 56 Affidavit of Alois Alzheimer re. Joseph Szönyi, Budapest, 16 June 1946, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer); Joseph Szönyi, Budapest, in *ibid.*, Attachment 18c; Georg Balaban, Budapest, in *ibid.*, Attachment 18b; Munich Re Co., Attachment 1, p. 2, in HAMR, AA/386.
- 57 Pogany received payments of a total of 54,000 pengös from MR over the course of 1937, which made it possible for him to emigrate to Australia. Tivadar Pogany, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer), Attachment 18b.
- 58 Einhorn was in charge at the Warsaw Insurance Company as well as at the Port, Patria, Europa, Florjanka, and Vita insurance companies. HAMR, AA/37.
- 59 *Ibid.*; shares of Port, the Warschauer [Warsaw Insurance Company] and Patria, 15 Sept. 1930, in HAMR, AA/50.
- 60 MR's investment in Polish companies, status of 28 Apr. 1933, in HAMR, AA/50.
- 61 Quoted from Alzheimer's note of 13 June 1936, reproduced in Herzog, "Dokumente," p. 578.
- 62 "Der Konflikt bei der Warschauer [Warsaw Insurance Company] beigelegt. Der

- Hauptaktionär Einhorn zurückgetreten,” in *Die Versicherung*, 3 Jan. 1935 (HAMR, AA/37). Einhorn had been attacked in the Polish press before this. Einhorn’s departure was explained as “out of health considerations.” *Ibid.*; Finanz-Ministerium, Staatliches Versicherungs-Aufsichts-Amt to Einhorn, 24 Dec. 1934 (translation from Polish), in *ibid.*
- 63** File note re. baggage insurance in Palestine and Egypt, in ERGO-Archiv, Bestand ERV, Nr. Q 0009–00028; File note re: Europäische Warschau, *ibid.*
- 64** Herzog reports that he had met a Mr. Marcel A. Horn at Union Rück in New York in the 1950s, who had introduced himself to him as the son of Ananiasz Einhorn, and that the family had changed its name in the U.S. Note Herzog for Dr. Freund, 30 Sept. 1981, in HAMR, Personalialia/11.
- 65** File note Warschauer [Warsaw Insurance Company] Geschäft, 11 Sept. 1936, in HAMR, AA/38.
- 66** Contracts between Assicurazioni Generali in Trieste and Munich Re in Munich, 17/25 Jan. 1938, in HAMR, FIN/215; also in Archiwum Akt Nowych Warszawa (Archive of the New Files, Warsaw) [hereafter AAN], 2386–131.
- 67** MR to the Reich Economics Ministry, attn. Ministerialrat Dr. Daniel, 28 Sept. 1939, in HAMR, AA/38.
- 68** Quoted in Surminski, *Versicherung*, 230. See also Ingo Böhle, “‘Der Fahne folgt der Kaufmann’ – Die Private Krankenversicherung (PKV) in den ‘angeschlossenen’ und annektierten Gebieten Mitteleuropas während der NS-Zeit,” in Mosser, ed., *Versicherungswirtschaft*, 135–170.
- 69** MR to Quartermaster General in Army Supreme Command, 20 Sept. 1939, in HAMR, AA/38. MR sent a similar letter a few days later to the Reich Economics Ministry, in which it stated: “Naturally, we have a decisive interest in the activity of these companies being able to continue without disruption and being adapted as rapidly as possible to the given necessities caused by the changed political circumstances, so that these companies too can be made of service in every way to German interests.” MR to the Reich Economics Ministry, attn. Ministerialrat Dr. Daniel, 28 Sept. 1939, in *ibid.*
- 70** File note Buchetmann, 26 June 1941, in HAMR, FIN/215. The orders to confiscate were issued on 4 Apr. 1941 and 17 May 1941.
- 71** Edwin Magnus (1888–1974) was the CEO of the Commerzbank in Riga and, as the chairman of the German-Baltic Reform Party, he was twice the Latvian Minister of Justice. From 1933 to 1938, he was a Latvian envoy in Vienna. Magnus had promoted MR and Allianz’s interests in Riga at their investment company Erste Rigaer. But there, he had also started an argument with some powerful opponents and was finally expelled from the country by the authoritarian Ulmanis regime. MR to CEO Wilhelm Arendts, 24 Oct. 1939, in HAMR, Personalialia/13; résumé Edwin Magnus, in *ibid.*; file note re. Riga, 17/22 Mar. 1938, in *ibid.*
- 72** The general trustee for individual insurance at the general governor for the occupied Polish territories to Patria, 30 Oct. 1939, in HAMR, AA/50.
- 73** Erste Allgemeine Unfall- und Schadens-Versicherungs-Gesellschaft to CEO Wilhelm Arendts, 11 Nov. 1939, in HAMR, AA/45; The general trustee for individual insurance at the general governor for the occupied Polish territories, appointment, 11 Nov. 1939, in *ibid.*
- 74** Allianz branch management Wartheland to Ernährungs- und Wirtschaftsstelle

- Ghetto Litzmannstadt [Łódź], 14 Nov. 1940, in Archivum Państwowe w Poznaniu [State Archive Poznan], 221–31178.
- 75** File note Schneider re: Florjanka, 14 June 1940, in HAMR, AA/50; comment re. Warschauer [Warsaw Insurance Company] – G. P. P.-Patria in its relation to Florjanka, in *ibid.*; Karlen et al., *Versicherungsgesellschaften*, 124.
- 76** Jeziorański and Śliwiński, just like Henryk Rittermann, were members of Florjanka's and Patria's boards of management before the war began. Geschäftsbericht Florjanka 1938 (Sprawozdanie Za 1938 Rok), in AAN, 2386–123. Polish insurance company "Patria" Akt.Ges., Warschau, Pl. Napoleona 3 (status 1939), in HAMR, AA/50.
- 77** Attachments 1–4 to: File note by Otto Burbach, 31 Mar. 1948, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer).
- 78** File note by Otto Burbach, 31 Mar. 1948, in *ibid.*, Wand to Alzheimer, 6 June 1940, in *ibid.*
- 79** On the confiscation of Jewish life insurance deposits, see Feldman, *Allianz*, 262 ff.
- 80** Transcript of the discussion about the Polish business that took place on 14 Apr. 1940 in Munich, in HAMR, AA/38.
- 81** *Ibid.*
- 82** GPP, premium revenues on retention and premium contributions minus the reinsurers' share, 1938–1941, in AAN, 2386–112. GPP's premium revenues on retention in the fire insurance business amounted to about 1.8 million zloties in 1938, and then only about 313,000 zloties in 1940. *Ibid.*
- 83** Transcript of the discussion about the Polish business that took place on 14 Apr 1940 in Munich, in HAMR, AA/38.
- 84** This is evident from the cancellation papers in Archivum Państwowe w Łodzi [State Archive Łódź], 218–36.
- 85** GPP, premium revenues on retention and premium contributions minus the reinsurers' share, 1938–1941, in AAN, 2386–112.
- 86** File memo about the partner conference re. group companies in the general government held in Venice on 28 and 29 Apr. 1942, in HAMR, AA/50.
- 87** File note Schneider re. Florjanka, 14 June 1940, in HAMR, AA/50.
- 88** Feldman. *Allianz*, 405–408. The camp at Plaszów was a forced labor camp of the SS and chief of police for the Krakow district at that time. In January 1944, it was transformed into a concentration camp.
- 89** Bayerische Versicherungsbank AG, Bezirksdirektion Krakau to Deutsche Ausrüstungswerke GmbH, 15 May 1944, in BAB, NS 3/216, sheet 37 f.
- 90** Cf. Feldman. *Allianz*, 409 ff.
- 91** *Ibid.*, 402 ff.
- 92** *Ibid.*, 409 ff.
- 93** *Ibid.*, 413 f.
- 94** MR to Jeziorański and Śliwiński, 27 July 1944, in HAMR, AA/50.
- 95** Magnus to MR, 19 Sept. 1944, in HAMR, AA/45.
- 96** Jeziorański to MR, 19 Sept. 1944, in *ibid.*
- 97** Letter from MR and Allianz to the Reich Economics Ministry, 11 Sept. 1941, in HAMR, NA/26; Report on the founding of an insurance company in the Baltic territories, 24 Feb. 1942, *ibid.*; Feldman, *Allianz*, 413.
- 98** Gostrach (the main administrative office of the state insurance company) had been

- founded as an insurance monopoly in 1921. Alexander Schug, *Der Versicherungs-gedanke und seine historischen Grundlagen* (Göttingen, 2011), 360.
- 99** Chef der Reichskanzlei to Reichsminister für die besetzten Ostgebiete, 16 June 1942, in HAMR, NA/26.
- 100** Reichsminister für die besetzten Ostgebiete, stellv. Gauleiter und Reichsstatthalter Alfred Meyer, to Chef der Reichskanzlei, 15 July 1942, *ibid.*
- 101** Feldman, *Allianz*, 372.
- 102** File note Meuschel, 10 Aug. 1940, in HAMR, AA/49.
- 103** Confidential memo re: Les Réassurances, Paris, 11 Nov. 1942, in HAMR, AA/49.
- 104** File note Schmitt, 4 Dec. 1941, in *ibid.*
- 105** Confidential memo re: Les Réassurances, Paris, 11 Nov. 1942, in *ibid.*
- 106** Herzog, "Dokumente," p. 733.
- 107** Interrogation of Dr. Alois Alzheimer, questioned by Emil Lang, 17 July 1947, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer).
- 108** Herzog, "Dokumente," pp. 719 f.
- 109** *Ibid.*, pp. 722 f.
- 110** *Ibid.*, p. 723.
- 111** Interrogation of Dr. Alois Alzheimer, questioned by Emil Lang, 17 July 1947, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer).
- 112** Munich Reinsurance Company, Attachment 1, n.d., in HAMR, AA/386. The head of VAN, Jan Willem Gratama, wrote in his affidavit in Alzheimer's denazification proceeding that Alzheimer appeared in Amsterdam shortly after the Netherlands became occupied and had then sent word to Germany that all the contracts concluded with British, French, and American insurers up to that point had already been accommodated by Dutch companies. Affidavit of Jan Willem Gratama, 25 June 1948, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alois Alzheimer).
- 113** Interrogation of Dr. Alois Alzheimer, questioned by Emil Lang, 17 July 1947, in *ibid.*
- 114** Munich Reinsurance Co., Attachment 1, n.d., in HAMR, AA/386.
- 115** MR to Reichsbank Main Office Munich, 17 Jan. 1938, in Firmenhistorisches Archiv der Allianz, S-17.14/58.
- 116** Visit by Mr. Südekum on 26 Apr. 1938 in the MR building. Memories of his employment with "Pilot," in HAMR, Personalialia/17.
- 117** *Ibid.*
- 118** Schreiner last lived with his daughter Hertha Thieme and her family in Berlin; she was married to one of Carl von Thieme's sons. He died on 6 May 1948 in Brannenburg, Upper Bavaria at the age of 94. On this, see the files in HAMR, Personalialia/8.
- 119** File note re: Pilot, 18 July 1941, in HAMR, AA/97.
- 120** Allianz had transferred its shares of Pilot at Schreiner's suggestion to two Dutch insurers and Union Rück. Head of Accounting Allianz to Bank Accounting, 1 Dec. 1939, in Firmenhistorisches Archiv der Allianz, S-17.14/58; File note Pilot, 18 June 1946, in *ibid.*
- 121** File note Schmitt re: Union-Zürich, 6 June 1941, in HAMR, AA/97.
- 122** Wilkins, *History 1914-1945*, 552, 883, note 70 (on the suit by Atlas, Svenska Veritas, and Atlantica); Union Rück's investment in companies in Allied countries, in SRCA, 10 130 374.04; Herzog, "Dokumente," p. 701; visit by Mr. Südekum on 26 Apr. 1938 in the MR building. Memories of his employment with "Pilot," in HAMR, Personalialia/17.

- 123** On this, see, for example, Götz Aly, *Modelle für ein deutsches Europa. Ökonomie und Herrschaft im Großwirtschaftsraum* (Berlin, 1992); Thomas Sandkühler, "Europa und der Nationalsozialismus. Ideologie, Währungspolitik, Massengewalt," *Zeithistorische Forschungen/Studies in Contemporary History*, online edition 9, no. 3 (2012), <http://www.zeithistorische-forschungen.de/3-2012/id=4673> [last accessed on 20 Mar. 2015].
- 124** Feldman, "Competition," 54 ff.
- 125** Herzog, "Dokumente," p. 830.
- 126** Transcript of the conference of the presiding committee of the Association for Covering Major Risks in Rome on 29/30 Oct. 1941, p. 5, in IfZ-Archiv, OMGUS 2/223/8.
- 127** Board of Economic Warfare, Enemy Branch, Axis Penetration of European Insurance, 15 June 1943, p. 60, in IfZ-Archiv, OMGUS 2/110/1.
- 128** Transcript of the meetings of the presiding and technical committees of the Association for Covering Major Risks in Budapest on 1/2 June 1943, pp. 24 ff., 32 ff., 42 ff., in IfZ-Archiv, OMGUS 2/223/8.
- 129** Transcript of the meetings of the presiding and technical committees of the Association for Covering Major Risks in Lugano on 7/8 May 1942, pp. 17 f., in *ibid*.
- 130** On the significance of the Association for Major Risks for Generali and Riunione, see Susan Dora Glazer, "Business as Usual? Triestine Companies, the Italian Insurance Industry, and the 'Jewish Question' during World War II," PhD diss., Brandeis University, 2009.
- 131** File note Schmitt re: Reinsurance Collective, 15/21 Nov. 1940, in HAMR, AA/370.
- 132** "Die deutsche Versicherungswirtschaft und der Nationalsozialismus," pp. 62 f., in HAMR, AA/364; Feldman, "Competition," 56; Herzog, "Dokumente," pp. 832, 872; Assicurazioni Generali to Munich Re Co. re: nationalization of private insurance in Yugoslavia, 11 Oct. 1940, in HAMR, AA/165.
- 133** Alzheimer to Hilgard, 7 Oct. 1940, in HAMR, AA/165.
- 134** Overview of the Association for Covering Major Risks, 7 July 1942, in *ibid*.
- 135** Transcript of the meetings of the presiding and technical committees of the Association for Covering Major Risks in Budapest on 1/2 June 1943, p. 4, in IfZ-Archiv, OMGUS 2/223/8.
- 136** File note Reininghaus re: Association for Covering Major Risks, 26 Mar./8 Apr. 1941, in HAMR, AA/370.
- 137** Herzog, "Dokumente," p. 830.
- 138** Straumann, "Riese," 410 ff.
- 139** Herzog, "Dokumente," p. 832.
- 140** Transcript of the meetings of the presiding and technical committees of the Association for Covering Major Risks in Budapest on 1/2 June 1943, p. 3, IfZ-Archiv, OMGUS 2/223/8; Herzog, "Dokumente," p. 833.
- 141** Karlen et al., *Versicherungsgesellschaften*, 648.
- 142** Hans Grieshaber (1893–1967) was born in Chur (also Coire), studied mathematics, and had worked as a secretary at the Versicherungskasse der Eidgenössischen Beamten, Angestellten und Arbeiter before joining Union Rück. He headed Union Rück from 1923 to 1964. He was known to the Swiss public as a travel author. See Hans Grieshaber, *20 Jahre Weltreisen* (Zurich, 1943). On Grieshaber's biography: Karlen et al., *Versicherungsgesellschaften*, 758.

