



A Unique Path to Monopoly: The Case of the Hungarian Insurance Sector, 1945–1952

Gyula Horváth

Eötvös Loránd University, Corvinus University of Budapest

horvathgyula3@t-online.hu

This paper presents the nationalization and monopolization of the private insurance industry in Hungary after World War II. In all the socialist countries save one private insurance was prohibited. In the insurance sector, only one (or technically sometimes two) state-owned insurance companies handled the insurance business with an essentially monopolistic position after the process of nationalization had ended. This uniformity, however, masks the fact that these countries took differing paths towards this end. This was particularly true of the events in Hungary. This article suggests possible explanations for these differences.

Keywords: private insurance industry, nationalization, Central and Eastern Europe, post-World War II, monopoly

One of the greatest turning points in the history of the insurance industry in Hungary and Central and Eastern Europe occurred between 1945 and 1952. The nationalization and monopolization efforts that were characteristic of the region as a whole at the time unsurprisingly also affected this sector of the economy. Although there is a relatively extensive historiography of the period, including the process of nationalization, the insurance industry has been almost totally neglected by historians. The lack of primary sources has also been an encumbrance, since the archives of the relevant companies are incomplete due to damages sustained during the war.

By fortuitous accident, I happened to get access to documents collected by a former insurance executive of the State Insurer company (Állami Biztosító).¹ The man in question, Endre Boross, had served as a lawyer for the insurance industry from the 1930s until 1970s. At the peak of his career, he was Head of Legal Department for the company. These documents helped me better

1 The State Insurer (Állami Biztosító) was a state-owned insurance company in Hungary between 1949 and 1992. It had a monopolistic position during 1952–1985. I refer to this collection of documents as the “Boross bequest.” Electronic copies of these documents are available from me. I have also done the numbering of the documents. The collection contains different internal and external documents, insurance policies, drafts of articles, etc.

understand the process of nationalization, and I found that it was somewhat different from the process of nationalization in other industries in Hungary and also from the process of nationalization in this branch of industry in the other countries of the region, even if the final result, a monopolistic state insurance system, was the same. Regarding the nationalization of the insurance industry, there were at least four different methods in Central and Eastern Europe:

- The nationalization of the private companies, typically relatively soon after the end of the war, followed by the step-by-step merger of the companies into one (this was the path taken in almost all the countries of the region).
- Not formally nationalizing the private companies but rather “suffocating” them and, after they had been made insolvent, transferring their portfolios to companies that were close to the state and then establishing a state insurer from scratch and transferring the portfolios of the remaining companies to it (this was the path taken in Hungary).
- Banning all private insurance companies and establishing companies owned by local governments, which were later merged into one (this was the path taken in the German Democratic Republic).
- Banning the whole insurance industry (this was the path taken in Albania).

The section below on Central and Eastern Europe presents the processes by which the insurance industry was nationalized in the countries of the region other than Hungary. The Hungarian case is discussed in the section “The Insurance Industry: A New, Short Beginning.” In this discussion, I offer answers to the following question: was the path taken in Hungary with regards to the nationalization of the insurance industry unique in the region compared to other countries and to the path taken to nationalization in other sectors of the Hungarian economy?

Nationalization in Hungary after World War II

Given the deeply politicized nature of the issue, interpretations of postwar nationalization in Hungary differed meaningfully depending on the political climate of the given historical moment. From the perspective of the discussion below, the era can be divided into five periods.

The **first period** covers the years from the end of World War II to the “turnaround year” (1948). From the viewpoint of the history of privatization, it would make sense to put the end of this period at 1949 rather than 1948, but by

1949, there were no longer any opportunities or even possibilities for substantive debate or dissent in Hungary.

Due to the lack of historical perspective, naturally, only the economic press covered the subject in these years. Most of the articles were about what was happening abroad. As Czechoslovakia had already undergone major nationalization in 1945 under the so-called Košice Program (which included the nationalization of heavy industry, banks, insurance companies, and all companies employing more than 300 people), several articles dealt with the processes underway there.² Articles in the economic press regularly reported on nationalization campaigns abroad, mostly without giving the names of the authors of the articles and without providing any commentary. In an article published in January 1948, József Büky examined the nationalization of central banks and, in particular, the post-nationalization management systems.³ According to Büky, the nationalization of the central banks was a necessary consequence and part of the general postwar nationalization process.

