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The Allianz Concern and Its Leaders, 1918–1933

ONE of the most extraordinary aspects of modern Germany is that so many of its greatest enterprises have managed to survive the misadventures of its political history. Of the five political systems that have held sway on German soil since 1870, four have suffered an ignominious demise, and a goodly number of the street names that were identified with those regimes have disappeared with them. Not so with a host of German companies and corporations founded in the nineteenth century. Siemens, Krupp, Thyssen, Bosch, Degussa, Deutsche Bank, Dresdner Bank, and the MAN are still with us; though changing modes of production and globalization are creating fusions of and transformations in these companies that may more profoundly affect their futures than two world wars, they still have kept their identification as German companies with a continuous tradition for a remarkably long period of time. This also holds true for many of the leading enterprises in the German insurance field, one of the most neglected areas of German business history despite its lengthy development over time and extraordinary importance to the German economy. It holds true also for the largest among the leading insurance companies and the subject of this book, the Allianz.¹

As indicated in the Preface, this study cannot and is not intended to remedy the absence of full historical accounts that might do justice to Allianz and the important branch of the German economy in which it is embedded, although one may hope that other historians will be encouraged to address happier periods in the growth and development of Allianz and the German insurance business. Here the concentration must be on those elements in the history of Allianz – and those problems in the private German insurance industry – that are relevant for understanding the policies and practices of their leaders between 1933 and 1945 and their efforts to cope with the legacy of National Socialism after 1945. The most important of these elements were shaped and formed during the years following Germany's defeat in 1918, and it is necessary to begin this study with a

¹ Allianz's name has changed often over the years. Founded in 1890 as the Allianz Versicherungs-Aktien-Gesellschaft (Allianz Insurance Corporation), it was renamed the Allianz und Stuttgarter Verein Versicherungs-Aktien-Gesellschaft (Allianz and Stuttgart Association Insurance Corporation) in 1927; in 1940 it returned to the old name Allianz Versicherungs-Aktiengesellschaft. In this study, the short designation "Allianz" will be employed.

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brief survey of the key relevant developments in Allianz's history that make intelligible its mode of adaptation to the Third Reich and subsequent recovery.

BUILDING THE CONCERN

The Allianz Insurance Corporation was founded in 1890 in Berlin as a joint stock company with a capital of 4 million marks. It was initially licensed to provide transportation and accident insurance, as well as reinsurance in the fields of life, accident, fire, and transportation. In reality, it was a daughter company of the Munich Reinsurance Co. (Munich Re, founded in 1880), whose driving personalities – General Director Carl Thieme (1844–1924) and banker Wilhelm Finck (1848–1924), the chairman of the supervisory board – decided to enter the direct insurance business in Berlin in order to gain speedy approval of a concession from the Prussian government and access to the North German and national markets. Another Munich Re director, Paul von der Nahmer (1858–1921), joined the board of directors of Allianz in 1894, thus intensifying the union between the two companies and providing Allianz with excellent banking connections and the benefits of von der Nahmer's international experience. He became sole chairman of the board of directors in 1904. The choice of the Reich eagle as Allianz's logo, with the Munich Kindl and the Berlin Bear in the left and right bottom corners, pointed to the original and new location of the enterprise, although the specificity of these particularist elements was eliminated in 1923 when the logo was transformed to reflect at once the unity and the multiplicity of an expanded company. The new logo showed a single mother eagle encompassing three smaller eagles, and while the contours of the logo were to become "softer" and more appealing by the mid-1970s, the basic symbolism was retained after 1923.²

Initially concentrating on accident and transport insurance, particularly of valuables and gold, Allianz rapidly expanded its fields of endeavor. It pioneered machine insurance, took up break-in and theft insurance, and entered the liability insurance field. By the end of the 1890s, Allianz was also engaged in a considerable amount of foreign business – primarily in France, but also in Switzerland and Belgium, whose large banks took their insurance from Allianz. At the same time, Allianz participated in a variety of risk-sharing agreements

² For the logo as well as other important information on the history of the concern, see Peter Borscheid, *100 Jahre Allianz* (Munich, 1990), esp. pp. 96, 410. Much can also be learned from the extremely informative unpublished study by Director Rudolf Hensel, written in 1930, "40 Jahre Allianz. Ein Stück deutscher Versicherungsgeschichte," FHA, AZ 1.3/1. See also Wilhelm Kisch, *Fünfzig Jahre Allianz. Ein Beitrag zur Geschichte der Deutschen Privatversicherung* (Munich, 1940) and Ludwig Arps, *Wechselvolle Zeiten. 75 Jahre Allianz Versicherung 1890–1965* (Munich, 1965). The best general study of the German insurance business is Ludwig Arps, *Auf sicheren Pfeilern*; see also Arps, *Durch unruhige Zeiten*. The background details presented here are based on these works. See also the brief and not very satisfactory treatment in Wandel, *Banken und Versicherungen*, Ch. 4.