- 143** Herzog, “Dokumente,” p. 707. In this, MR retained its right to buy back its 7,150 shares of Fénix Sudamericano. It allowed Union Rück to hold the proceeds in order not to have to give them to the Reichsbank. File note re: Fénix Sudamericano, 28 June 1946, in HAMR, AA/393.
- 144** Karlen et al., *Versicherungsgesellschaften*, 634.
- 145** *Ibid.*, 634 ff.
- 146** Ernst was not one of the trustees but he had signaled his willingness to be one to MR. *Ibid.*, 638, n. 28.
- 147** *Ibid.*, p. 639 f.
- 148** Overview by Union of the status of its business on 1 Jan. 1941, in HAMR, AA/89.
- 149** Union Rück to Alzheimer, 27 May 1942, in SRCA, 10 130 374.02.
- 150** Herzog, “Dokumente,” p. 819.
- 151** Overview of the contracts transferred to Union Rück (status 15 Apr. 1940), in HAMR, AA/360.
- 152** Union Rückversicherungs-Gesellschaft Zürich, Annual Report 1948 (Overview “Business Development in the Last 25 Years”), in SRCA 10 125 717.
- 153** Letter Alzheimer to Grieshaber, 14 Sept. 1939, in HAMR, AA/360.
- 154** File note Alzheimer, 25 Sept. 1939, in *ibid.*
- 155** File note Alzheimer, 13 Mar. 1940, in HAMR, AA/89.
- 156** Herzog, “Dokumente,” p. 696.
- 157** List of the reinsurance contracts transferred by MR to Union Rück, 28 Oct. 1939, in HAMR, AA/89.
- 158** File note Grieshaber, 13 Mar. 1940, in HAMR, AA/360.
- 159** Letter by MR to the Reich Economics Ministry, 19 Nov. 1941, in HAMR, AA/147.
- 160** Letter by Union Rück to MR, 2 Dec. 1944, in HAMR, Aktenverfilmung Union Rück.
- 161** Letter by MR to board of management of Union Rück, 30 Jan. 1944, in SRCA, 10 135 238.03.
- 162** Details in HAMR, AA/360.
- 163** File note Alzheimer, 22 Apr. 1940, in HAMR, AA/362.
- 164** File note Schmitt re: Union-Zürich, 6 June 1941, in HAMR, AA/97.
- 165** Herzog, “Dokumente,” p. 708.
- 166** Karlen et al., *Versicherungsgesellschaften*, 718 f.
- 167** On this, see p. 123.
- 168** Karlen et al., *Versicherungsgesellschaften*, 670–676.
- 169** Alzheimer to Ruperti, 21 Nov. 1944, in BAK, OMGUS, 2/236/4.
- 170** Karlen et al., *Versicherungsgesellschaften*, 125, 668 (quote); Report by the management, presented by Dr. J. Meier, in SRCA 10 130 374.05; Union Rückversicherungs-Gesellschaft Zürich, Annual Report 1948 (Overview “Business Development in the Last 25 Years”), in SRCA 10 125 717.
- 171** Alzheimer’s report on his trip to Switzerland, 24 Mar. 1945, in HAMR, AA/117, and BAK, OMGUS, 2/236/4.
- 172** *Ibid.*
- 173** Karlen et al., *Versicherungsgesellschaften*, 663.
- 174** *Ibid.*, 653–665. Union Rück was acquired by Swiss Re in 1988. Up until then, SBG held the majority. Other major shareholders included Schweizer National and Zürich Versicherung.

- 175** Ibid., 670.
- 176** Transcript of the 4th meeting of the Allianz/MR council of directors, 28 Oct. 1942, in HAMR, AA/90.
- 177** MR's justification statement to the U.S. military tribunal in Munich, n.d. (July/August 1946), in BayHStA, MWi, Nr. 25685, pp. 2 ff.; transcript of the meeting of the Allianz/MR council of directors, January/February 1944, in *ibid.*
- 178** Telegram confirmation, sent on 7 July 1944, in HAMR, AA/395.
- 179** HAMR, AA/91.

Part III: Back to the Top of the World Market (1945–1980)

13. Starting Anew under the American Occupation: The Consequences of War and Denazification

- 1 Memorandum from Dr. Otto Burbach, 20 June 1947, in HAMR, AA/397.
- 2 Excerpt from the minutes with the results of the special meeting on 18 Jan. 1979; "Bericht über den Stand der Arbeit von Martin Herzog," n.d. (1979); "Akttenotiz Freund für den Vorstandsvors. Jannott," 5 Nov. 1981, in HAMR, SK/91.
- 3 Herzog, "Dokumente."
- 4 "Akttenotiz der Union Rück über den Besuch des Kuriers Dr. Zwicky in München," 9 Oct. 1945, in SRCA, 10 135 238.01; Minutes of the MR supervisory board meeting on 15 July 1949, in HAMR, AR-P/32.
- 5 Undated interview of MR employee with Alois Alzheimer, in HAMR, AA/411.
- 6 Minutes of the supervisory board meeting on 9 Dec. 1950, in HAMR, AR-P/33.
- 7 Herzog, "Dokumente," pp. 1016 f.
- 8 The reinsurance contracts and the loss reports from direct insurers to the reinsurers did not yield any useful information for foreign military reconnaissance.
- 9 See MR's protest letter (Oldenburg, Obermayer) to OMGUS, Division of Investigation of Cartels and External Assets, 11 Jan. 1946, in BAK, Bestand OMGUS (Z 45 F), 2/224/9. For Manes' biography, see Koch, *Geschichte*, 171 ff.
- 10 Board of Economic Warfare, Axis Penetration of European Insurance, 15 June 1943, in BAK, OMGUS, 2/110/1.
- 11 U.S. Department of War, Office of Strategic Services: Civil Affairs Guide. German Insurance Companies – Suggested Controls, 15 Dec. 1944, in BAK, OMGUS, 2/224/11.
- 12 See the OMGUS investigations against the Deutsche Bank and against the Dresdner Bank.
- 13 Note from First Lieutenant H. K. Ladenburg for Colonel Bernard Bernstein, 7 Mar. 1945, in BAK, OMGUS, 2/110/1.
- 14 File memorandum from Captain Norbert A. Bogdan, Acting Chief of the Financial Institution Branch of OMGUS, 11 Apr. 1945, in BAK, OMGUS, 2/110/1.
- 15 Letter from E. Alzheimer (uncle of Alois Alzheimer) to Kießkalt, 30 Mar. 1927; manuscript résumé of Alzheimer's, n.d. (1929); Investigative report of OMGUS Special Branch, 7 Sept. 1945, in BAK, OMGUS, 2/236/4.
- 16 File memo by Saul Kagan, Chief Investigator of the Financial Investigation Section of OMGUS, 12 July 1947, in BAK, OMGUS, 2/224/12.

- 17 Letter from MR to the Bavarian State Economics Ministry, 23 May 1946, in BAK, B 280, No. 25128; as well as HAMR, AR/311.
- 18 Letter from MR board of management member Buchetmann to Schmitt, 21 Sept. 1945, in BAK, OMGUS, 2/236/4; interview with Eleonore Hahn (employee of Alzheimer until 1945), in HAMR, AA/395.
- 19 Input from 11 MR managers and board of management members to Captain Wilson, Military Government of Munich, 4 June 1945, in BAK, OMGUS, 2/224/12.
- 20 Report by Alzheimer, 30 July 1945, with attachments, in *ibid.*
- 21 *Ibid.*
- 22 Interrogation of Alzheimer by Emil Lang (OMGUS-FINAD), 17 July 1947, in BAK, OMGUS, 2/56/1.
- 23 Telephone memo by A. U. Fox (Assistant Deputy Chief of OMGUS, Financial Branch), 26 Sept. 1945, in BAK, OMGUS, 2/224/12.
- 24 Affidavit by Mattfeld, Oldenburg, and Paul, 25 Mar. 1946, in Staatsarchiv München, SpkA K 18 (Spruchkammerakte Alzheimer).
- 25 Statement by Franz Thierfelder, 28 Mar. 1946, in *ibid.*
- 26 Affidavit Hans Ritter v. Lex, 22 May 1946, in *ibid.*
- 27 Statement by the MR works council, 3 Apr. 1946, in *ibid.*
- 28 Verdict of Munich Military Tribunal X of 12 Aug. 1948, in Staatsarchiv München, SpkA K 18.
- 29 Minutes of the 265th supervisory board meeting on 16 Dec. 1948, in HAMR, AR-P/32.
- 30 Feldman, *Allianz*, 479.
- 31 *Ibid.*, 476.
- 32 Report on Kurt Schmitt, n.d. (1947), in BAK, OMGUS, 2/56/8. A second, largely identical draft dated January 1948 can be found in HAMR, Group Legal.
- 33 Interview Eleonore Hahn, n.d., in HAMR, AA/395.
- 34 Verdict of the Starnberg Military Tribunal of 29 Sept. 1947, in Staatsarchiv München, SpkA K 4639 (Spruchkammerakte Kurt Schmitt).
- 35 Statement by Otto Jeidels of 4 Sept. 1946, in Staatsarchiv München, SpkA K4639 (Spruchkammerakte Kurt Schmitt); see Feldman, *Allianz*, 483 f.
- 36 Verdict of the appeals court for Upper Bavaria, 18 Nov. 1948, in HAMR, P/67.
- 37 Feldman, *Allianz*, 477.
- 38 Barbara Eggenkämper, Gert Modert, and Stefan Pretzlik, *Die staatliche Versicherung der DDR* (Munich, 2010), 21–58.
- 39 “Übersicht über den Personalstand,” n.d. (July 1947), in HAMR, AR-P/93.
- 40 HAMR, AA/400.
- 41 Herzog, “Dokumente,” p. 892.
- 42 This was the view of leading MR employees according to a travel report of the Union emissary, F. R. Zwicky, 21 Dec. 1946, in SRCA, 10 135 238.03.
- 43 Questionnaire v. Reininghaus (with attachments) in Staatsarchiv München, SpkA K 18; see Alzheimer’s letter to Bavarian Economic Minister Lange, 25 June 1945, in HAMR, Personalia/5 (Eberhard v. Reininghaus). From 1943, Austria was regarded as the first state occupied by Germany on account of the Moscow Declaration of the U.S., the U.S.S.R., and Great Britain.
- 44 This declaration in von Reininghaus’ questionnaire seems credible because, according to his own statements, he was a member of the Vaterländische Front

- (Fatherland Front), which rejected National Socialism in favor of an authoritarian, professional one-party state and thus also the “annexation” with National Socialist Germany.
- 45** A German translation of the indictment can be found in HAMR, AA/393. The American original cannot be found. The undated justification statement by MR of July 1946 can be found in BayHStA, MWi, Nr. 25685.
- 46** *Süddeutsche Zeitung*, 9 Aug. 1946.
- 47** *New York Herald Tribune*, 30 Jan. 1942. See the purchase agreement between MR and Merwede, 20 May 1939, and Alzheimer’s file memo about the buyback rights to the Pilot shares of Atlas and Svenska Veritas, 8/14 Feb. 1944, in HAMR, AA/395.
- 48** Letter from MR to the Chief Financial President of Munich, 5 Jan. 1940, in HAMR, AA/395; Karlen et al., *Versicherungsgesellschaften*, 647 f. Details on the original capital investments according to the indictment.
- 49** On the procedure of Pilot, Fénix Sudamericano and Plus Ultra, see HAMR, AA/393, esp. the file memo of 28 June 1946 and the undated plan for the defense in court (July 1946).
- 50** Fénix Sudamericano went into liquidation after the war. Its life insurance business was to be transferred to the national reinsurance institute of Argentina; the other segments were sold. Silvia Kroyer, *Deutsche Vermögen in Argentinien 1945–1965. Ein Beitrag über deutsche Direktinvestitionen im Ausland* (Frankfurt am Main, 2005), 101.
- 51** On this, see 243 f.
- 52** HAMR, AA/91.
- 53** Herzog, “Dokumente,” p. 933.
- 54** Note by Burbach (MR legal adviser) about a conversation with Fredericks on 10 Aug. 1946, in HAMR, AA/394. Mattfeld’s fear that the harsh judgment of the American military court would also mean that Alzheimer and Schmitt would be permanently prohibited from returning turned out to be unfounded (letter of Munich Regional Director of Victoria to Victoria CEO Kurt Hamann, 15 Aug. 1946, in ERGO-Archiv, Bestand Victoria, Nr. A 0001– 00112).
- 55** File memo Dr. Otto Lenz about a discussion with Krämer (OMGUS Legal Division) on 30 Jan. 1947, in *ibid.*
- 56** Note for Reininghaus, 14 Jan. 1948, in *ibid.*
- 57** Interview Eleonore Hahn, n.d., in HAMR, AA/395.
- 58** According to an undated German version (September 1946) in HAMR, AA/336.
- 59** Bayerische Treuhand AG, report on the annual financial statements for 1952/53 and 1953/54.
- 60** Bayerische Treuhand AG, “Bericht über die Prüfung der vorläufigen Umstellungsrechnung für den 21. 6. 1948,” n.d. (after 1950), in BayHStA, Wirtschaftsministerium, Nr. 25681. MR had at first obligated itself to make a restitution payment of 100,000 DM for the buildings on Oberländerstraße and Dänkelstraße and of ca. 48,000 DM for the building at Elisabethstraße 37.

14. Finding a Way Back into the International Reinsurance Market

- 1 Memo by Alzheimer for Hans Grieshaber, 16 July 1945, in SRCA, 10 135 238.01; memo by Grieshaber to Alzheimer, 13 Aug. 1945, in *ibid.*
- 2 “Vollmacht der MR für die Union Rück,” 16 July 1943, in SRCA, 10 135 238.04.
- 3 File memo Grieshaber, 4 Sept. 1945, in SRCA, 10 135 238.01.
- 4 File memos Grieshaber, 28 and 29 Aug. 1945, in *ibid.*
- 5 Letter by Grieshaber to Alzheimer, 21 Sept. 1945, in *ibid.*
- 6 MR file memo for Union Rück, 22 Oct. 1945, in *ibid.*
- 7 Karlen et al., *Versicherungsgesellschaften*, 650–665.
- 8 File memo Mattfeld, 3 June 1946, in HAMR, Aktenverfilmung Union Rück.
- 9 File memo from Grieshaber and Alzheimer about a discussion on 16 Aug. 1950 in Zurich, in *ibid.*
- 10 Draft report of the Insurance Committee of the Financial Directorate in the Allied Control Council, 14 Jan. 1947, in BAK, OMGUS, 2/30/10.
- 11 Excerpt from the minutes of the 86th meeting of the Coordinating Committee of the Control Council on 29 Oct. 1946; confidential information from the U.S. military government on Control Council Law No. 47, 10 Mar. 1947, in HAMR, AA/170.
- 12 File memo by Reininghaus about a conversation with Ludwig Erhard, 20 Sept. 1946, in HAMR, AA/394.
- 13 Occurrence in HAMR, AA/399. Report in *Versicherungswirtschaft* of 15 July 1947.
- 14 File memo by Reininghaus about a conversation with a representative of the French military government, 14 Nov. 1947, in HAMR, AA/170.
- 15 Presentation by Reininghaus in the supervisory board meeting on 15 Mar. 1948, in *ibid.* See also the minutes of the supervisory board meeting on 15 Mar. 1948, in HAMR, AR-P/94.
- 16 OMGUS, *Weekly Intelligence Report*, no. 107, 29 May 1948, in BAK, OMGUS, 2/223/7.
- 17 Presentation by Reininghaus at a press conference on 24 Aug. 1948, in HAMR, AA/171.
- 18 Letter by Reininghaus to Alzheimer, 2 Nov. 1948, in *ibid.*
- 19 Recommendation of the Financial Section of OMGUS to the *Weekly Intelligence Report* of 29 May 1948, 14 June 1948, in BAK, OMGUS, 2/223/7.
- 20 Report in *Versicherungswirtschaft* (1949): 477.
- 21 Retrocession agreement between Union Rück and MR, 23/27 Jan. 1950, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00048, Vol. 3. Union Rück ceded 4 % to MR from a pool agreement with British and Irish fire insurers.
- 22 Law No. 36 of the Allied High Commission, 7 Sept. 1950, in *Official Gazette of the Allied High Commission for Germany*, no. 33, 13 Sept. 1950.
- 23 Herzog, “Dokumente,” p. 1071.
- 24 Minutes of the 267th supervisory board meeting on 18 Apr. 1950, in HAMR, AR-P/33.
- 25 Werner Abelshausen, *Deutsche Wirtschaftsgeschichte von 1945 bis zur Gegenwart* (Bonn, 2011), 222–231.
- 26 Minutes of the supervisory board meeting on 9 Nov. 1951, in HAMR, AR-P/33.
- 27 Ursula Rombeck-Jaschinski, *Das Londoner Schuldenabkommen* (Munich, 2005).
- 28 “Gesetz über den Vertrag zum 15. Juni 1957 zwischen der Bundesrepublik Deutsch-

land und der Republik Österreich zur Regelung vermögensrechtlicher Beziehungen. Vom 9. 6. 1958," BGBl. II, S. 129.