The first comprehensive analysis of the postwar situation appeared in the first issue of *Közgazdasági Szemle* (Economic Review) in 1948, in the form of a book review.⁴ Vilmos Nemény analyzed the expected transformation of society and the economy from capitalism to socialism on the basis of Joseph Schumpeter's⁵ classic 1947 work *Capitalism, Socialism and Democracy*, perhaps the most interesting idea being that socialism would be established by "the state taking over the large corporate units." If this were to happen in a "mature" society, then the leadership of the emerging large bureaucratic machine would be taken over by managers and the transformation could be democratic and democracy could be maintained. Otherwise, Schumpeter claims, socialism will be dominated by struggle and society will not be democratic. Whatever the case, the last two sentences of Nemény's article are not optimistic, or rather, in retrospect, they were realistic: "After reading Schumpeter's book, it seems likely that the world he describes as coming is not the world he himself would like to live in. But sympathies or antipathies cannot change the inexorable logic of social events."⁶

2 Dobossy, "A csehszlovák tervgazdálkodás eredményei."

3 Büky, "A jegybankok államosítása."

4 Nemény, "Gondolatok."

5 Joseph Alois Schumpeter (1883–1950) was an Austrian-American economist and served as minister of finance in Austria in 1919. In 1932, he became a professor at Harvard University. He emphasized the role of innovation in economics and is associated with the twentieth-century formulation of "creative destruction," partly inspired by Marx and Werner Sombart.

6 Nemény, "Gondolatok," 128.

The **second period** lasted until 1956. This period was characterized by an endorsement of the decisions of the party leadership and a portrayal of the Communist Party as the only positive political actor. The first time nationalization was discussed, albeit briefly, was in 1952. The author was Mátyás Rákosi himself,⁷ whose sixtieth birthday was the occasion for the lecture “The road of our people’s democracy,” given at the Party School of the Hungarian Working People’s Party (Magyar Dolgozók Pártja), which was the ruling party in 1949–1956. According to Rákosi, gradual nationalization in four or five stages would be a prudent strategy with which to avoid prompting a concerted counterattack by the enemy.⁸ The articles published in the period basically presented two (not contradictory) rationalizations of nationalization, sometimes in the same article. According to the first, nationalization was part of the class struggle, albeit a relatively peaceful way of engaging in this struggle. As such, the steps in the process were linked to political developments.⁹ This concept was supported by some articles translated from Russian, which of course quoted extensively from the “brilliant” works by Comrade Stalin, notably *The Economic Problems of Socialism in the Soviet Union*, which was published in 1952. They described the people’s democracies as transitional societies where the remnants of capitalism were still present, but where nationalization had brought the “command posts of the economy” under the control of the proletarian state. The other view is mainly based on economic and planning arguments. According to this view, capitalist enterprises were wasteful and inefficient (there were occasional accusations of sabotage), and without nationalization, it would have been impossible to introduce planned management.

The **third period**, which was something of a prelude to the more dramatic decade of an increasingly intense push for regime change, ended sometime in the late 1970s. Iván T. Berend and György Ránki, the leading authors of these years, emphasized the use of so-called “dry” methods of capital expropriation by the state in the brief period between 1945 and 1947. These “dry” methods were based on the experience of the Soviet NEP (New Economic Policy – Novaya ekonomicheskaya politika). The government exerted strict control over private enterprises, which included for instance the loans that were given, wages, prices,

7 Mátyás Rákosi (1892–1971) was a prominent Hungarian communist politician in 1945–1948 and served as General Secretary of the Hungarian Communist Party. In 1948–1956, he was general and later first secretary of the Hungarian Working People’s Party.

8 Rákosi, “Népi demokráciánk útja.”

9 Karczag, “Tervgazdaság és ipar.”

and even quantities of raw materials available for use.¹⁰ The government was thus able to “suffocate” the target company and force the owners to offer the ownership to the state without formally nationalizing the company. Politicians and historians referred to this method as “dry” nationalization.¹¹ In some cases, it was combined with brutal pressure from the police and state security forces.

In articles published in the 1960s in the journals *Századok*¹² and *Acta Historica*,¹³ György Ránki argued that state capitalism had existed before nationalization, since the state already determined the control of companies through the credit, pricing, and the tax system, even if capitalist private property formally still existed. The inclusion of companies in the National Bank’s single account system also contributed to state control. The appointment of workers’ directors was no longer seen by Ránki as a clear success, as many of these directors lacked the necessary skills and knowledge. Interestingly, this latter idea appeared only in his article published in English.

