
CORPORATE STRATEGY

New York State Insurance Exchange touted as new "hot money" center

The New York State Insurance Exchange which went into effect on May 1, together with its connected Free Zone, is being mounted as the major institution of London banking directed reorganization of the \$800 billion Eurodollar market out from the European Monetary System (EMS).

According to top sources, the purpose of the Exchange is "to bring in new money," "to give the non-insurance people a crack at the insurance game." And David Winton, director and trustee of Johnson & Higgins insurance brokers describes it as "really big by 1985 and by 1990 the largest insurance power in the world." Since insurance is already the world's largest financial operation this would mean that the Exchange would be the largest single global financial power in the world. Donald Kramer, president of Kramer Capital Consultants, Inc., a founding member of the Exchange, member of Lloyd's, and a general partner in Oppenheimer and Sons, is said to have convinced President Carter to approve the exchange because, Kramer told Carter, the Exchange would take in enough capital by 1990 to offset the entire U.S. balance of payments deficit.

As the Exchange is being prepared to accept flight capital out of Europe and Japan, corporate leaders aware of possible Euromarket controls are also planning to repatriate funds. Beyond this, a rumor is circulating that certain companies in Western Europe are threatened by government expropriation, and

West German Economics Minister Graff Otto von Lambsdorff is pushing legislation to force commercial banks to divest large portions of their assets in industrial corporations, which would be absorbed by insurance companies, freeing bank assets for new ventures like the Exchange.

The following interviews further indicate that the Exchange will be run by groups closely associated with the "families" identified in Goldman, Steinberg, and Kalimtgis's recent book *Dope, Inc.* as the bankers and operators of the international drug trade. The insistence by one person interviewed that there be absolutely no regulation of the Exchange by U.S. agencies is significant in this respect.

I. With a financial analyst in New York

EIR: *The Insurance Exchange is now in operation. What in your opinion is its potential?*

A: There is very tight competition in the reinsurance business with capital growing faster than premiums. This holds true of the captives as well, and I think there is a great desire to place money in the exchange.

EIR: *Will events like Three Mile Island affect the Exchange?*

A: You know that catastrophe hurts corporations much more than insurance companies; in fact after a good hurricane insurance booms and the payouts aren't really that much. But I think the money will come especial-

ly from Europe. There is a great fear of expropriation in Europe just now, a tremendous desire to get capital out of Europe. Even Lloyds has a great overcapacity just now.

EIR: *Who specifically will come in?*

A: Well I've heard the German banks are interested. You know, anyone can buy a seat on the exchange, since what we're looking for is new money, not just shifting insurance money. We were thinking of putting \$30 million in and we're now telling a group of our customers with assets of a billion to keep a window on the Exchange.

EIR: *There's talk of credit controls in the U.S. Will this affect the Exchange?*

A: Not at all. You remember that in World War II, insurance companies were exempt from controls, so I wouldn't worry about that. They are supernatural ... supernatural, rather, companies. But if you dig deep into the bowels of this thing, you'll find that AIG (American International Group) and INA (Insurance Company of North America) are running the Exchange.

II. With a lawyer connected to the Exchange

EIR: *...If the Capital Control Act of 1969 were activated, do you think that would affect the Exchange?*

A: ... Listen, I'll tell you one thing: if government agencies try to get control of this, it will be ruined. ... If the IRS doesn't give prompt favorable rulings, this would be terrible. Where did you get word of this Capital Control Act from?

EIR: *Last week's Executive Intelligence Review covered the story.*

—Leif Johnson