- 29 Rote Sammlung, Nr. 251, 19 Aug. 1958; Nr. 260, 21 Oct. 1958; Herzog, "Dokumente," p. 1077.
- 30 Rote Sammlung, Nr. 692, 2 Sept. 1964.
- 31 BayHStA, Wirtschaftsministerium, Nr. 27978.
- 32 MR file memo from 3 Feb. 1959, in HAMR, AA/7; Herzog, "Dokumente," p. 1085.
- 33 Rote Sammlung, Nr. 278, 9 Jan. 1959.

15. Rebuilding the Capital Basis:

Munich Re and the Consequences of the Currency Reform

- 1 Minutes of the 261st supervisory board meeting on 28 June 1946, in HAMR, AR-P/30.
- 2 File memo by Hamburg-Mannheimer from 16 Sept. 1947; reinsurance contract between MR and Hamburg-Mannheimer, 17 Nov. 1947, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0108–00013.
- 3 Minutes of the 263rd supervisory board meeting on 15 Mar. 1948, in HAMR, AR-P 31.
- 4 "Übersicht über die Prämienentwicklung seit 1934/35," n.d. (July 1947), in HAMR, AR-P/93. Figures for 1946/47 are estimated.
- 5 "Übersicht über das Eigenvermögen der MR," n.d. (July 1947), in *ibid*.
- 6 Presentation by Reininghaus in the supervisory board meeting on 6 Aug. 1948, in HAMR, AR-P/95.
- 7 See, for example, Resolution No. 162 of the Magistrate of Greater Berlin of 28 Apr. 1949 and the decree from 10 May 1949, *Verordnungsblatt für Groß-Berlin*, 19 May 1949.
- 8 Minutes of the 264th supervisory board meeting on 6 Aug. 1948, in HAMR, AR-P/32.
- 9 Final DM opening balance of MR from November 1953; minutes of the supervisory board meeting on 9 Dec. 1950, in HAMR, AR-P/33.
- 10 Minutes of the 265th supervisory board meeting on 16 Dec. 1948, in HAMR, AR-P/32.
- 11 Audit report by the Bayerische Treuhand AG on the DM opening balance from 21 June 1948, 10 Nov. 1953.
- 12 Rote Sammlung, Nr. 760, 12 Jan. 1966.
- 13 Minutes of the 307th supervisory board meeting on 14 July 1967, in HAMR, AR-P/43.
- 14 Supplement No. 5 for the supervisory board meeting on 6 Aug. 1948.
- 15 "Übersicht über die Prämienentwicklung von 1937 bis 1952," in HAMR, AR-P/33, attachment 4.
- 16 Herzog, "Dokumente," p. 1034.
- 17 This is according to the report by Hamburg-Mannheimer's CEO, Hitzler, in the supervisory board meeting on 29 Nov. 1950, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00008.
- 18 Minutes of the 264th supervisory board meeting on 6 Aug. 1948; minutes of the 266th supervisory board meeting on 15 July 1949, in HAMR, AR-P/95. On the largest chemical catastrophe in German postwar history, see Werner Abelshausen, ed., *Die BASF* (Munich, 2002), 348; and Herzog, "Dokumente," pp. 990 f.

- 19 “Übersicht über die Vermögensentwicklung von 1948 bis 1952,” in HAMR, AR-P/33, attachment 5.
- 20 Minutes of the working group for private insurance companies on the meetings on 25 Aug. and 5 Oct. 1949, in HAMR, AA/163.
- 21 Minutes of the supervisory board meeting on 9 Nov. 1951, in HAMR, AR-P/33. In this, it should be noted, however, that MR had drastically depreciated the value of its securities and investments in non-insurance companies in its DM opening balance as only comprising 11,667 DM.
- 22 Audit report by the Bayerische Treuhand AG of the annual financial statements from 1948/49 to 1951/52, 14 Nov. 1953; audit report on the annual financial statement for 1955/56, 12 Nov. 1956.
- 23 Audit report by the Bayerische Treuhand AG of the annual financial statement for 1958/59, 4 Jan. 1959.
- 24 Audit report by the Bayerische Treuhand AG of the annual financial statement for 1959/60, 5 Nov. 1960.
- 25 Svea owned a majority share of Hamburg-Mannheimer of 96 % until 1942. Since the Reich did not compensate foreign insurers for war damages to their property, Svea sold its share to the Hamburgische Allgemeine Versorgungsanstalt (HANSA), but bought a 61 % block of shares back from HANSA in 1947 (Minutes of the supervisory board meeting of Hamburg-Mannheimer on 19 June 1956, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00010. The capital decrease was not enacted until 1953 and was not as severe as expected at a ratio of 100:375 (*ibid.*, Nr. A 0005–00018).
- 26 Minutes of the supervisory board meeting of Hamburg-Mannheimer on 27 Nov. 1951, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00008.
- 27 Minutes of the supervisory board meeting of Hamburg-Mannheimer on 25 June 1962, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00012.
- 28 Minutes of the supervisory board meeting of Hamburg-Mannheimer on 19 May 1954, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00009.
- 29 Minutes of the supervisory board meeting of Hamburg-Mannheimer on 26 Nov. 1957, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00010.
- 30 “Münchener Rückversicherungs-Gesellschaft,” in Institut für Bilanzanalysen 5 (1957/58), Gruppe 20 (Versicherungen), 15 Dec. 1957.
- 31 Rote Sammlung, Nr. 105, 8 Mar. 1957.
- 32 Die deutsche Lebensversicherung 1957/58, quoted in Peter Borscheid, *Mit Sicherheit leben. Die Geschichte der deutschen Lebensversicherungswirtschaft und der Provinzial-Lebensversicherungsanstalt Westfalen*, Vol. 2 (Münster, 1993), 49. On the introduction of the dynamic pension system and the resistance of the insurance association, see Hans Günter Hockerts, *Sozialpolitische Weichenstellungen im Nachkriegsdeutschland* (Stuttgart, 1980).
- 33 *Versicherungswirtschaft* 12 (1957): 511.
- 34 Minutes of the supervisory board meeting of Hamburg-Mannheimer on 21 Oct. 1958, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00011.
- 35 Rote Sammlung, Nr. 453, 4 Nov. 1960.

16. New Challenges in the International Reinsurance Business

- 1 Letter by Südekum to Hütz, 27 July 1949; letter by Hütz to Südekum, 23 Aug. 1949, in HAMR, AMR/87; Herzog, "Dokumente," p. 1094.
- 2 Letter by Hütz to Südekum, 3 Mar. 1950, in HAMR, AMR/87; cf. the report by Reininghaus at the supervisory board meeting on 18 Apr. 1950.
- 3 Letter by Südekum to Hütz, 17 Jan. 1950, in HAMR, AMR/87.
- 4 Memo by Alzheimer for Merkle, 26 Sept. 1952, in *ibid.*
- 5 File memo by Alzheimer, 3 Sept. 1954, in *ibid.*
- 6 Herzog, "Dokumente," p. 1096.
- 7 Bayerische Treuhand AG, audit report on the annual financial statement for 1955/56, 12 Nov. 1956.
- 8 "Abkommen zwischen der MR und der Union Rück über die Rückzahlung von Guthaben," 11 Aug. 1953, in SRCA, 10 135 238.02; Karlen et al., *Versicherungsgesellschaften*, 670 f.
- 9 Rote Sammlung, Nr. 28, 1 June 1956; Nr. 82, 7 Dec. 1956.
- 10 Bayerische Treuhand AG, audit report on the annual financial statement for 1956/57, 11 Nov. 1957.
- 11 Letter by Allianz to the Federal Economics Ministry, 11 June 1957 (copy), in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 11.
- 12 "Aufzeichnung der Victoria über das amerikanische Geschäft, die größtenteils auf Informationen der MR basierte," n.d. (1956), in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 4. In 1960 the US Branch moved its office to 410 Park Avenue.
- 13 Rote Sammlung, Nr. 28, 1 June 1956.
- 14 Rote Sammlung, Nr. 387, 19 Aug. 1960.
- 15 Rote Sammlung, Nr. 169, 5 Nov. 1957.
- 16 Minutes of the meeting of the partners of the US Branch in Munich on 14 July 1958, in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 2.
- 17 Minutes of the partners' meeting on 23 July 1973, in *ibid.*
- 18 The rejections on thin carbon paper fill a thick binder (ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 9).
- 19 Rote Sammlung, Nr. 111, 29 Mar. 1957.
- 20 Minutes of the supervisory board meeting on 10 July 1958, in HAMR, AR-P/37.
- 21 ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 7.
- 22 Minutes of the meeting of the partners of the US Branch in Munich on 24 Mar. 1959, in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 2.
- 23 Rote Sammlung, Nr. 167, 25 Oct. 1957.
- 24 Rote Sammlung, Nr. 368, 4 Dec. 1959.
- 25 Rote Sammlung, Nr. 291, 24 Feb. 1959.
- 26 In *Der Spiegel* from the volumes for 1950 and 1951, there are four and six articles and reports, respectively, in which the term "Rückversicherer" (reinsurer) is used in this sense. For each of the years 1952, 1958 and 1960, this term can only be found once, and not anymore after that. The situation is similar in *Die Zeit*, in which the term "Rückversicherer" appears three times in 1951 and again in 1953, once each in 1955 and 1956, and does not appear at all in the remaining annual volumes.
- 27 Letter by MR to the board of management of Victoria Fire Insurance Corporation,

- 8 Jan. 1958; MR trustee agreement with J. P. Morgan, 2 Sept. 1958, in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 10.
- 28** Herzog, “Dokumente,” p. 1105.
- 29** “Konzept über die Gründung der MARC,” n.d. (1975), in HAMR, V-P/28.
- 30** Rote Sammlung, Nr. 965, 28 Jan. 1970. In 1954, Golding wrote “The Law and Practise of Reinsurance,” which was considered one of the most important contemporary publications on the reinsurance industry.
- 31** Rote Sammlung, Nr. 936, 25 June 1969.
- 32** Rote Sammlung, Nr. 629, 12 June 1963.
- 33** Minutes of the 302nd supervisory board meeting on 15 July 1965, in HAMR, AR-P/42.
- 34** Minutes of the 305th supervisory board meeting on 14 July 1966, in HAMR, AR-P/43.
- 35** Rote Sammlung, Nr. 834, 14 June 1967.
- 36** Minutes of the technical executive meeting, 18 Sept. 1972, in HAMR, V-P/16.
- 37** BayHStA, Wirtschaftsministerium, Nr. 27980.
- 38** Cf. Peter Borscheid, “Latin America and Caribbean: An Overview,” in idem and Haueter, eds., *World Insurance*, 559–577; Marcelo de Paiva Abreau and Felipe Tamega Fernandes, “Brazil: The Resilience of the Brazilian Insurance Market,” in *ibid.*, 578–598; Yolanda Blasco Martel and Rodrigo Rabetino, “Argentina: The Changing Fortunes of the Argentinian Insurance Market,” in *ibid.*, 620–644.
- 39** BayHStA, Wirtschaftsministerium, Nr. 27979.
- 40** BayHStA, Wirtschaftsministerium, Nr. 27977.
- 41** Rote Sammlung, Nr. 852, 18 Oct. 1967.
- 42** Rote Sammlung, Nr. 221, 30 May 1958; Nr. 278, 9 Jan. 1959.
- 43** Gerathewohl, *Rückversicherung*, 2:818.
- 44** Herzog, “Dokumente,” pp. 1106 f.
- 45** Peter Borscheid and Saskia Feiber, “Die langwierige Rückkehr auf den Weltmarkt,” *Jahrbuch für Wirtschaftsgeschichte* (2003/2): 121–149.
- 46** Rote Sammlung, Nr. 29, 5 June 1956.
- 47** Belt (1906–1989) was the Cuban ambassador to the U.S. from 1944 to 1949, and from 1956 a professor of international law at Santo Tomás Universidad in Havana. Belt fled to the U.S. in 1961 (Obituary in *New York Times*, 7 July 1989).
- 48** Minutes of the MR supervisory board meeting on 10 July 1958, in HAMR, AR-P/37.
- 49** Antonio Rafael de la Cava, *The Moncada Attack: Birth of the Cuban Revolution* (Columbia, 2007), 27; Herbert L. Matthews, *Revolution in Cuba* (New York, 1975), 46; Peter L. Bourne, *Fidel Castro* (Düsseldorf, 1988), 69–73. Matthews indicates that he got this information from Belt personally in 1960. Rafael de la Cava confirms this with the testimony of a Cuban cameraman who also took refuge in the embassy and was flown out together with Castro.
- 50** Rote Sammlung, Nr. 320, 15 June 1959; Nr. 323, 30 June 1959; Nr. 332, 31 July 1959; Nr. 340, 28 Aug. 1959.
- 51** Minutes of the MR supervisory board meeting on 18 Dec. 1959, in HAMR, AR-P/38.
- 52** Rote Sammlung, Nr. 494, 21 Apr. 1961.
- 53** Rote Sammlung, Nr. 420, 1 July 1960; Nr. 464, 13 Dec. 1960.
- 54** Rote Sammlung, Nr. 544, 27. Oct. 1961.
- 55** Minutes of the MR supervisory board meeting on 14 Nov. 1961, in HAMR, AR-P/39.
- 56** Rote Sammlung, Nr. 590, 4 Sept. 1962.
- 57** Rote Sammlung, Nr. 639, 21 Aug. 1963.