In 1962, Iván T. Berend analyzed the aforementioned “dry” state capitalist mode of capital appropriation in his article. According to Berend, stabilization required the strictest measures of a controlled economy, with appropriate credit, monetary, and price policies, but all this in turn gave the opportunity to limit the power of capital through state capitalist means.¹⁴ In 1965, in a speech at the Karl Marx University of Economic Sciences (Budapest) given on the twentieth anniversary of the liberation of the country,¹⁵ and in 1967, in an article on economic policy between 1945 and 1965,¹⁶ he presented the state intervention after 1945 as having had historical antecedents (World War I, the Great Depression, preparations for war, and World War II). On the other hand, he claimed, this policy was a response not simply to economic collapse but also to Soviet and other war reparations claims. According to Berend, it was not only about the introduction and maintenance of a command economy, but also about the question of who benefited from these measures. In his view, they served both the long-term goals of socialism and attempted also to respond to the economic conditions of the time. All this, he wrote, “marks the transition from capitalism to socialism on the broad road of state capitalism.”

10 For details, see Berend, *Újjáépítés*.

11 Berend, “A stabilizáció megvédése.”

12 Ránki, “Küzdelem a tervezésért.”

13 Ránki, “The Socialist Reorganisation of the National Economy.”

14 Berend, “A stabilizáció megvédése.”

15 Berend, “A gazdaságpolitika két évtizedének történetéhez.”

16 Berend, “Contribution to the History of Hungarian Economic Policy.”

In essence, these interpretative frameworks remained valid in the 1970s. Some more critical approach also appeared. In his 1973 academic inaugural address,¹⁷ Berend himself analyzed the reorganizations that immediately followed the nationalizations, pointing out that the large state enterprises such as the Heavy Industry Centre were almost beyond central control. Even later, large companies and trusts were still created, at least until the introduction of the New Economic Mechanism in 1968.

In the **fourth period**, which began in 1980 and lasted until the fall of the socialist regime, the growing intellectual freedom of historians allowed for the emergence of more critical, sometimes non-Marxist views. Tibor Kovácsy's 1981 article¹⁸ deviated strikingly from the earlier interpretative frameworks. In his view, the changes that took place between 1946 and 1950 were not the results of organic social developments but were rather consequences of an anticipated mode of social functioning. Accordingly, he characterized the nationalizations as “drastic,” and disagreed with the earlier consensus that these nationalizations had led to the emergence of social or public property, since “nationalization places the right of disposal in the hands of a specific organisation, i.e. a closed group of people, whereas the concept of social property excludes such a monopoly on disposal.”¹⁹ Charles Gáti described the discussion between Imre Nagy and others in the Hungarian Communist Party leadership about the acceleration of nationalization following the Cominform's²⁰ decisions in Szklarska Poreba.²¹ In 1985, Sándor Balogh analyzed the events of 1944–1948 and offered an objective description of the process of nationalization.²² Perhaps his only evaluative remark was that the nationalization of March 25, 1948 had constituted a break with earlier practice, since it had been carried out not by law but by decree, i.e. by taking advantage of the power situation.

The **fifth period** covers the years from the regime change in 1989 to the present. During this period, there was a noticeable decline in interest in the subject, which is partly understandable, as the era was more about privatization than nationalization.

17 Berend, “Székfoglaló.”

18 Kovácsy, “Az utasításos gazdaságról.”

19 Ibid., 195.

20 Cominform: Information Bureau of the Communist and Workers' Parties, a body of Marxist-Leninist parties (1947–1956). They held their first meeting on September 22–23, 1947 in Poland.

21 Gáti, “Demokratikus átmenet,” 138.

22 Balogh, “Népi demokratikus örökségünk.”

A new approach has also emerged. Historians have begun to analyze the impact of nationalization on Hungarian foreign relations. In several works, including an article written in 1993, László Borhi examined the American response to the post-1945 Soviet takeover of a big part of the Hungarian economy.²³ Borhi described the debates between the American and Hungarian governments about the nationalization of American companies in Hungary. Zoltán Vas²⁴ had declared in 1948 that American companies would not be nationalized, but this proved not to be true. In 2009, János Honvári analyzed Hungarian-American negotiations on financial and property issues, where one of the most important questions was the compensation to be paid for nationalized US assets.²⁵ These issues were only settled in 1973 within the framework of a comprehensive agreement. The dispute over the nationalization of the Swedish-owned match monopoly had been settled much earlier, in 1951.²⁶ In 2017, historian Antal András Kováts studied the seizure of Swiss assets.²⁷ Éva Voszka's 2018 summary work on the history of nationalization and privatization also analyzed nationalization after 1945, but she focused on Western European and US experiences.²⁸ Unfortunately, the nationalization and monopolisation of the insurance industry was not even mentioned in these works. In Dezső Csabay's summary of general insurance theory, a single paragraph dealt with the subject without offering any evaluation.²⁹

The State and the Insurance Industry

The role of the state in the insurance industry has been a matter of debate for the past two centuries. From time to time, authors, politicians, and professionals have argued that the state should own insurance companies for a number of ethical, political, and practical reasons. Some of them have also suggested that the state insurance companies should have a monopolistic role in different segments of the market.