with other direct insurers and also further developed its reinsurance activities. This was accompanied by the onset of what was to be a long history of expansion through the acquisition of other companies which either could no longer afford to stay in operation or found it advantageous to come under Allianz's wings. In 1905, for example, it took over Fides Insurance Company, which had pioneered break-in insurance. In the same year, the Allianz entered the fire insurance field just in time to sustain 300,000 marks in losses in the San Francisco earthquake of 1906, which was a small amount compared to the losses of 46 million marks suffered by German insurers as a whole and of more than 14 million marks lost by Munich Re. The San Francisco earthquake was an important test of the strength of the German insurance business, and it was one from which Munich Re (which was especially hard hit) and Allianz emerged very successfully and learned important lessons about premium levels and risk sharing. By 1914, Allianz was collecting 50 million marks in premiums, 30 million of it from transport insurance, and ranked first among Germany's direct insurers in property insurance. It accounted for 2.3% of the German insurance industry's 2 billion marks in premiums in 1913 and collected 2% of the industry's 500 million marks in premiums from foreign business. The First World War disrupted these promising prospects, causing a significant reduction in both domestic and foreign business. On the one hand, the company's international business suffered a severe setback, for obvious reasons. On the other, military call-ups and other wartime problems limited advertising and insurance sales activities. As the war went on and morale and physical plant deteriorated, claims increased despite rising premiums, especially for burglary and theft and also in the relatively lucrative transportation insurance field. Inflation at once increased personnel and other costs and reduced returns on long-term policies. Allianz did, however, enter some important new fields during the war, one of which was flight insurance. The most significant field was automobile insurance, when Allianz joined with Munich Re and Imperial Automobile Club to found Kraft Insurance Corporation in April 1918. However, one could have mixed feelings at best about the newest form of insurance introduced after the Revolution of 1918: civil commotion insurance. It did, to be sure, yield 35 million marks in premiums in 1920, but it also involved claims in the millions for burned-down breweries and plundered warehouses. Nevertheless, the rising star at Allianz, Director Kurt Schmitt (1886-1950), had entered into the new branch with considerable enthusiasm and optimism, albeit with an insistence on high premiums and an unwillingness to remain in the cartel of civil commotion insurance providers when he came to the conclusion that their premiums were too low.³

Calculated expansionism and genuine business creativity and energy were to be the hallmarks of Schmitt's leadership of Allianz after he assumed the general directorship upon von der Nahmer's death in April 1921, a position he retained

³ See his correspondence with Kisskalt in 1919-1920 and the Aktennote of Nov. 10, 1920, MR, G 1/17.

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until his resignation to become Reich Economics Minister in June 1933.⁴ These qualities were to continue to characterize his subsequent leadership of Munich Re so long as one could find some room for their expression between 1935 and 1945. Schmitt, whose father was a family doctor and whose mother came of prosperous peasant stock, grew up in the Rhenish Palatinate before his family moved to Munich when he was 16. Despite a somewhat indifferent education in the rural schools of the Palatinate, he managed to make it through the Maxgymnasium in Munich and went on in 1905 to study law at the University of Munich. His chief enthusiasm at the beginning of his study seems to have been his activities in the Corps Franconia, to which his father had belonged, and the repair of damage done to his nose in the course of duelling – which he pursued as a sport rather than as a quest for “satisfaction” – was so successful that it was said to have improved his already quite handsome looks. He remained an enthusiastic corps brother throughout his life, although he was to become highly critical of duelling. Gradually, he also became a more serious student, a cause undoubtedly promoted by a year of military service and his marriage to a friend of his sister, Marguerite Wengler, in 1909. In that year he finished his doctorate, writing a dissertation on a subject dealing with commercial law, an interest that reflected his decision to pursue a business career. Government service was a good stepping stone to the higher reaches of the business world, however, and so he went to work in the Bavarian Interior Ministry under Staatsrat Gustav von Kahr, who was later to achieve considerable political notoriety as the reactionary State Commissar of Bavaria in the early 1920s and as one whose policies made it possible for extreme right-wing groups, among them the National Socialists, to find Bavaria so hospitable.