- 58** Rote Sammlung, Nr. 773, 13 Apr. 1966.
- 59** The Federal Republic of Germany broke off diplomatic relations with Cuba on account of the Hallstein Doctrine after Cuba had given the GDR diplomatic recognition.
- 60** Rote Sammlung, Nr. 742, 8 Sept. 1965.
- 61** Rote Sammlung, Nr. 892, 6 Aug. 1968.
- 62** Rote Sammlung, Nr. 1310, 13 Oct. 1976.
- 63** Rote Sammlung, Nr. 542, 20 Oct. 1961.
- 64** Speech by Alois Alzheimer at MR General Assembly on 18 Dec. 1959, in Institut für Bilanzanalysen 6 (1960), Gruppe 20, 15 Jan. 1960.
- 65** The “Rote Sammlung” [Red Collection] was digitized on CD-ROM in 2012 from its beginning in 1956 to 1992 and can be found in the MR archive.
- 66** Rote Sammlung, Nr. 1, 17 Jan. 1956; cf. the photo from the visit of S. S. Stahl (general manager of Menorah, Tel Aviv) at MR on 22 Aug. 1956 in the album with photos of foreign visitors in the MR cafeteria 1956/57, F/56.
- 67** For example, they ceded a transit insurance policy for the Soviet foreign insurer Ingosstrakh with an annual premium volume of 75,000 DM (Rote Sammlung, Nr. 1, 17 Jan. 1956).
- 68** Rote Sammlung, Nr. 16, 13 Apr. 1956.
- 69** Rote Sammlung, Nr. 683, 17 Jan. 1964. MR contributed 315,000 DM to settling claims for the sinking of the GDR cargo ship “Kap Arkona” – not to be confused with the later passenger ship that sailed under the GDR flag – on 19 January 1964 before the Dutch coast.
- 70** Rote Sammlung, Nr. 1407, 2 Aug. 1978. On the history of German-German trade, see Peter E. Fäßler, *Durch den Eisernen Vorhang. Die deutsch-deutschen Wirtschaftsbeziehungen 1949–1969* (Cologne, 2006).
- 71** Rote Sammlung, Nr. 1451, 6 June 1979; Nr. 1511, 8 Aug. 1980.
- 72** HAMR, AA/8; Herzog, “Dokumente,” p. 1061.
- 73** Rote Sammlung, Nr. 158, 24 Sept. 1957; Corinna Unger, “Rourkela, ein Stahlwerk im ‘Dschungel’. Industrialisierung, Modernisierung und Entwicklungshilfe im Kontext von Dekolonisation und Kaltem Krieg (1950–1970),” *Archiv für Sozialgeschichte* 48 (2008): 367–388.
- 74** Carl Friedrich Hütz, “Aufbau und Wiederaufbau des Geschäfts der Münchener Rück nach dem Kriege,” Dezember 1978, in HAMR, AA/322.
- 75** Herzog, “Dokumente,” pp. 1168–1176.
- 76** Rote Sammlung, Nr. 606, 19 Dec. 1962.
- 77** Rote Sammlung, Nr. 113, 5 Apr. 1957.
- 78** Herzog, “Dokumente,” pp. 1173 ff., on the basis of reports by Ruperti.
- 79** On August von Finck’s résumé, see Ingo Köhler, *Die “Arisierung” der Privatbanken im “Dritten Reich”* (Munich, 2005), 307 f., 501–506, his denazification files in the Staatsarchiv München (SpkA K 409), and the OMGUS files on him (BAK, OMGUS, 2/56/9 and 3/272–1).
- 80** Herzog, “Dokumente,” pp. 997 f.
- 81** *Der Spiegel*, no. 51 (1954).
- 82** “Aufruf von Merck, Finck & Co. an die freien Aktionäre der Allianz,” n.d. (November 1954), in HAMR, AR-P/34, attachment to the minutes of the 273rd supervisory board meeting on 24 Nov. 1954.

- 83 Herzog, "Dokumente," pp. 999 f.
- 84 Agreement between Allianz, MR, and Merck, Finck & Co., 24 Jan. 1955, in HAMR, AR-P/35, attachment to the minutes of the 275th supervisory board meeting on 24 Jan. 1955.
- 85 Minutes of the MR supervisory board meeting on 12 Dec. 1955, Agreement between Allianz, MR, and Merck, Finck & Co., 8 Dec. 1955, in HAMR, AR-P/35. Stahlwerke Südwestfalen AG had been founded after 1945 from parts of the broken up steel group Vereinigte Stahlwerke. More than a third of its capital belonged to the Flick Group: Kim Christian Priemel, *Flick* (Göttingen, 2007), 724, 729.
- 86 Minutes of the supervisory board meeting on 11 Nov. 1958, in HAMR, AR-P/37.
- 87 Syndication agreement of 25 Oct. 1955, in HAMR, FIN/189.
- 88 Minutes of the supervisory board meeting on 10 July 1958, in HAMR, AR-P/37.
- 89 Minutes of the supervisory board meeting on 11 Nov. 1958, in HAMR, AR-P/37.
- 90 MR, annual report for fiscal year 1957/58.
- 91 This is the thesis in Borscheid, *Mit Sicherheit leben*, 64.
- 92 Among the shares purchased from 1956 to 1958, there were shares of the Deutsche Bank, the Dresdner Bank, Hoechst, BBC, AEG, Continental, Mannesmann, Rheinische Stahlwerke, Buderus, Deutsche Continental-Gas-Gesellschaft, Deutsche Erdöl AG, Salzdethfurth AG, and RWE.
- 93 The concept of tax group relief meant that MR only had to pay taxes on the gains from these investments once, namely, when taxes were assessed on its gains from investments. Its capital gains taxes on dividend distributions from companies it owned at least 25 % of were returned. Minutes of the supervisory board meetings on 12 Dec. 1957 and 5 July 1959, in HAMR, AR-P/37; cf. Rote Sammlung, Nr. 183, 3 Jan. 1958.
- 94 MR, annual reports for 1966/67, 1967/68 and 1968/69.
- 95 MR, annual report for 1957/58 (with attachments), in HAMR, AR-P/37.

17. Continuity and Change in the "Alzheimer Era" (1950–1968)

- 1 Agenda for the board of management, 31 Dec. 1937, in HAMR, AR/311.
- 2 HAMR, AA/312.
- 3 Minutes of the board of management meeting on 17 May 1974, in HAMR, V-P/22.
- 4 Herzog, "Dokumente," p. 1024.
- 5 Minutes of the board of management meeting on 15 Apr. 1980, in HAMR, V-P/48.
- 6 Minutes of the board of management meeting on 17 May 1974.
- 7 Minutes of the managers' round table on 19 Feb. 1979, in HAMR, Sammlung Knoke, Nr. SK/136.
- 8 Rote Sammlung, Nr. 389, 26 Feb. 1960.
- 9 Rote Sammlung, Nr. 900, 2 Oct. 1968.
- 10 Minutes of the technical executive meeting on 11 May 1970, in HAMR, V-P/8; Rote Sammlung, Nr. 1027, 21 Apr. 1970.
- 11 Minutes of the board of management meeting on 10 Mar. 1975, in HAMR, V-P/26.
- 12 Rote Sammlung, Nr. 269, 21 Nov. 1958.
- 13 Rote Sammlung, Nr. 660, 22 Jan. 1964.
- 14 Rote Sammlung, Nr. 865, 31 Jan. 1968.
- 15 Rote Sammlung, Nr. 762, 26 Jan. 1966.

- 16 Minutes of the 324th supervisory board meeting on 26 Oct. 1973 and the 326th meeting on 11 July 1974, in HAMR, AR-P/49 and AR-P/51.
- 17 Edith Lukas, b. 1929, was a daughter of the Tübingen and later Munich economics professor Eduard Lukas (1890–1953). She received her Ph.D. from the Ludwig Maximilian University of Munich with the dissertation, “Ein Beitrag zum Problem der betrieblichen Elastizität unter besonderer Berücksichtigung der Zwecksetzung, Rechtsform und Betriebsgröße” in 1954 and joined MR thereafter.
- 18 Information from his brother Edgar Jannott in an Interview on 15 May 2012.
- 19 Statement by Alzheimer in the supervisory board meeting on 10 July 1958, in HAMR, AR-P/37.
- 20 Rote Sammlung, Nr. 814, 25 Jan. 1967.
- 21 David Gugerli, “Kooperation und Konkurrenz. Organisation und Risiken der Rückversicherungsbranche 1860–2010,” in James, ed., *Swiss Re*, 293.
- 22 Herzog, “Dokumente,” p. 981.
- 23 Rote Sammlung, Nr. 267, 14 Nov. 1958; Nr. 374, 5 Jan. 1960.
- 24 Rote Sammlung, Nr. 659, 15 Jan. 1964.
- 25 Rote Sammlung, Nr. 762, 26 Jan. 1966.
- 26 Rote Sammlung, Nr. 816, 8 Feb. 1967.
- 27 Willy Bachmann et al., *Quellenband zur Informationstechnik bei ERGO 1925–2000* (Düsseldorf, 2012), 56–62 and 196–204.
- 28 Rote Sammlung, Nr. 744, 22 Sept. 1965.
- 29 Ibid.
- 30 Rote Sammlung, Nr. 802, 2 Nov. 1966.
- 31 Rote Sammlung, Nr. 982, 27 May 1970.
- 32 Rote Sammlung, Nr. 62, 28 Sept. 1956.
- 33 Rote Sammlung, Nr. 687, 29 July 1964.
- 34 Rote Sammlung, Nr. 669, 25 Mar. 1964.
- 35 Rote Sammlung, Nr. 137, 12 July 1957.
- 36 Rote Sammlung, Nr. 660, 22 Jan. 1964.
- 37 Rote Sammlung, Nr. 612, 13 Feb. 1963.

18. The Progress of Globalization in the Reinsurance Business

- 1 Rote Sammlung, Nr. 46, 3 Aug. 1956.
- 2 File memo for Victoria general director Hamann, 20 July 1965, in ERGO-Archiv, Bestand Victoria, Nr. G 0001–00003, Vol. 4.
- 3 Rote Sammlung, Nr. 124, 21 May 1957; Nr. 446, 7 Oct. 1960.
- 4 Rote Sammlung, Nr. 265, 7 Nov. 1958.
- 5 Rote Sammlung, Nr. 457, 18 Nov. 1960.
- 6 Gugerli, “Kooperation,” 269–273.
- 7 Rote Sammlung, Nr. 866, 7 Feb. 1968.
- 8 Klaus Gerathewohl, “Neue Schwerpunkte für die Technischen Versicherungszweige,” attachment 3 to the minutes of the 313th supervisory board meeting on 10 July 1969, in HAMR, AR-P/44. See also the presentation by board of management member Klaus G. Conrad, “Naturwissenschaften im Instrumentarium des Rückversicherers” at the supervisory board meeting on 8 July 1976, in HAMR, AR-P/56.

- 9 Christoph Julian Wehner, "Grenzen der Versicherbarkeit – Grenzen der Risikogellschaft," *Archiv für Sozialgeschichte* 52 (2012): 581–605.
- 10 Rote Sammlung, Nr. 626, 22 May 1963.
- 11 Rote Sammlung, Nr. 830, 17 May 1967.
- 12 Minutes of the technical executive meeting on 11 Nov. 1968, in HAMR, V-P/4.
- 13 Rote Sammlung, Nr. 1268, 7 Jan. 1976.
- 14 Wehner, "Grenzen der Versicherbarkeit," 598.
- 15 Rote Sammlung, Nr. 1443, 12 Apr. 1979; Nr. 1463, 29 Aug. 1979.
- 16 Rote Sammlung, Nr. 1495, 18 Apr. 1980; Nr. 1527, 28 Nov. 1980.
- 17 Horst Jannott, "Einige aktuelle Kernfragen der Assekuranz aus der Sicht eines Rückversicherers," *Versicherungswirtschaft* 34 (1979): 283–286.
- 18 Rote Sammlung, Nr. 1527, 28 Nov. 1980.
- 19 Wehner, "Grenzen der Versicherbarkeit," 601.
- 20 Ulrich Beck, *Weltrisikogesellschaft. Auf der Suche nach der verlorenen Sicherheit* (Bonn, 2007).
- 21 "Spezialbericht Luftfahrt," in Rote Sammlung, Nr. 218, 16 May 1958.
- 22 Rote Sammlung, Nr. 218, 16 May 1958; Nr. 619, 3 Apr. 1963.
- 23 File memo on discussion between Director Kubli from Swiss Re and MR board of management member Fritsche, 17 Aug. 1959, in SRCA, 10 125 331.03.
- 24 Rote Sammlung, Nr. 212, 25 Apr. 1958.
- 25 Rote Sammlung, Nr. 408, 13 May 1960.
- 26 Rote Sammlung, Nr. 480, 24 Feb. 1961; Nr. 549, 17 Nov. 1961.
- 27 Rote Sammlung, Nr. 655, 4 Dec. 1963.
- 28 Rote Sammlung, Nr. 913, 15 Jan. 1969; Nr. 915, 29 Jan. 1969; Nr. 949, 24 Sept. 1969.
- 29 Rote Sammlung, Nr. 957, 19 Nov. 1969; Nr. 964, 21 Jan. 1970. Lufthansa's comprehensive premium for the Boeing 747 was 3.3 %, for the rest of the fleet only 1.0 %.
- 30 Rote Sammlung, Nr. 1029, 5 May 1971.
- 31 Rote Sammlung, Nr. 936, 25 June 1969.
- 32 Rote Sammlung, Nr. 967, 11 Feb. 1970.
- 33 Rote Sammlung, Nr. 922, 19 Mar. 1969.
- 34 Rote Sammlung, Nr. 944, 20 Aug. 1969; Nr. 953, 22 Oct. 1969.
- 35 Rote Sammlung, Nr. 967, 11 Feb. 1970.
- 36 Rote Sammlung, Nr. 1008, 25 Nov. 1970.
- 37 Rote Sammlung, Nr. 998, 16 Sept. 1970.
- 38 Rote Sammlung, Nr. 1017, 10 Feb. 1971.
- 39 Rote Sammlung, Nr. 1003, 21 Oct. 1970.
- 40 Rote Sammlung, Nr. 1032, 26 May 1971.
- 41 Minutes of the technical executive meeting on 16 Feb. 1970, in HAMR, V-P/8; Rote Sammlung, Nr. 616, 13 Mar. 1963, and Nr. 581, 3 July 1962. On Contergan and its consequences, see Beate Kirk, *Der Contergan-Fall: Eine unvermeidbare Arzneimittelkatastrophe?* (Stuttgart, 1999).
- 42 Rote Sammlung, Nr. 609, 23 Jan. 1963.
- 43 Rote Sammlung, Nr. 973, 25 Mar. 1970.
- 44 "Gesetz zur Neuordnung des Arzneimittelrechts. Vom 21. 8. 1976," BGBl. I, S. 2445 ff.
- 45 Minutes of the board of management meeting on 14 May 1976, in HAMR, V-P/31.
- 46 Minutes of the board of management meeting on 19 July 1976, in HAMR, V-P/32; minutes of the board of management meeting on 11 Oct. 1976, in HAMR, V-P/33.