23 Borhi, "Az amerikai diplomácia."

24 Zoltán Vas (1903–1983) communist politician, general secretary of the General Council of Economic Affairs (1945–1949)

25 Honvári, "Pénzügyi és vagyoni jogi tárgyalások."

26 Pásztory, "A Krueger birodalom."

27 Kováts, "Svájciak a magyar történelem sodrában."

28 Voszka, *Az állami tulajdon pillanatai*, 75–93.

29 Csabay, *Általános biztosítástan*, 60–61.

We know of some historic examples when these suggestions were adopted (e.g. Brand-Assecuranz and Feuer-Sociätat mutuals in some entities within the Holy Roman Empire).³⁰ In the Holy Roman Empire, the first ideas arose as early as the beginning of the seventeenth century (Oldenburg, 1609). As the population of the German states considered the introduction of compulsory fire insurance merely another tax, the first attempts failed, including those of Elector Friedrich Wilhelm of Brandenburg (1640–1688). According to many citizens, the insurance even went against God's will, as it sought to offer a safeguard against an act of God.³¹ Despite this resistance, state insurance companies were established in Hamburg (1676) and later in other states as well, in some cases with mandatory membership.

In Hungary, local authorities pioneered the establishment of local monopolistic fire insurance companies in the eighteenth and nineteenth centuries.³²

In 1912, the Italian Government established the so-called Istituto Nazionale delle Assicurazioni, INA. The INA had a monopoly on the acquisition of life insurance policies, while the other companies continued to manage their existing portfolios. This system remained in place until 1923, when the Government abolished the monopoly. An interesting political fact is that the INA was created by the left-liberal Gilotti government and was abolished by the Fascists as an early action of the Mussolini cabinet.³³

After World War II, nationalization efforts intensified in many European countries. In 1946, 34 insurance companies were nationalized and a state-owned reinsurance company was created in France. However, no attempt was made to establish a state monopoly on (re)insurance.³⁴ These measures were proposed to the parliament by the three-party Gouin government of Socialists, Communists, and Christian Democrats.

As is perhaps not surprising given the size of the country, the largest nationalization program outside of Europe took place in India. The Life Insurance Corporation Act of 1956 nationalized all life insurance companies operating in the country and established a single monopolistic company.³⁵ This was in line with the mixed-economy policy of the Nehru cabinet. In 1972, all

30 Csury and Marosi, "A magyar biztosításügy története," 19.

31 It is interesting that this debate is still going on in some Christian denominations.

32 For the first case, see Weber, *Zipser Geschichts- und Zeitbilde*, 287.

33 Potito, "The Italian State Monopoly in Life Insurance."

34 Loi no 46-835 du 25 avril 1946 relative à la nationalisation de certaines sociétés d'assurances.

35 The Life Insurance Corporation Act, 1956. (India)

non-life companies became state-owned. More than 100 insurers ceased to exist, and the General Insurance Corporation of India was founded.³⁶

Central and Eastern Europe

In the Central and Eastern European region, in the so-called people's democracies, Soviet practice set the model for the insurance industry, like in many other sectors of economic and political life.

After the October Revolution, the local Soviets took control of the mutual associations in the *zemstvos*³⁷ and cities in Soviet Russia.³⁸ At the time, private insurance companies were still allowed to continue operating. On March 23, 1918, the Council of Insurance Affairs was set up with the task of overseeing “the overall management, coordination, and proper control”³⁹ of all insurance organizations. The council, which consisted of 40 members, included representatives of the state and trade unions as well as representatives of the joint-stock insurance companies. On September 17, 1918, the Council decided that dividends of joint stock companies were to be paid into the Treasury. On November 28, 1918, the state monopoly on insurance was declared and private insurance companies were liquidated. (Only insurance cooperatives which insured movables and goods on a mutual basis were allowed to survive.) Interestingly, insurance and fire services were placed under joint management, although these activities were separated in 1920. During the civil war and “war communism,” insurance became irrelevant. State-owned companies had to give up insurance, and private capitalist ownership either ceased or became illegal. This left only private individuals as a market, who in turn were hit by inflation and impoverishment. On November 18, 1919, life insurance was abolished, and the reserves were transferred to the State Treasury. In October 1921, the General Directorate of State Insurance was set up under the People's Commissariat of Finance. The 1936 Constitution of the the Union of Soviet Socialist Republics, USSR (the so-called Stalin Constitution) in Article 14 (o) placed insurance under federal jurisdiction. The further history of the Directorate and its successor, the insurance monopoly company Gosudarstvennoe