Schmitt successfully completed his civil service examination in 1912, did some work for a law firm, and sought a position in a bank or the Foreign Office in Berlin. A man of modest means, however, he could not afford the low pay and high costs that he found in Berlin and thus returned to Munich, where a friend recommended him to General Director Carl von Thieme of Munich Re. After a successful interview with Thieme’s right-hand man and later successor, Wilhelm Kisskalt, who was impressed by Schmitt’s creative energy, Schmitt was hired in June 1913 for 200 marks a month and given the task of working out the conditions for machine insurance. This was an underdeveloped field and also, for Schmitt at least, a very boring one. He was soon rescued when Kisskalt recommended him to Gustav Knotz, director of the Munich branch of Allianz between 1919 and 1932. The latter needed a jurist, and Schmitt seized upon the opportunity, thus “entering into the service of a corporation in which I was to work and enjoy the most beautiful years of my life.”⁵

⁴ There is a good sketch of Schmitt in Arps, *Wechselvolle Zeiten*, pp. 73–7, and in Ludwig Arps, “Kurt Schmitt und Hans Heß” in Ludwig Arps, *Deutsche Versicherungsunternehmer* (Karlsruhe, 1968), pp. 165–79. He also left behind an important collection of personal papers; see FHA, NL 1.

⁵ This is based on Schmitt’s own account in a small memoir he wrote about his career prior to 1914, kindly placed at my disposal by Hermann Niemöller and to be found in FHA, NL 1/163, quotation p. 17.

Schmitt immediately demonstrated the managerial vision and style that was to bring him such rapid success. Assigned to the liability insurance section, Schmitt had little difficulty performing the immense amount of paperwork connected with the incoming claims yet – in seeming contrast to the 25 other men working in the office – became thoroughly dissatisfied with the bureaucratic and clumsy manner in which claims were handled and the extent to which they ended up in court. In Schmitt's view, another way had to be found based on a broader perspective: "I confronted the economic, commercial, and social tasks with respect to the company, the insured, and those who had suffered damages, in short, the economic significance and interconnections involved."⁶ On his own initiative, Schmitt decided that personal intervention and the arrangement of acceptable settlements – on the basis of a careful study of the materials – between the insured and those making claims against them would save time and resources and produce better results. While this irritated his section head no end, the success of Schmitt's methods could not be denied, and he was appointed head of the section on August 1, 1913. Schmitt's willingness to take the initiative, cut through red tape and legalisms, and settle claims through direct and unbureaucratic intervention served him well and was typical of his approach to problems. He was now in a position to implement his method by establishing a staff of regulators to engage in the settlement of liability cases. This brought him into contact with the insurance agents themselves and the company organization, and he soon began to give lectures on the importance of liability insurance as well as on the regulation of cases. The reduction of court cases received grateful recognition in Berlin and led to the prospect of Schmitt's appointment as Knote's deputy and to his engagement in the settlement of large claims in Norway.

These promising developments were interrupted by the First World War. A reserve officer, Schmitt was called up immediately but had the good luck to suffer a minor wound that was repeatedly infected so that he could not be sent back. As a result, Allianz, which was laboring under severe personnel shortages, was able to reclaim him from the front, first to Munich and then to Berlin, where the death of the head of the accident division led to his appointment as the director in charge and thus to the board of directors. He soon became the right-hand man of von der Nahmer, who was suffering from an incurable cancer, and his appointment as general director in 1921 was no surprise, despite his young age of 34, and was warmly supported by Kisskalt before the board of supervisors.⁷

Schmitt's achievements as general director of Allianz, as well as his subsequent engagement in the insurance business, owed much to two men whom he brought into the company at this time, with whom he collaborated intimately, and who were fated to attain the height of their careers in the Third Reich: Hans Heß

⁶ *Ibid.*, pp. 17f.

⁷ See Wilhelm Kisskalt's unpublished "Erinnerungen an die Münchener Rück" (Garmisch, 1953), pp. 14–15, FHA.



Dr. Kurt Schmitt (1886-1950), general director of Allianz 1921-1933, about 1925.