- 47 Rote Sammlung, Nr. 581, 3 July 1962.
- 48 Rote Sammlung, Nr. 622, 24 Apr. 1963.
- 49 Rote Sammlung, Nr. 665, 26 Nov. 1964.
- 50 Rote Sammlung, Nr. 607, 9 Jan. 1963.
- 51 Rote Sammlung, Nr. 565, 13 Mar. 1962; Nr. 566, 20 Mar. 1962.
- 52 Rote Sammlung, Nr. 622, 24 Apr. 1963.
- 53 Rote Sammlung, Nr. 563, 27 Feb. 1962; Nr. 566, 20 Mar. 1962; Nr. 621, 17 Apr. 1963.
- 54 Rote Sammlung, Nr. 608, 16 Jan. 1963.
- 55 Rote Sammlung, Nr. 776, 4 May 1966; minutes of the supervisory board meeting on 10 Nov. 1966, in HAMR, AR-P/43.
- 56 Rote Sammlung, Nr. 617, 20 Mar. 1963.
- 57 The English term “mutuals” has come to be used for such insurance associations in German, as well.
- 58 In the fire insurance segment, public insurers had had a market share of 35 % since the early 1950s, and it remained nearly constant in the following decades.
- 59 MR, annual report 1963/64; Rote Sammlung, Nr. 617, 20 Mar. 1963; cf. the letter from MR to Victoria Fire with a comparative overview of the premium levels in industrial fire insurance in Europe and North America, 29 July 1960, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00050.
- 60 Rote Sammlung, Nr. 446, 7 Oct. 1960.
- 61 Rote Sammlung, Nr. 444, 30 Sept. 1960.
- 62 Rote Sammlung, Nr. 612, 13 Feb. 1963.
- 63 Rote Sammlung, Nr. 416, 14 June 1960.
- 64 Rote Sammlung, Nr. 719, 31 Mar. 1965.
- 65 Rote Sammlung, Nr. 424/425, 19 July 1960.
- 66 Rote Sammlung, Nr. 827, 26 Apr. 1967.
- 67 Rote Sammlung, Nr. 566, 20 Mar. 1962.
- 68 Rote Sammlung, Nr. 587, 14 Aug. 1962.
- 69 Declaration by MR on the German industrial fire insurance cartel, 11 Dec. 1963, in ERGO-Archiv, Bestand Victoria, Nr. A 0013– 00080, Vol. 1.
- 70 Rote Sammlung, Nr. 719, 31 Mar. 1965.
- 71 Rote Sammlung, Nr. 890, 24 July 1968.
- 72 Rote Sammlung, Nr. 658, 8 Jan. 1964.
- 73 File memo by Swiss Re on a visit to Alzheimer on 17 Jan. 1968, 18 Jan. 1968, in SRCA, 10 125 334.02.
- 74 Rote Sammlung, Nr. 774, 20 Apr. 1966.
- 75 Rote Sammlung, Nr. 848, 20 Sept. 1967.
- 76 Rote Sammlung, Nr. 731, 23 June 1965.
- 77 Rote Sammlung, Nr. 833, 7 June 1967.
- 78 Rote Sammlung, Nr. 746, 6 Oct. 1965.
- 79 See the article by Evelyn Hauser on the history of HDI in <http://encyclopedia.com/doc/162-2845700051.html> [accessed on 13 June 2016].
- 80 Rote Sammlung, Nr. 686, 22 July 1964; Nr. 719, 31 Mar. 1965.
- 81 Enclosure to a letter from MR to Victoria, 8 Aug. 1967, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00080, Vol. 1.
- 82 Rote Sammlung, Nr. 769, 16 Mar. 1966.
- 83 Rote Sammlung, Nr. 843, 16 Aug. 1967.

- 84 Rote Sammlung, Nr. 866, 7 Feb. 1968.
- 85 File memo of Victoria on negotiations with MR on 20 Apr. 1966, 28 Apr. 1966, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00080, Vol. 1; letter from MR to Victoria, 8 Aug. 1967, in *ibid.*
- 86 Rote Sammlung, Nr. 853, 25 Oct. 1967; Nr. 862, 20 Jan. 1968.
- 87 Rote Sammlung, Nr. 858, 29 Nov. 1967.
- 88 Minutes of the technical executive meeting on 30 Sept. 1968, in HAMR, V-P/4.
- 89 Rote Sammlung, Nr. 898, 18 Sept. 1968; Nr. 911, 18 Dec. 1968.
- 90 Rote Sammlung, Nr. 845, 30 Aug. 1967.
- 91 Rote Sammlung, Nr. 856, 15 Nov. 1967.
- 92 Rote Sammlung, Nr. 962, 7 Jan. 1970.
- 93 Rote Sammlung, Nr. 985, 18 June 1970.
- 94 Rote Sammlung, Nr. 878, 2 May 1968.
- 95 See, for example, the letters from MR to Victoria, 24 Mar. 1971, and 21 Feb. 1972, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 0080, Vol. 1.
- 96 MR, Schwarze Sammlung, new draft of guideline E 7 (with attachments) on the PML (1977).
- 97 Letter from MR to Victoria, 22 Oct. 1971, in *ibid.*
- 98 Rote Sammlung, Nr. 840, 26 July 1967.
- 99 Rote Sammlung, Nr. 878, 2 May 1968.
- 100 Letter from MR to Victoria, 13 May 1968, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00080, Vol. 1; see Rote Sammlung, Nr. 881, 22 May 1968.
- 101 Minutes of a discussion between MR and Swiss Re, 14 May 1969, in SRCA, 10 160 823.01.
- 102 Rote Sammlung, Nr. 851, 11 Oct. 1967.
- 103 Rote Sammlung, Nr. 858, 29 Nov. 1967.
- 104 Borscheid, “Latin America and Caribbean,” 571.
- 105 Rote Sammlung, Nr. 1089, 28 June 1972; Nr. 1101, 20 Sept. 1972.
- 106 Rote Sammlung, Nr. 1043, 11 Aug. 1971.
- 107 Rote Sammlung, Nr. 868, 21 Feb. 1968; Nr. 887, 26 June 1968; minutes of the 309th supervisory board meeting on 21 Dec. 1967, in HAMR, AR-P/43.
- 108 Rote Sammlung, Nr. 932, 28 May 1969.
- 109 Minutes of the board of management meeting on 9 June 1978, in HAMR, V-P/40.
- 110 Rote Sammlung, Nr. 1317, 1 Dec. 1976.
- 111 Rote Sammlung, Nr. 1310, 13 Oct. 1976.
- 112 Minutes of the 306th supervisory board meeting on 10 Nov. 1966, in HAMR, AR-P/43.
- 113 Minutes of the 300th supervisory board meeting on 6 Nov. 1964, in *ibid.*
- 114 File note by Swiss Re on MR, 27 Oct. 1954, in SRCA, 10 125 331.03.
- 115 *Ibid.*
- 116 File note about a conversation with MR board of management members Schütte and Theissing, 13 Feb. 1963, in SRCA, 10 125 334.02. MR retroceded 1% of its fire quota, 2% of its general liability quota, and 1.4% each of its motor insurance quota to Swiss Re from its agreement with Allianz.
- 117 Rote Sammlung, Nr. 712, 10 Mar. 1965.
- 118 Rote Sammlung, Nr. 714, 24 Feb. 1965.
- 119 Rote Sammlung, Nr. 735, 21 July 1965.

- 120** Resolutions from the 3rd contact meeting between MR and Swiss Re on 5 May 1966, in SRCA, 10 130 559.01; Rote Sammlung, Nr. 778, 18 May 1966.
- 121** Rote Sammlung, Nr. 796, 21 Sept. 1966.
- 122** Gugerli, "Kooperation," 215–219.
- 123** Discussion MR/Swiss Re on 12 June 1979 (Discussion of premium rates in earthquake-threatened regions), in SRCA, 10 135 225.02.
- 124** Minutes of the board of management meeting on 21 Apr. 1975, in HAMR, V-P/27.
- 125** Rote Sammlung, Nr. 1315, 17 Nov. 1976.
- 126** File note on a discussion of MR and Swiss Re's leading insurance doctors on 2 Sept. 1966, 23 Sept. 1966, in SRCA, 10 135 332.02.
- 127** Rote Sammlung, Nr. 809, 21 Dec. 1966.
- 128** File note by Swiss Re on the mutual limitation to competing in cases of restructuring policies, 3 July 1967, in SRCA, 10 125 334.02.
- 129** On the cooperation between MR and Swiss Re in question of rate-setting, see also Gugerli, "Kooperation," 277 f.
- 130** Minutes of the technical executive meeting of MR on 23 June 1969, in HAMR, V-P/6.
- 131** HAMR, V-P/13.
- 132** Minutes of the board of management meeting on 12 Apr. 1976, in HAMR, V-P/31.
- 133** Rote Sammlung, Nr. 809, 21 Dec. 1966; Nr. 821, 15 Mar. 1967.
- 134** File note by Swiss Re on a visit to Alzheimer on 17 Jan. 1968, 18 Jan. 1968, in SRCA, 10 125 334.02.
- 135** Internal memorandum by Swiss Re, 25 Apr. 1967, in SRCA, 10 125 101.03.
- 136** Rote Sammlung, Nr. 735, 21 July 1965.
- 137** Rote Sammlung, Nr. 785, 6 July 1966.
- 138** Rote Sammlung, Nr. 737, 4 Aug. 1965; Nr. 784, 29 June 1966; Nr. 837, 5 July 1967.
- 139** Assessment of MR by Swiss Re's company management, 27 Mar. 1973, in SRCA, 10 101 628.05.
- 140** Minutes of the 313th supervisory board meeting, in HAMR, AR-P/44.
- 141** Minutes of the board of management meeting on 10 Nov. 1975, in HAMR, V-P/29.
- 142** Rote Sammlung, Nr. 555, 8 Dec. 1961.
- 143** Rote Sammlung, Nr. 773, 13 Apr. 1966; Nr. 827, 26 Apr. 1967.
- 144** Letter from MR to Victoria, 7 Feb. 1968, in ERGO-Archiv, Bestand Victoria, Nr. A 0113–00083; note by Victoria on the negotiations with MR on the stabilization clause in motor reinsurance on 23 Apr. 1968, in *ibid.*
- 145** Rote Sammlung, Nr. 869, 28 Feb. 1968.
- 146** Rote Sammlung, Nr. 848, 20 Sept. 1967.
- 147** Rote Sammlung, Nr. 841, 28 July 1967.
- 148** MR, annual report 1968/69.
- 149** Letter by MR board of management member Franz Buchetmann to Winnacker, 25 Apr. 1968; reply from Winnacker to Buchetmann, 3 May 1968, in HAMR, P/34 (Alzheimer's personnel file).
- 150** Agenda for board of management and supervisory board, new version 1979, in HAMR, V-P/43.
- 151** Consultant contract Alzheimer, 19 Aug. 1968, in HAMR, P/32.
- 152** ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00018.
- 153** Interview with Dr. Edgar Jannott, 15 May 2012.

- 154** Figures from Alzheimer's personnel file, in HAMR, P/32.
- 155** Minutes of the 330th supervisory board meeting on 24 Oct. 1975, in HAMR, AR-P/55; minutes of the 333rd supervisory board meeting on 10 Dec. 1976, 14 July 1977, in HAMR, AR-P/56. On Ernst Matthiensen, Friederike Sattler, *Ernst Matthiensen 1900–1980. Ein deutscher Bankier im 20. Jahrhundert*, Publikationen der Eugen-Gutmann-Gesellschaft 4 (Dresden, 2009). On Ponto's election to the supervisory board, see his file memo of 2 Aug. 1974, in Historisches Archiv Commerzbank, 500/7879–2002.
- 156** *Der Spiegel*, no. 50 (1977).
- 157** Letter from Alzheimer to Ponto, 17 Dec. 1976, in Historisches Archiv Commerzbank 500/177659.
- 158** On Ponto's life and personality, see Ralf Ahrens and Johannes Bähr, *Jürgen Ponto. Bankier und Bürger. Eine Biografie* (Munich, 2013).
- 159** Minutes of the 335th supervisory board meeting on 26 Oct. 1977, in HAMR, AR-P/57; cf. the minutes of the board of management meeting on 16 Sept. 1977, in HAMR, V-P/37.
- 160** Minutes of the board of management meeting on 18 Oct. 1974, in HAMR, V-P/24.
- 161** Minutes of the 339th supervisory board meeting on 8 Dec. 1978, in HAMR, AR-P/58.
- 162** Rote Sammlung, Nr. 652, 13 Nov. 1963.
- 163** Minutes of the board of management meeting on 20/25 Sept. 1976, in HAMR, V-P/32. When a management employee was poached away by Kölnische Rück, MR's board of management regarded this as a "serious violation" of reinsurers' customs.
- 164** Interview with Dr. Edgar Jannott, 15 May 2012.
- 165** *Ibid.*
- 166** Minutes of the managers' round table on 27 Oct. 1978, in HAMR, SK/136.
- 167** According to Jannott's statement in the managers' round table on 29 Sept. 1977, in *ibid.*
- 168** Jannott's statement in the managers' round table on 19 Aug. 1976, in *ibid.*
- 169** Minutes of the managers' round table on 20 July 1979 and 30 June 1980, in *ibid.*
- 170** Jannott's statements at the 322nd supervisory board meeting on 27 Oct. 1972, in HAMR, AR-P/47.
- 171** Minutes of the 323rd supervisory board meeting on 12 July 1973, in HAMR, AR-P/48. From then on, both the German and English company names were used on MR's letterhead.
- 172** Minutes of the board of management meeting on 18 Feb. 1974, in HAMR, V-P/21.
- 173** Minutes of the board of management meeting on 16 Sept. 1977, in HAMR, V-P/37.
- 174** Minutes of the board of management meeting on 17 May 1974.
- 175** Minutes of the board of management meeting on 3 Feb. 1976, in HAMR, V-P/26.
- 176** This was the literal wording in the minutes of the board of management meeting on 24 July 1978, in HAMR, V-P/40.
- 177** *Der Spiegel*, no. 7 (1986).

19. The Crises of the 1970s and the Challenges of Modern Risk Management

- 1** Minutes of the board of management meeting on 19 May 1980, in HAMR, V-P/48.
- 2** HAMR, V-P/38.
- 3** Horst K. Jannott, "Einfluß der Währungsprobleme auf die Rückversicherung," in

Hans Kalwar, ed., *Sorgen, Versorgen, Versichern. Festschrift für Heinz Gehrhardt* (Karlsruhe, 1975).

- 4 MR, annual report 1970/71, November 1971.
- 5 Minutes of the 309th supervisory board meeting on 21 Dec. 1967.
- 6 Minutes of the meeting of the partners of the US Branch on 5 Dec. 1968, in ERGO-Archiv, Bestand Victoria, Nr. G 0001– 00003, Vol. 2.
- 7 Rote Sammlung, Nr. 1018, 17 Feb. 1971; Nr. 1061, 15 Dec. 1971.
- 8 Minutes of the 320th supervisory board meeting on 28 Oct. 1971, in HAMR, AR-P/46.
- 9 Minutes of the 321st supervisory board meeting on 15 July 1972, in HAMR, AR-P/47; minutes of the 323rd supervisory board meeting on 12 July 1973, in HAMR, AR-P/48.
- 10 Minutes of the 337th supervisory board meeting on 13 July 1978, in HAMR, AR-P/57.
- 11 Minutes of the 314th supervisory board meeting on 30 Oct. 1969, in HAMR, AR-P/44.
- 12 Presentation by board of management member Sonnenholzner at the 323rd supervisory board meeting on 12 July 1973, in HAMR, AR-P/48.
- 13 Presentation by board of management member Sonnenholzner at the 337th supervisory board meeting on 13 July 1978, in HAMR, AR-P/57.
- 14 Minutes of the 337th supervisory board meeting on 13 July 1978, in *ibid.*
- 15 Presentation by board of management member Theissing, “Der Einfluß der Lohn- und Preisentwicklung auf die Schadenleistungen,” at the 316th supervisory board meeting on 10 July 1970, in HAMR, AR-P/45.
- 16 MR, annual report 1970/71, November 1971.
- 17 Letter from MR to Victoria, 8 Oct. 1971, in ERGO-Archiv, Bestand Victoria, Nr. A 0113– 00083.
- 18 *Die Zeit*, no. 49, 10 Dec. 1971.
- 19 Gugerli, “Kooperation,” 279–282.
- 20 Minutes of the 321st supervisory board meeting on 13 July 1971, in HAMR, AR-P/47; cf. MR’s annual report 1971/72, November 1972.
- 21 Minutes of the 323rd supervisory board meeting on 12 July 1973, in HAMR, AR-P/48.
- 22 Dietmar Klenke, “*Freier Stau für freie Bürger.*” *Die Geschichte der bundesdeutschen Verkehrspolitik 1949–1994* (Darmstadt, 1995), 84–94.
- 23 Minutes of the 113th supervisory board meeting of Hamburg-Mannheimer on 9 Nov. 1970, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002– 00016.
- 24 Minutes of the 118th, 119th, and 125th supervisory board meetings of Hamburg-Mannheimer on 24 Nov. 1972, 28 June 1973, and 30 June 1975, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00 017 and A 0002–00018.
- 25 Minutes of the 121st supervisory board meeting of Hamburg-Mannheimer on 29 Apr. 1974, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00018; see *Versicherungswirtschaft* (1974): 1020.
- 26 Minutes of the 123rd supervisory board meeting of Hamburg-Mannheimer on 28 Nov. 1974, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00018.
- 27 Minutes of the 128th supervisory board meeting of Hamburg-Mannheimer on 11 May 1976, in ERGO-Archiv, Bestand Hamburg-Mannheimer, Nr. A 0002–00019.
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- 33** *Der Spiegel*, no. 29 (1978).
- 34** *Der Spiegel*, no. 24 and 31 (1979).
- 35** Minutes of the board of management meeting on 9 July 1979, in HAMR, V-P/45.
- 36** Minutes of the board of management meeting on 19 Nov. 1979, in HAMR, V-P/46; minutes of the board of management meeting on 7 Jan. 1980, in HAMR, V-P/47.
- 37** Presentation by Sonnenholzner before the supervisory board on 13 July 1978.
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- 39** MR, "Meerestechnik. Erdöl und Erdgas aus dem Meer. Technologie. Versicherung" (Munich, 1975), 51 pages, in HAMR, AR-P/55.
- 40** HAMR, V-P/39.
- 41** Minutes of the board of management meeting on 1 Aug. 1974, in HAMR, V-P/24.
- 42** Rote Sammlung, Nr. 1294, 30 June 1976; Nr. 1328, 16 Feb. 1977.
- 43** Rote Sammlung, Nr. 1347, 29 June 1977.
- 44** Münchener Rück, *Naturkatastrophen in Deutschland. Schadenerfahrungen und Schadenpotentiale* (Munich, 1999).
- 45** Rote Sammlung, Nr. 1377, 11 Jan. 1978.
- 46** Minutes of the 334th supervisory board meeting on 14 July 1977, in HAMR, AR-P/56.
- 47** Minutes of the 337th supervisory board meeting on 13 July 1978, in HAMR, AR-P/57.

List of Tables and Diagrams

Table 1: Founding shareholders of Munich Re in 1880	32
Table 2: Business development of MR 1880/81–1890/91	42
Table 3: The largest German reinsurance companies in 1888	43
Table 4: Munich Re premium revenues in fire insurance for the central office and the Foreign Department 1890/91	61
Table 5: The number of employees at Munich Re’s central office 1880–1910	80
Table 6: Business development of Munich Re 1890/91–1913/14 in marks	89
Table 7: Shares in various insurance segments of the total gross premium of Munich Re 1913/14	93
Table 8: Proportion of various insurance segments of the total gross premium of Munich Re 1913/14 and 1929/30	134
Table 9: Financial figures of Munich Re in RM 1924–1933	137
Table 10: Account securities and holdings of Munich Re, 30 June 1931	139
Table 11: Compilation of the Association for the Coverage of Major Risks, Segment Fire and Unemployment Insurance, by country, September 1942	236
Diagram 1: Distribution of Munich Re’s business by country in 1913	63
Diagram 2: Gross premium revenues of Munich Re and Swiss Re in millions of CHF 1914–1944	194

Picture Credits

Fig. 4 Firmenhistorisches Archiv der Allianz, Munich	45
Fig. 7 Ullstein Bild, Berlin, 30015786	68
Fig. 12 Münchner Stadtmuseum, Inv.-Nr. M-99/22	88
Fig. 13 Europäische Reiseversicherung AG, Munich	110
Fig. 15 HVB Stiftung Geldscheinsammlung, Munich	119
Fig. 18 Ullstein Bild, Berlin, 00013635	138
Fig. 29 Archiwum Państwowe w Łodzi, Lodz (Poland), 218–36	227
Fig. 30 Swiss Re Company Archives, Zurich (Switzerland), 10 145481.01	240

All other figures come from the historical archive and the photo archive of Munich Re.

Those owning rights with legitimate claims, if they could not be reached, will receive compensation according to the usual market rates.

List of Abbreviations

AEG	Allgemeine Elektrizitäts-Gesellschaft
AG	Aktiengesellschaft [joint-stock corporation]
ANC	African National Congress
ANI	American Nuclear Insurers
BAB	Bundesarchiv Berlin
BAK	Bundesarchiv Koblenz
BAV	Bundesaufsichtsamt für das Versicherungswesen [Federal Supervisory Office for the Insurance Industry]
BayHStA	Bayerisches Hauptstaatsarchiv
BGBL.	Bundesgesetzblatt
BVP	Bayerische Volkspartei [Bavarian People's Party]
BWA	Bayerisches Wirtschaftsarchiv
CDU	Christlich Demokratische Union [Christian Democratic Union of Germany]
CHF	Swiss francs
CIC	Counter Intelligence Corps
Co.	Company
COMECON	Council for Mutual Economic Assistance
Contigas	Deutsche Continentale Gas-Gesellschaft AG
CSU	Christlich-Soziale Union [Christian-Social Union]
DAF	Deutsche Arbeitsfront [German Labor Front]
DARAG	Deutsche Auslands- und Rückversicherungs AG [German Foreign and Re-insurance Corporation]
D.A.S.	D.A.S. Deutscher Automobil Schutz AG [German Automobile Protection Corporation]
DDG	Deutsche Dampfschiffahrts-Gesellschaft
Diss.	Dissertation
DKV	Deutsche Kranken-Versicherungs-AG/Deutsche Krankenversicherung AG
DKVG	Deutsche Kernreaktor-Versicherungsgemeinschaft [German Nuclear Insurance Pool]
DM	Deutsche Mark [German mark]
Eds.	Editors
EEC	European Economic Community
EMS	European Monetary System
ERV	Europäische Reiseversicherung AG
EURATOM	Europäische Atomgemeinschaft [European Atomic Energy Community]
Europäische	Europäische Güter- und Reisegepäckversicherungs AG [European Luggage Assurance Company Ltd.]

FAVAG	Frankfurter Allgemeine Versicherungs-AG
FDP	Freie Demokratische Partei [Free Democratic Party]
GDR	German Democratic Republic
GDV	Gesamtverband der Versicherungswirtschaft [German Insurance Association]
Gestapo	Geheime Staatspolizei
GmbH	Gesellschaft mit beschränkter Haftung
GPP	Generali Port Polonia Vereinigte Versicherungs-Gesellschaft AG
HAMR	Historisches Archiv von Munich Re [Historical Archive of Munich Re]
HDI	Haftpflichtverband der Deutschen Industrie
HTO	Haupttreuhandstelle Ost [Main Trusteeship Office of the East]
HUK	Haftpflicht, Unfall, Kasko [Liability, Casualty, Comprehensive]
MR	Münchener Rückversicherungs-Gesellschaft AG/Munich Re
MR SA	Munich Reinsurance Company of South Africa
NARA	National Archives and Record Administration
NDHB	Nord-Deutsche und Hamburg-Bremer Versicherung
NS	National Socialism/National Socialist
NSBO	Nationalsozialistische Betriebszellenorganisation [National Socialist Factory Cell Organization]
NSDAP	Nationalsozialistische Deutsche Arbeiterpartei (Nazi Party)
ÖVAG	Österreichische Versicherungs-AG
ÖVZ	Österreichische Versicherungs-Zeitung
OMGUS	Office of Military Government for Germany (U. S.)
OPEC	Organization of the Petroleum Exporting Countries
PML	Probable Maximum Loss
Reamericas	Reaseguradora de las Americas
RGBL.	Reichsgesetzblatt
RM	Reichsmark
S.A.	Sociedad Anonyma/Société Anonyme
SBG	Schweizerische Bankgesellschaft [Union Bank of Switzerland]
SCOR	Société Commerciale de Réassurance
SPD	Sozialdemokratische Partei Deutschlands [Social Democratic Party of Germany]
SRCA	Swiss Re Company Archives
SS	Schutzstaffel der NSDAP
US/USA	United States/United States of America
USPD	Unabhängige Sozialdemokratische Partei Deutschlands [Independent Social Democratic Party of Germany]
USSR	Union of Socialist Soviet Republics
VAG	Versicherungsaufsichtsgesetz [insurance supervision act]
VAN	Verenigde Assurantjebedrijven Nederland N. V.
VEB	Volkseigener Betrieb [state-owned enterprise in the former GDR]
VIAG	Vereinigte Industrieunternehmen AG
VW	Volkswagenwerk GmbH/AG

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- Archiwum Państwowe w Poznaniu, Poznań (Poland)
221–31178
- Bayerisches Hauptstaatsarchiv, Munich (BayHStA)
Ministerium für Wirtschaft (MWi)
- Bayerisches Wirtschaftsarchiv, Munich (BWA)
F 6 Bayerische Versicherungsbank AG
V 5 Münchener Handelsverein e. V./Börse München (BayHStA)
- Bundesarchiv Berlin (BAB)
NS 3 SS-Wirtschafts-Verwaltungshauptamt
NS 5 Deutsche Arbeitsfront
NS 6 Partei-Kanzlei der NSDAP
R 2 Reichsfinanzministerium
R 3101 Reichswirtschaftsministerium
- Bundesarchiv Koblenz (BAK)
B 280 Bundesaufsichtsamt für das Versicherungswesen/Reichsaufsichtsamt für Privatversicherung
Z 45 F OMGUS
- Firmenhistorisches Archiv der Allianz, Munich
NS-Bestände
S-17.14
- Historisches Archiv der Commerzbank AG, Frankfurt am Main
500 Dresdner Bank
- Historisches Archiv von Munich Re, Munich (HAMR)
AA Alte Akten [Sammlung Herzog]
AR-P Aufsichtsratsprotokolle
FIN Finanzakten
P Personalakten

442 List of Primary Sources and Bibliography

- Personalia Personalia
NA Nachträge Altarchiv
SK Sammlung Knoke
V-P Vorstandsprotokolle
VST Verstaatlichung
Aktenverfilmung Union Rück
Rote Sammlung
National Archives and Record Administration, College Park, Maryland (NARA) (USA)
RG 260 OMGUS
Siemens Historical Institute, Siemens-Archiv, Munich
SAA F 207
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Index of Persons

- Adenauer, Konrad 273
Albert, Michel 9
Allende, Salvador 331
Alzheimer, Alois 158, 185, 190, 204, 216,
218–221, 225, 231–233, 235, 238, 241–
243, 250–252, 254, 256–260, 262, 276,
279 f., 304 f., 309, 311, 334, 338 f., 342–
345, 348, 351, 357, 366, 369
Amend, Georg 184 f., 237, 254
Antonescu, Ion 219
Arps, Ludwig 40, 50, 99, 201
- Baader, Andreas 330
Balaban, Georg 221, 252
Balaban, Imre 221
Barley, Cecil 208
Batista, Fulgencia 289
Bebler, Emil 195, 236
Beck, Ulrich 317
Beier, Max 169, 228
Belt, Guillermo 289
Benaira, Goffredo 15
Berliner, Wilhelm 196–201, 203,
205
Bernhardt, Victor 44, 50, 129
Bernstein, Bernard 249
Bertsch, Walter 217
Berz, Gerhard 337
Bieber, Eduard Oswald 82 f.
Biedenkopf, Kurt 349
Biensfeldt, Johannes 27 f.
Bismarck, Otto von 30, 46
Bloch, Martin 142
Böhrer, Fritz 92, 134, 136
Bormann, Martin 186 f.
Boss, Emil 243
Breska, Herbert von 159
Brix, Hans 208
- Brüning, Heinrich 138
Buchetmann, Franz 259–261
Bürckel, Josef 185
Burbach, Otto 231
Buresch, Karl 200
- Castro, Fidel 289 f.
Castro, Raul 289
Clay, Lucius D. 263
Cramer-Klett, Theodor Freiherr von
24 f., 27–30, 32 f., 35
Cuntz, Paul 224
- Dienst, Hans-Rudolf 308
Dingler [CEO of Les Réassurances] 230
Dodd, William 161, 163, 167
Dollfuß, Engelbert 257
Dreher, Boris 288 f.
Drumm, Ernst 123 f.
Dülberg, Franz 35
Dumcke, Paul 126
Dutschke, Rudi 330
Dvoceák, Jaromir 204, 218
- Eberstein, Karl von 170
Ehrenzweig, Adolf 21
Eichler, Reinhold Max 83 f.
Eichmann, Adolf 219
Einhorn, Ananjacz 109, 222
Eisenring, Max 338
Eisner, Kurt 103
Engel von Cserkut, Max (also Max von
Engel) 92, 110 f., 135
Ensslin, Gudrun 330
Erhard, Ludwig 263
Erler, Fritz 83
Ernst, Rudolf 122, 239
Eucken, Walther 328

- Feldman, Gerald D. 11, 197, 215, 227, 230
 Fiedler [female employee of Munich Re] 78
 Finck, August von 114 f., 151, 159, 161 f.,
 177, 295–298, 364
 Finck, Wilhelm (from 1905: von) 24 f.,
 27–30, 32–37, 40, 42, 44 f., 47–52, 54,
 62, 68, 72, 82, 84–87, 107, 114 f.
 Fischböck, Hans 212
 Franco, Francisco 209
 Frank, Hans 159
 Friderichs, Hans 345, 349
 Frigessi, Arnaldo 233
 Frohner, Christian 104
 Funk, Walther 165, 181, 184–186, 189
- Gaulle, Charles de 331
 Gerathewohl, Klaus 314, 328
 Gerling, Hans 358
 Gerling, Robert 117
 Goebbels, Hans 232
 Göring, Hermann 161 f., 165–169, 173,
 185–187, 189, 212, 253, 296, 367
 Goetz, Carl 297
 Goldberg, Izrael Icek 227
 Golding, Cecil 179, 284 f.
 Goudefroy, Hans 276
 Grieshaber, Hans 207, 233, 238 f., 241–243,
 262
 Grillo, Guilano 15
 Grossmann, Heinrich 236
 Grossmann, Moritz 19, 71
 Grünwald, Heinrich 141 f.
 Gürtner, Wilhelm 159
- Habe, Hans 197
 Hahn, Eleonore 254
 Haile Selassie [emperor of Ethiopia] 291
 Hammacher, Friedrich 52
 Hassell, Ulrich von 167 f., 170, 190, 207
 Heath, Cuthbert 69, 75
 Helly, Eduard 197
 Herzfelder, Emil 251
 Herzog, Martin 11, 34, 37, 50, 73, 78, 93,
 98, 105, 128, 136, 207, 222, 247
 Heß, Hans 159, 176
 Hilgard, Eduard 130, 165, 173 f., 185 f.,
 188–190, 194, 223, 235
- Himmelseher, Luise 309
 Himmler, Heinrich 165 f., 168–170, 186,
 252, 367
 Hirsch [female employee of Munich Re]
 78
 Hitler, Adolf 121, 152 f., 161–164, 166–168,
 185 f., 189 f., 196, 200, 203, 207, 215,
 220, 226, 229, 232, 234, 251
 Hoffmann, Bernhard 27
 Hoffmann, Johannes 103
 Hollweck, Wilhelm 82
 Horthy, Miklós 220
 Hürlimann, Erwin 140
 Hütz, Carl Friedrich 279, 289
- Inzerillo, James 281
 Iven [employee of Munich Re] 293
- Jaberg, Paul 122, 239
 Jannott, Edgar 346
 Jannott, Horst 289, 309, 316, 333, 340–
 348, 350, 355, 369
 Jannott, Kurt 345
 Jeidels, Otto 255
 Jessen, Jens 189 f.
 Jeziorański, Jan Adam 225 f., 228
- Kaempf, Johannes 49, 85
 Kafka, Frederic F. 219, 221
 Kahle, Ernst 333
 Keppler, Wilhelm 220
 Khrushchev, Nikita 283
 Kißkalt, Wilhelm 28, 78, 84, 86 f., 103 f.,
 107 f., 112–116, 120–122, 127, 129, 131,
 133, 135, 142, 147, 150–154, 158–161, 165,
 176, 192 f., 195–199, 202 f., 213, 220–
 222, 238, 252, 345, 363, 366
 Klebinder, Ernst 200
 Klett, Emilie 28
 Klett, Johann Friedrich 28
 Kluge, Harold 51, 89 f., 118, 126
 Knoke, Manfred 54
 Knote, Gustav 25 f.
 Koch, Peter 40, 74
 Kolowrat, Count of [chairman of the ad-
 ministrative council of Slovanska]
 205