(1881-1957) and Eduard Hilgard (1884-1982).⁸ Heß was the son of an insurance inspector in Leipzig, where he attended both Gymnasium and university and received his law degree in 1909. He followed in the footsteps of his father, first working for the Accident Association in Magdeburg and then going to work for the Swiss Winterthur firm, first as their general agent in Thuringia and Saxony and then as district director for the same area. He seems to have received his job with Winterthur as the consequence of a dispute with the company involving the accidental death of his father, and it was not the last time that people were to be impressed with his stubborn and forthright personality. Schmitt became aware of his talents and brought him into Allianz as a deputy director in

⁸ On Heß, see Arps, *Wechselvolle Zeiten*, pp. 107-10, as well as Heß's small collection of papers, FHA, NL 3. There is no really satisfactory discussion of Hilgard in the secondary literature, but his personal papers and memoirs are quite valuable; see FHA, NL 2.

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1918. Heß was above all an organization man, and he was largely responsible for building up the branch organization of Allianz and unifying the company by (among other things) holding regular meetings of its representatives. The first of these was held in 1919, the same year in which Heß founded the company newspaper: *Allianz-Zeitung*. Heß was an “insurance man” through and through, and he played a decisive role in defining the company culture by cultivating identification with the company and a sense of “family.” An avid sportsman, he was largely responsible for the promotion of sports in the company, the building of an Allianz stadium in Berlin-Mariendorf (which was graced by Karl Moebius’s statue of the Spear Thrower and was the site of company “Olympics”), and the development of sports facilities at various branches of the concern. At the same time, he promoted a spirit of friendly but rigorous competition to increase “production” among the company representatives, with a model of the Spear Thrower awarded to the most successful branch of the company each year. “Papa Heß,” as he became known, was much respected in the company both for his talents and his integrity, and he was precisely the organizational talent needed to give structure and unity to the mass of acquisitions that took place under Schmitt’s restless guidance. Heß and Schmitt rapidly became close friends and worked well together in shaping the expanding concern.

In certain very important respects, however, Schmitt was to be even more dependent on Hilgard, who had known Schmitt since his youth as they grew up only a few kilometers from one another. They had only casual contact then but saw one another more regularly in Munich, where Hilgard did his training for state service at the time Schmitt was completing his studies. Hilgard intended to have a civil service career and, after serving in the war, went to work in the peace treaty section of the Reich Finance Ministry and participated in some of the more important immediate postwar diplomatic negotiations. Among them was the Spa Conference of July 1920, where the very diplomatic Hilgard strongly disapproved of the rude and tactless behavior of the German industrialist Hugo Stinnes. Hilgard seemed to have enjoyed everything about his government work but the pay, which was causing him and his wife increasing difficulties in those inflationary times. Thus, when unexpectedly called by Schmitt at the end of 1920 and asked if he were willing to make a change of career, Hilgard accepted the invitation to have an interview with Schmitt, Heß, and von der Nahmer; he subsequently accepted the position of deputy director and the attractive salary that came with it. As Hilgard was well aware, his decision involved something of a social comedown, not only because of the continued high status enjoyed by members of the ministerial bureaucracy but also because, as his in-laws made sure to remind him, the insurance field had a much lower status than banking at that time. Indeed, von der Nahmer appeared to have shared these attitudes. He tended mainly to the financial aspects of the company, continued to think of himself as a banker, and scarcely socialized with colleagues from the insurance business. Schmitt was well aware of the low esteem in which the insurance business was held, and it galled him. Hilgard later recalled the impression made on him by a conversation with Schmitt on this subject in which the latter found



Dr. Hans Heß (1881-1957), general director of Allianz 1933-1948, about 1940.

this attitude “all the more unjustified because he was utterly convinced by the high tasks of the insurance field and the ethic which it expressed. This idea became fixed in me at that time and never left me, thank God, during my entire career with the Allianz.”⁹ They both agreed that it was one of their tasks to change public attitudes toward the significance and value of the insurance business and that, toward this end, the insurance industry needed a much greater public presence. For his part, Hilgard was to stress the importance of becoming more active in Berlin society as a means of raising the status of the insurance

⁹ Eduard Hilgard, “Mein Leben in der Allianz” (unpublished ms., ca. 1970), FHA, NL 2/7, pp. 12-13.

business. This willingness to engage in social and public activity was to become one of the strong links between the two men; Heß, who seemed anxious to keep up with Schmitt, likewise demonstrated a willingness to participate in such activities. Not only did Hilgard (who valued external trappings) encourage Schmitt and Heß to wear tailor-made suits and thus cut better figures in public, he also led the way in becoming very active in the Club of Berlin, a gathering place for the city's leading businessmen.