- Komeda [deputy chairman of the administrative council of Čechoslovakia] 216 f.
 Kranefuß, Fritz 166, 168 f.
 Kronawitter, Georg 349
- Lambsdorff, Otto Graf 349
 Landfried, Friedrich 186
 Lauinger, Artur 126
 Lencer, Rudolf 154 f.
 Lenz, Otto 260
 Lex, Hans Ritter von 252
 Ley, Robert 189
 Lindemann, Karl 254
 Lloyd, Edward 17
 Ludwig III, King of Bavaria 103
 Lueg, Heinrich 52
 Lukas, Edith 308 f.
- MacCall, John A. 60
 Maffei, Hugo von 30, 35, 49
 Magnus, Edwin 224, 226, 228 f.
 Mandela, Nelson 333
 Manes, Alfred 169, 189, 248
 Marchesano, Enrico 233
 Marshall, George C. 264
 Mattfeld, Gustav 129 f., 136, 152, 195, 198 f.,
 208, 216, 252, 259, 261
 Matthiensen, Ernst 344
 Mauel, Marc 49
 Mauthner, Gustav von 54
 Mayrhofer, Josef 215
 Meister, Georg 82
 Mengistu Haile Mariam [president of Ethiopia] 291
 Merck, Hermann 27
 Meuschel, Walther 40, 50, 58, 63, 73, 90,
 92, 109, 129, 214, 229–231, 255 f., 264,
 304, 334
 Mevissen, Gustav von 18 f., 28
 Mondell [Attorney General at the U. S. Military Court, Munich] 258
 Morpurgo, Edgardo 212 f.
 Müller, Conrad 87
 Mussolini, Benito 105, 202, 237
- Niemöller, Martin 167
- Ochsner, Heinrich 200
 Oechelhäuser, Wilhelm 52
 Oetker (family) 358
 Oldenburg, Hans Adam 252, 259, 261
 Oppenheim, Abraham von 28
 Oppenheim, Simon von 18, 28
- Paul, Georg 252, 259, 261
 Pearson, Robert 20
 Peca, Václav 218
 Pemsel, Hermann (from 1903: von) 24 f.,
 27–30, 32–36, 44, 47, 49, 58, 72, 84–87,
 114
 Pemsel, Wilhelm 27
 Peter, Hans 188 f.
 Philipp, Pablo 243, 260
 Pinochet, Augusto 331
 Pogany, Tivadar 221
 Pohl, Bruno 49, 53
 Ponto, Jürgen 344 f.
 Poustka [general manager of Slovanska]
 205
 Prölss, Rudolf 338
- Rafelsberger, Walter 214, 258
 Rasche, Karl 254
 Rašín, Alois 110
 Rašín, Jaromir 110, 204 f., 218
 Rath, Klaus Wilhelm 186–189
 Redman, L. A. 71
 Reichert, Willy 259, 261
 Reininghaus, Eberhard von 174, 196, 203,
 208, 214 f., 217 f., 221, 234–236, 257 f.,
 264–267, 369
 Ribbeck, Ernst 51
 Richter, Gustav 219
 Ritscher, Samuel 149 f.
 Rittenberger, Max 83
 Rittermann, Henryk 222, 225, 252
 Rosenberg, Alfred 229
 Ruckdeschl [Carl von Thieme's secretary]
 57
 Rucker-Embden, Oscar 136
 Ruperti, Ernst-Justus 294
 Rutishauser, H. Conrad 339
- Nahmer, Paul von der 41, 53 f., 87, 116
 Neurath, Konstantin Freiherr von 167

- Sacco, Martino 15
 Sadler, A. F. 264
 Schacht, Hjalmar 160 f., 163–165, 178, 191, 195
 Schalfjew, Eduard 169 f.
 Schauss, Friedrich von 27 f., 30, 32, 35
 Schiller, Karl 328
 Schlesinger, Georg 215
 Schmederer, Therese 81
 Schmeer, Rudolf 165
 Schmidt, Rudolf 87, 91, 100, 114, 117, 198
 Schmidt, Walther 142
 Schmidt-Polex, Hans 212, 215
 Schmidt-Polex, Philipp Nicolaus 30, 32, 35
 Schmitt, Günther 166
 Schmitt, Kurt 116 f., 124, 127 f., 158, 160–170, 176, 185–192, 207, 211 f., 214 f., 217 f., 221, 228, 230, 233–238, 241, 249 f., 252–257, 259 f., 367 f.
 Schmitz, Hermann 159
 Schnackenberg, Walter 110
 Schneider, Robert 158, 205, 224 f., 228, 257, 265
 Schoeller von Planta, Friedrich Arthur 122, 239
 Schreiner, Carl 35, 48 f., 57–63, 67–72, 75, 86 f., 106, 120 f., 133, 135, 142, 232 f., 279
 Schröder, Kurt von 254
 Schuschnigg, Kurt 200
 Schwede-Coburg, Franz 166 f., 169, 184–190, 237, 253
 Seligman, Isaac N. 60
 Siemens, Carl Friedrich von 159
 Śliwiński, Andrzej 225, 228
 Sonnenholzner, Fritz 353, 359
 Spans, Wilhelm 142
 Spethmann, Dietrich 345
 Spree, Reinhard 72
 Stalin, Josef 226
 Stankowski, Anton 348
 Starhemberg, Ernst Rüdiger 214
 Straumann, Tobias 22
 Stürcke, Hermann 35
 Sturhahn, Carl F. 106
 Südekum, Lothar 232, 279 f.
 Süß, Georg 129
 Sukarno [president of Indonesia] 286
 Sulfina, Michele 202 f.
 Szelinski, Paul 49, 87
 Szöny, Josef 221
 Tauber, Alfred 197
 Thalmann, Ernst 60
 Theissing, Gerhard 308
 Thieme, Carl [Carl von Thieme's son] 88
 Thieme, Carl (from 1914: von) 24–30, 32–58, 60, 63, 66–73, 75 f., 78–82, 84–88, 90–92, 96, 101, 103–105, 110, 113 f., 116, 128, 131, 197, 362 f., 365
 Thieme, Else von (b. von Witzleben) 88, 95
 Thieme, Friedrich (Fritz) 26, 85–88
 Thieme, Hertha (b. Schreiner) 86
 Thieme, Julius 25, 27, 34
 Thieme, Marie (b. von der Nahmer) 26, 88, 116
 Thieme, Oskar 26, 88
 Thieme, Walter 86
 Thierfelder, Franz 252
 Trebilcock, Clive 65
 Uhlig, Curt 60
 Veessenmayer, Edmund 220 f.
 Vesely, Frantisek 216 f.
 Victoria [Queen of the United Kingdom of Great Britain and Ireland] 17
 Volpi di Misurata, Giuseppe Count of 213
 Wagner, Adolf 151, 153, 296
 Wagner, Robert 185
 Waldow, Carl von 26
 Wallmann, Friedrich 21
 Wand, Theodor 196, 225, 242
 Wehle, Karl Ferdinand 25, 35
 Werner, Fernand 265
 Werner, Pierre 353
 Westarp, Rudolf Graf von 170
 Winnacker, Karl 342, 345
 Witte, Sergej 56
 Wrede, Count of [CEO of the reinsurance company Atlas, Stockholm] 252
 Zaduck, Otto 104

Index of Companies

- Aachener Rückversicherungs-Gesellschaft AG 22
- Aachener und Münchener Feuer-Versicherungs-Gesellschaft (1825–1834: Aachener Feuer-Versicherungs-Gesellschaft) 18 f., 76, 124, 141–143
- Aachener und Münchener Group 141 f.
- AEG 164, 182, 250, 329
- Aetna 70
- Agrippina Versicherung 93
- Albingia Versicherungs-AG (see also Sociedad Nacional de Seguros Albingia) 122, 286, 288, 322
- Alleanza 107
- Allgemeine Brandversicherungsanstalt – see Bayerische Landesbrandversicherung
- Allgemeine Brandenburgische Versicherungs AG 141
- Allgemeine Unfallversicherungsbank 46
- Allgemeine Verkehrsbank 108
- Allgemeine Versicherungs-Gesellschaft Phönix (Elementar-Phönix) (before 1930: Versicherungs-Gesellschaft Österreichischer Phönix) 41, 54, 69, 71, 90, 107 f., 129, 199, 201–203, 211–215, 219, 223, 257
- Allgemeiner Deutscher Versicherungsverein 92
- Allianz Lebensversicherungsbank/ Allianz Lebensversicherungs-AG (Allianz Leben) 117, 126, 278, 311, 364
- Allianz of America 347
- Allianz Rückversicherung 53
- Allianz und Giselaverein Versicherungs-AG 198, 213
- Allianz Versicherungs-AG (1927–1940: Allianz und Stuttgarter Verein Versicherungs-AG) 8, 11, 44 f., 48–54, 60, 72 f., 75, 80, 84, 89–93, 96, 116–118, 123 f., 126–134, 140, 142 f., 149, 155, 159–162, 164–166, 169 f., 173, 176 f., 185 f., 189, 201, 204, 207, 209, 211–215, 217, 219–221, 223 f., 226–229, 232, 242–244, 247–250, 267–269, 274–276, 278, 280 f., 285 f., 293, 295–299, 304 f., 310 f., 315 f., 327, 334, 343, 346 f., 356 f., 363 f., 367–370
- Alpina 122
- Alsacienne Vie 231
- American Express Company 135
- American Mutual Re 281
- American Union 60
- Andrew Weir 280
- Anker – see Deutsche Lebens- und Pensions-Versicherungs-AG Anker
- Arminia Lebens-, Aussteuer- und Militärdienst-Versicherungs-Aktien-Gesellschaft 91, 117
- Assicurazioni Generali S. p. A. 41 f., 92, 105, 107, 111, 133, 179, 201–204, 211–214, 219, 223–226, 228, 232 f., 252, 264, 268, 368
- Återförsäkrings-Aktiebolaget Atlas 97, 101, 109, 204, 207, 252, 259
- Atlantica 207, 259
- Atlas – see Återförsäkrings-Aktiebolaget Atlas
- Aufhäuser & Scharlach 32
- Axel-Springer-Verlag 330
- Badenwerk 182
- Badische Lebensversicherungsbank 117
- Badische Rück- und Mitversicherungsgesellschaft AG 36, 43, 48, 57, 76
- Baltische Versicherungs-Aktien-Bank 91

- Bank der Deutschen Arbeit AG 158
 Bank deutscher Länder 271 f., 281
 Bank für Handel und Industrie 24, 28,
 30, 32, 35, 52, 137 f., 215
 Banque Nationale de Crédit 132
 BASF AG 272
 Basler Feuerversicherung 42, 113, 118, 123,
 238, 242
 Basler Handelsbank 19
 Bayer AG 321
 Bayerische Handelsbank 30, 36, 82
 Bayerische Hypotheken- und Wechsel-
 bank (Hypo-Bank) 30, 123, 298
 Bayerische Landesbrandversicherung
 30
 Bayerische Rückversicherungsbank 124,
 202, 334, 338
 Bayerische Treuhand AG 274
 Bayerische Vereinsbank 30, 36, 52, 298
 Bayerische Versicherungsbank 30, 123 f.,
 212, 227
 Bayernwerke AG 315
 Berlin-Brandenburgische Feuersoziätät
 16
 Berliner Handels-Gesellschaft 255, 298
 Berlinische Leben 275, 278, 343, 356
 Berner Allgemeine Versicherung 122
 Bosch – see Elektrotechnische Fabrik
 Robert Bosch/Robert Bosch GmbH
 Bundesbank – see Deutsche Bundesbank
- C. E. Golding & Co. Ltd. 284 f., 291
 Caisse Centrale de Réassurance 287
 Caja Reaseguradora de Chile 331
 Čechoslovakia 216–218
 Colonia (Kölnische Feuer-Versicherungs-
 Gesellschaft, Colonia/Colonia, Köl-
 nische Feuer- und Kölnische Unfall-
 Versicherungs-AG/Colonia Kölnische
 Versicherungs-AG/Colonia Versi-
 cherung AG) 19, 32, 124, 140–142, 267
 Commercial Union 285
 Compagnie Générale d'Assurance contre
 les Accidents 91
 Compagnie Royale d'Assurance Contre
 l'Incendie 18
 Compañía de Seguros 286
- Condor Flugdienst GmbH 318
 Constellation 280
 Corona Versicherungs-AG 216
- Dacia Romana 204
 Darmstädter Bank für Handel und In-
 dustrie – see Bank für Handel und
 Industrie
 Darmstädter und Nationalbank (Danat-
 Bank) 137 f.
 D. A. S. Deutscher Automobil Schutz AG
 134
 DDG Hansa 359
 Demachy & Cie. 230 f.
 Deutsche Auslands- und Rückversicher-
 ungs-AG (DARAG) 292 f.
 Deutsche Bank 48, 52, 126, 298, 348, 357,
 368
 Deutsche Bundesbank 272, 353 f.
 Deutsche Continentale Gas-Gesellschaft
 AG (Contigas) 52, 164, 169 f., 182,
 250
 Deutsche Gemeinnützige Rückversicher-
 ungs AG 131
 Deutsche Kranken-Versicherungs-
 AG/Deutsche Krankenversicherung
 AG (DKV) 276, 356
 Deutsche Lebens- und Pensions-Versi-
 cherungs-AG Anker 91
 Deutsche Reichsbahn 111, 254
 Deutsche Reichsbank 111, 119 f., 123, 139,
 163, 177–179, 181, 191, 194 f., 207, 300
 Deutsche Rückversicherung 43
 Deutsche Seeversicherungsgesellschaft
 100
 Deutscher Lloyd 204, 213
 Deutscher Ring 157, 188, 212 f., 216 f.,
 358
 Disconto-Gesellschaft 52, 126
 Dresdner Bank 52, 150, 174, 254, 297 f.,
 344 f., 368
 Düsseldorfener Rückversicherung 130 f.
- Eastern Federal Union 293
 Erste Nederlandse 113
 Eidgenössische Bank 122
 Eidgenössische Versicherung 97

- Elbe Lebensversicherungsanstalt AG 110
 Elbe Schadenversicherungsanstalt AG 110
 Elektrotechnische Fabrik Robert Bosch/Robert Bosch GmbH 64
 Elementar-Phönix – see Allgemeine Versicherungs-Gesellschaft Phönix
 Elsaß-Lothringische – see Erste Elsaß-Lothringische Unfall- und Haftpflichtversicherungs-Gesellschaft
 Employer's Insurance 285
 Ergo Versicherungsgruppe AG 11 f.
 Erste Allgemeine Unfall- und Schadensversicherungs-Gesellschaft 204, 213, 224
 Erste Böhmisches Rückversicherungsbank 108
 Erste Einbruch – see Erste Österreichische Versicherungs-Gesellschaft gegen Einbruch
 Erste Elsaß-Lothringische Unfall- und Haftpflichtversicherungs-Gesellschaft 231
 Erste Österreichische Versicherungs-Gesellschaft gegen Einbruch 109
 Erste Rigaer Versicherungs-Gesellschaft 238
 Ethiopian Life 291
 Europa Allgemeine Rückversicherung AG 265
 Europäische Güter- und Reisegepäckversicherungs-AG 85, 88, 92, 110 f., 135, 215, 221 f., 224, 232, 238

 Fénix Sudamericano 195 f., 225, 238, 241 f., 259 f., 268
 Feuer-Assecuranz-Compagnie 45
 Fides Versicherung 92
 Fireman's Fund 75
 First Hungarian General Insurance Company 221
 First Reinsurance Co. of Hartford (First Re) 59, 61 f., 90, 101, 106 f., 133
 Flick-Konzern 368
 Florjanka 221, 223 f., 227
 Foncière 92, 220
 Franco-Hongroise 219–221, 252

 Frankfurter Allgemeine Rückversicherung 43
 Frankfurter Allgemeine Versicherungs-AG (FAVAG) 87, 122, 126–128, 136, 140, 143, 176, 212, 366
 Frankfurter Versicherungs-AG 215, 275
 Frankona Rückversicherung 281
 Freia Bremen Hannoversche Lebensversicherungsbank 130
 Fried. Krupp 298

 GEG (Großeinkaufsgenossenschaft) 158
 Generali – see Assicurazioni Generali S. p. A.
 Generali Port Polonia Vereinigte Versicherungs-Gesellschaft AG (GPP) 223–228, 252
 Gerling Group/Gerling Globale 122, 143, 267, 321, 326, 341, 358
 German American Insurance Company 61
 Gisela Deutsche Lebens- und Aussteuerungs-AG 198
 Gladbacher Feuerversicherung 38, 41
 Globus Versicherung 91, 102, 117
 Gostrach 132, 229
 Gothaer Allgemeine Versicherung 257, 345
 Gothaer Feuerversicherungsbank 18
 Gothaer Lebensversicherungsbank 99, 118
 Great Pacific Life Insurance 285
 Grüenthal GmbH 321
 Guardian Fire & Life 59, 286

 Hafag 89
 Haftpflichtverband der Deutschen Industrie (HDI) 326 f., 358
 Hamburg-Bremer Feuerversicherung 322
 Hamburger Feuerkasse 16
 Hamburg-Mannheimer Sachversicherungs-AG 357
 Hamburg-Mannheimer Versicherungs-AG 122, 270, 275–278, 310 f., 343, 356 f., 364
 Hamburg-Munich United 45
 Hammonia Allgemeine Versicherungs-AG 127

- Haniel & Lueg 52
Hapag-Lloyd 135, 359
Hartford Fire Insurance Company 62
Hartford Steam Boiler Inspection and Insurance Company 62
Helvetia Feuerversicherung 19, 32, 42, 63, 71 f., 84
Hermes Kreditversicherungsbank 102, 117, 126, 129, 140, 142, 298
Herstatt – see I. D. Herstatt KGaA
- IBM 311
I. D. Herstatt KGaA 358
I. G. Farbenindustrie AG (I.G. Farben) 126
Iduna Versicherung 141
Ilseder Hütte 182
Imperial 291
International Insurance Co. 60
Isar Lebensversicherungs-AG 201 f.
Istituto Italiano di Riassicurazione Generali 105
- J. & W. Seligman & Co. 60, 68, 72
J. Dreyfus & Co. 296
J. P. Morgan 283
- Karlsruher Lebensversicherungsbank AG 127, 275, 278, 343, 356
Karstadt 272
Klett & Co. [financial holding company] 24, 28, 32
Klett & Comp. [machine works] 28 f.
Knickerbocker Trust Company 74
Kölnische Rückversicherungs-Gesellschaft 18–23, 28, 30, 32 f., 35, 37, 39 f., 43, 61 f., 72, 76, 122, 141–143, 267
Kölnische Unfall-Versicherungs-AG 46 f., 92, 141
Kompass Kreditversicherungsbank 102
Krupp – see Fried. Krupp
- L’Innovation [department store] 330
La Cité 133, 207 f., 231
La Pace 132, 204, 213
Ladenburg, Thalmann & Co. Inc. 60
Lebensversicherungs-Gesellschaft Phönix (Lebens-Phönix) 90 f., 107–110, 196–205, 212, 214, 217, 219, 222 f., 366
Legal & General 280
Leipziger Rückversicherung 43
Les Réassurances 132 f., 207–209, 229–231, 238, 241
Lloyd’s 8, 17, 69, 71, 75, 77, 179, 233, 285, 320, 322, 326, 368
Liverpool & London & Globe Insurance Company 59, 70
London & Liverpool War Risk Insurance Association 98
London and Lancastershire Fire Insurance Company
Lorenz Hutschenreuther AG 301
LTU International Airways 318
Lufthansa 275, 318–320
- Magdeburger Allgemeine Versicherungs-AG 46, 340
Magdeburger Rückversicherung 43
Mannesmannröhren-Werke AG 182, 329
Mannheimer Rückversicherung 43
Mannheimer Versicherungsgesellschaft 64, 122
Maschinenbau-Actien-Gesellschaft Nürnberg (MAN) 28
Menorah 291
Mercantile General Insurance Company/Mercantile & General 106, 320, 338
Merck, Finck & Co. (until 1879: Merck, Christian & Co.) 24, 27–30, 32, 36, 47–49, 52, 115, 199, 295 f., 364
Merwede – see N. V. Algemeene Verzekering Maatschappij Merwede
Michalke [spinning mill] 327
Moscow Fire Insurance Company 55
Mund, Fester, Heiseler und Wiese (brokerage) 57
Mundial 206
Munich American Reassurance Company (MARC) 283 f.
Munich Management Corporation (MMC) 280

- Munich Reinsurance Company of South Africa (MR SA) 332 f.
- Munich Re-Insurance Company, United States Department 60
- Munich Reinsurance Corporation of New York 283 f.
- Mutzenbecher Group 122, 195 f.
- Nadeschda 41, 56
- National Allgemeine Versicherungs-AG 141
- Nationale Versicherungsanstalt AG 207, 217
- Nederlandsche Assurantie Algemeene Verzekerings-Maatschappij Providentia 206 f., 232, 238, 322
- Neptun-Versicherung 86 f.
- Neue Frankfurter Allgemeine Versicherungs-AG (Neue Frankfurter) 127 f.
- New India Assurance Company 286
- New York Life Insurance Co. 60, 136
- Nippon Fire & Marine Insurance Co. Ltd. 63, 96, 101, 107
- Nord-Deutsche und Hamburg-Bremer Versicherung (NDHB) 357
- Norddeutscher Lloyd 62, 254
- Nordstern-Versicherung 140, 143, 195
- Northeastern Insurance Co. 107
- Northern Insurance 285
- NRG 338
- N. V. Algemeene Verzekering Maatschappij Merwede 207, 259
- Nye Danske 280
- O'Trabalho 286
- Öffentliche Lebensversicherungsanstalt Baden 231
- Österreichische Bodenkreditanstalt 54
- Österreichische Creditanstalt 54, 199
- Österreichische Creditanstalt – Wiener Bankverein 203, 211
- Österreichische Hagelversicherung 26
- Österreichische Versicherungs-AG (ÖVAG) 201–203, 212–215
- Österreichischer Phönix – see Allgemeine Versicherungs-Gesellschaft Phönix (Elementar-Phönix)
- Österreichisches Kreditinstitut 201
- Patria [Poland] 221–226, 228
- Patria Versicherung AG 326
- Philipp Nicolaus Schmidt 30
- Phoenix AG [tire manufacturer] 301
- Phönix Group 102, 108, 199
- Phoenix London 59
- Phoenix-Versicherung 326
- Pilot Life Reinsurance Company 133
- Pilot Reinsurance Company of New York 59, 133, 204, 207 f., 213, 215, 232 f., 238, 259, 264
- Plus Ultra 132 f., 219, 243 f., 259 f., 268
- Polonia 223
- Pomoschtsch 46, 48, 56
- Port (Port Towarzystwo Ubezpieczeń Spółka Akcyjna) 109, 221–223
- Preußische Lebens-Versicherungs-AG 127
- Providentia [Netherlands] – see Nederlandsche Assurantie Algemeene Verzekerings-Maatschappij Providentia
- Providentia Allgemeine Versicherungsanstalt 54, 90, 92, 108 f., 132, 222
- Provinzial Feuer- und Lebensversicherungsanstalten 232
- Prudentia 91, 106, 213 f.
- Przyszłość Lebensversicherungsgesellschaft 109
- Reaseguradora de las Americas (Reamericas) 288–291
- Reichsbahn – see Deutsche Reichsbahn
- Reichsbank – see Deutsche Reichsbank
- Reinsurance Company Ltd. 20
- Republikanská 217
- Rhein & Mosel Versicherung 71 f., 77, 86
- Rheinische Gruppe 124, 142 f.
- Rheinische Rückversicherungsgruppe 122
- Rheinisch-Westfälische Rückversicherungs AG 36, 43
- Riunione Adriatica di Sicurtà 92, 107 f., 202, 219, 233, 368
- Rossia Insurance Company/Rossia of America 106 f., 134

- Rossija 56, 106, 134
 Rothschild Frères 19
 Royal Exchange Assurance 59
 Rural 107
 Russian Reinsurance Company 56
 Russian Lloyd 56
 RWE 182
- Sal. Oppenheim jr. & Cie. 20, 141
 Salamandra 134
 Sandoz AG 321
 Schering AG 321
 Schlesische Feuerversicherungs-Gesellschaft 51
 Schweizerische Bankgesellschaft (SBG) 122, 207, 230
 Schweizerische Kreditanstalt (Credit Suisse) 20
 Schweizerische Lebens- und Rentenversicherungsanstalt 195
 Schweizerische Nationalbank 243, 354
 Schweizerische National-Versicherungsgesellschaft [Schweizer National before 1898: Schweizerischer Lloyd] 90, 92, 97, 106, 121 f., 129, 220, 239, 242
 Schweizerische Rückversicherungs-Gesellschaft AG (Schweizer Rück, Swiss Re since 1999 and referred to throughout in this volume) 11, 19–22, 28, 32, 35, 37, 39, 43, 55, 61 f., 64, 76, 102, 106, 113, 124, 127 f., 134, 140, 147, 191–195, 201 f., 224, 226, 233, 236 f., 242, 266, 275, 310, 314, 318–320, 326, 333–341, 352, 362, 367
 SCOR 338
 Securitas Feuer-Versicherungs-AG 117
 Siemens & Halske AG 298
 Skandia 42, 338
 Slavia Mutual Insurance Bank 168, 205 f., 216–219
 Slovanska (Slavische Versicherungs-Anstalt AG, originally Slavische Lebens-Versicherungs-Anstalt AG) 109 f., 204–206, 216, 218
 S. M. von Rothschild [Vienna] 296
 Sociedad Nacional de Seguros Albingia 286
- South Sea Company 17
 Stahlwerke Südwestfalen AG 298
 Star Versicherung (Pojišť'ovna Star) 204, 217, 219
 Steaua Romaniei 204, 219
 Stuttgart-Berliner Versicherungs-AG 105
 Stuttgarter Mit- und Rückversicherung 92
 Stuttgarter Verein Versicherungs-AG 126, 176
 Süddeutsche Bodencreditbank 27–30
 Süddeutsche Feuerversicherungs-Bank 73
 Südzucker AG 164
 Svea Försäkrings AG 42, 270, 275 f.
 Svenska Veritas 207, 225, 242, 259
- Thesaurus Continentale Effekten-Gesellschaft 239
 Thomas Cook 135
 Thuringia Versicherungs-AG (originally Eisenbahn- und Allgemeine Rück-Versicherungsgesellschaft Thuringia) 24–26, 29 f., 30, 32–35, 38, 40 f., 44 f., 47 f., 54, 82, 88, 96, 122, 141
 Thyssen AG 345
 Transatlantische Feuer-Versicherungs AG 41 f., 71, 327
 Transatlantische Rückversicherung 43
 Travelers Insurance Company 62
- Uhde GmbH 293
 Ungarische Landes-Versicherungs-Anstalt 108
 Union Reinsurance Co. 280
 Union Rückversicherungs-Gesellschaft 122 f., 133, 179, 206–208, 225, 229–233, 236–243, 248, 259 f., 262 f., 267, 274, 279 f., 286, 293, 312, 363
 Unione Italiana 338
 Universee 280
 Urania 91
 Urbana Liegenschaften GmbH 174
- Vaterländische Feuer-Versicherungs-AG 18, 41, 140
 VEB Chemische Werke Buna 293

- VEB Deutsche Seereederei 292
- Vereinigte Berlinische und Preußische
Lebens-Versicherungs AG 127
- Vereinigte Stahlwerke AG 126
- Vereinigte Versicherungsgruppe 340
- Vereinigung für ausländisches Feuerver-
sicherungs-Geschäft 100
- Vereinigte Assurantjebedrijven Neder-
land N. V. (VAN) 232, 236
- Versicherungsanstalt Ukraine 229
- Versicherungs-Gesellschaft Hamburg
122
- Versicherungs-Gesellschaft Öster-
reichischer Phönix – see Allgemeine
Versicherungs-Gesellschaft Phönix
(Elementar-Phönix)
- Victoria Feuer-Versicherungs-AG 281
- Victoria Lebens-Versicherungs-AG (be-
fore 1956: Victoria zu Berlin Allge-
meine Versicherungs-AG/Victoria
am Rhein Allgemeine Versicherungs-
Actien-Gesellschaft) 118, 143, 219,
224, 250 f., 276, 305, 310 f., 328, 346
- Victoria Rückversicherungs-AG 349
- Victory Insurance Company 208, 264,
280
- Volksfürsorge Lebensversicherungs-AG
154, 157 f., 188, 212 f., 217, 273
- Volkswagenwerk GmbH/AG (VW) 324
- Warburg & Co. 269
- Warsaw Insurance Company 221–229
- Wiener Allianz Versicherungs-AG 213 f.,
268 f.
- Wiener Städtische Versicherung 201, 203,
212, 214
- Wolga Insurance Company 56
- Zemska-Banka 204
- Zentralbank Deutscher Sparkassen Prag
204
- Zentraleuropäische Versicherung 231
- Zürich Versicherungs-Gesellschaft (1875–
1894: Transport- und Unfall-Versi-
cherungs-Actiengesellschaft Zürich)
49, 358

About the Book

«Reinsurance has to be international in accordance with its nature.» This is the well-known viewpoint of Carl von Thieme, one of the founders of Munich Re, who also served as its general director for many years. Thus, it was not a coincidence that the company rose to become the world market leader rather quickly after its founding in 1880. In the following period, Munich Re stayed on top or was occasionally second to Swiss Re. Nonetheless, the broader public does not know much about the company. Johannes Bähr and Christopher Kopper now present the first history of the reinsurer from its beginnings into the 1980s.

Few companies have risen to become world market leaders as quickly as Munich Re, and only the fewest have succeeded in remaining at the top of the world market for as long. The company's history reveals how insurers reacted to major catastrophes and technological shifts. Without sharing risks with reinsurers, countless direct insurers would not have survived the economic consequences of major natural catastrophes and would have been forced into bankruptcy by the weight of their payment obligations. Consequently, reinsurers even made coverage for some risks possible in the first place. Yet Munich Re itself also repeatedly contributed to the introduction of new segments of insurance, such as in the case of machine insurance or high-risk life insurance. Thus, the history of this pioneer of globalization is, at the same time, a history of dealing with risks and managing the distribution of risk. Last but not least, it is also the history of a German company that profited from the National Socialist dictatorship and, with great effort, had to find its way back into the world market after the two world wars.

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