Hilgard's preoccupation with such matters became possible only because of the very special position he assumed upon the death of von der Nahmer in March 1921. Initially, he had been assigned to the liability insurance department under Director Clemens Maiholzer, and he found it just as boring as Schmitt had found machine insurance. Schmitt's appointment as general director, however, put an end to Hilgard's growing nostalgia for the civil service, since Schmitt took him away from Maiholzer, lodged him in an office next to his own, and turned him into a kind of general secretary – with a host of interesting and variegated tasks of great importance for which he was eminently suited. On the one hand, Schmitt increasingly used Hilgard to represent himself in the employers' association and in the Reich Association for Private Insurance, so that Hilgard came to play a growing role in the various associations, an activity that promoted his public role but that did not contribute much to his becoming truly versed in the technicalities of the insurance business. On the other hand, Schmitt used Hilgard as a sounding board for his ideas, something he apparently needed despite his decisiveness. Hilgard was his right-hand man and negotiator in the stormy expansion of Allianz that took place under Schmitt's leadership. For Hilgard, of course, this was a rather extraordinary advancement within a matter of a few months, and the fact that Hilgard now accompanied Schmitt to supervisory board meetings (along with Heß) and had such a close relationship to the general director was probably rather difficult for the older directors to swallow. Heß was apparently not disturbed by Hilgard's position, but it is interesting to note that Schmitt's advancement of Hilgard puzzled the latter, whose reflections (more than forty years later) provide some interesting insights into the personalities and characters of these three key individuals in the history of Allianz:

I have often asked myself what was basically the reason for this way of acting on the part of Schmitt. I do not believe that in the short period between my entrance into Allianz and the first meeting of the supervisory board Schmitt could have formed a reliable impression of my abilities. I believe much more that Schmitt, with the good feeling that he often, albeit not always, had for people, very quickly intuited that he could make a true friend and collaborator out of me. Perhaps he already at that time had an unconscious feeling for the fact that his deputy, Dr. Heß, with whom he would be bound in a strong friendship for decades, was basically a stronger personality than he himself, and he may have therefore wished to have a man at his side upon whom he could depend and with whom he could also discuss especially confidential things at such times as he did not want to turn to his official deputy.¹⁰

¹⁰ Ibid., p. 21.

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Indeed, even before von der Nahmer's death, Schmitt had treated his succession to the General Directorship as a certainty and had revealed to Hilgard a series of bold projects, so that

it was already at that time completely obvious to Schmitt that he would not only bring Allianz to the leading position among German insurance companies, but that he – and this seemed to me in view of the hapless situation of Germany especially noteworthy – at that time already had the firm intention of capturing large portions of the world market for the Allianz.¹¹

Fundamental to the great period of expansion now to begin – and, indeed, to the history of Allianz throughout the period discussed in this book – is Allianz's intimate relationship with Munich Re. On April 15, 1921, Allianz and Munich Re concluded a joint contract aimed at restructuring and deepening the relationship between the two companies. It was signed only a few days before von der Nahmer's death and was the work of him and Thieme, who was to retire that year and be replaced by Kisskalt. Thus 1921 was an important year of contractual as well as personnel changes. The contract was to run through December 31, 1970, and it was subject to automatic renewal for another half century if neither of the parties objected. Munich Re's capital participation in Allianz was set at 25%. The general director of each of the companies was to have a seat on the supervisory board of the other, and at least three of the supervisory board members of each of the firms were to serve in common on the supervisory board of both companies. Munich Re agreed not to establish any daughter companies in insurance branches in which Allianz was active, and such daughter companies of Munich Re as already existed would be transferred to Allianz in order to promote the concentration of Allianz's activities. Allianz agreed to restrict itself to direct business and Munich Re to indirect business; Allianz agreed to give half of its reinsurance business and all of its excess-loss reinsurance business (i.e., coverage for liability and other forms of insurance for damages that exceeded normally anticipated risk or whose risk could not be easily calculated because of the newness of the insurance involved) to Munich Re. The obligation to cede business to Allianz was to extend to any new mergers or participations on the part of Allianz, while Munich Re agreed to pay for half of such cessions. Munich Re also agreed to participate in the amount of 50% in the foundation by Allianz of new companies, capital share participations, and security accounts.¹² What all this meant is that Allianz and Munich Re were to work ever more closely in the future, and that the latter was committed to supporting the former in its efforts to achieve economies of scope and scale through a policy of expansion, concern building, and organizational rationalization.

¹¹ Ibid., p. 11.

¹² This is based on the discussion in Martin Herzog, "Was Dokumente erzählen können – Zur Geschichte der Münchener Rück," VII Bde. (Munich, 1986–1992), unpublished ms., FHA, here Bd. IV, pp. 756–9.