36 The General Insurance Business (Nationalization) Act, 1972. (India)

37 Local self-governance bodies in the late Czarist period.

38 I describe the development of the Russian monopoly according to Raykher, *Gosudarstvennoe strakhovanie*, 33–36.

39 *Ibid.*, 33.

Strakhovanie (Государственное Страхование, State Insurer), is beyond the scope of this article.

Since the establishment of the Ingosstrakh (Главное управление иностранного страхования СССР, Chief Directorate of International Insurance of the USSR) in 1947 there was a duopoly in the USSR, but each company had a monopoly in its respective market (Gosstrakh in the internal market and Ingosstrakh in the international direct and reinsurance business).

The process of the nationalization of the insurance sector differed in:

- the victorious countries (Czechoslovakia, Poland), which were brought under Soviet influence,
- Yugoslavia and Albania, which were also on the victorious side but which did not have the Soviet army on their territories,
- Hungary, Romania, and Bulgaria, which had lost the war but formally remained independent,
- East Germany, later the GDR, which was under Soviet occupation.

In Czechoslovakia, all private insurers were nationalized by Presidential Decree 103/1945 of October 24, 1945 (one of the so-called Beneš Decrees).⁴⁰ Expropriation was in principle carried out by means of compensation, but owners who were German or Hungarian by nationality as well as alleged collaborators and their companies were excluded from compensation (§ 19). The only company not nationalized was the First Czech Reinsurance Bank (První českou zajišťovací banka) (§ 17). In January 1947, the nationalized joint stock companies, mutuals, and branches were merged into five state-owned insurance companies. In 1948, the nationalized companies were merged into the Československa pojišťovna (Czechoslovak Insurer).⁴¹ In 1969, with the transformation of Czechoslovakia into a federal state, two entities were established, the Česká státní pojišťovna (Czech State Insurer) and the Slovenská štátna poisťovňa (Slovak State Insurer), each with a monopoly in its respective market.⁴²

Poland also nationalized its insurance industry in 1946. At the beginning of 1947, the government established the General Mutual Insurance Company (Powszechny Zakład Ubezpieczeń Wzajemnych, PZU) by decree.⁴³ This was a state-owned insurance company, and it became the basis of the monopolization

40 103. Dekret presidenta republiky ze dne 24. října 1945 o znárodnění soukromých pojišťoven.

41 “25 éve államosították a biztosítót.”

42 Zákon ze dne 19. prosince 1968, kterým se mění zákon č. 82/1966 Sb., o pojišťovnictví.

43 Dekret z dnia 3 stycznia 1947 r. o Powszechnym Zakładzie Ubezpieczeń Wzajemnych.

of the market. The process of monopolization was completed only in 1952, when the PZU became the only insurer in the country.

In Yugoslavia, all insurance companies were nationalized in March 1945, and their portfolios were merged into the National Insurance and Reinsurance Institute. It enjoyed a monopoly until 1961.⁴⁴

During the communist era, there was no insurance company in Albania. The first state-owned one was established in 1991 as a monopoly, and the state opened the market only in 1999.⁴⁵

Romania nationalized its insurers and the banks in June 1948. However, within a year, the portfolios of the insurance companies were transferred to the Sovrom Asigurare (Sovrom Insurer), a Soviet-Romanian joint venture.⁴⁶ The company ceased to exist in 1953, when the ADAC, a Romanian state insurer, was established.

In June 1948 all Bulgarian insurance enterprises were nationalized by an Act of the National Assembly.⁴⁷ The portfolios of the companies were merged into the National Insurance Institute (DZI), which had a monopoly in the insurance business.

In the GDR, the Soviet Military Authority banned all private insurance companies⁴⁸ and the state established separate insurance firms in five different *Ländern* (territorial units) and one for East Berlin. These firms were later merged into a single company in two steps. The process was completed in 1969 with the establishment of the *Staatliche Versicherungen der DDR* (State Insurer of the GDR).⁴⁹

As this brief summary shows, in all the so-called people's democracies except the GDR, the process of the creation of state-owned insurance monopolies was similar: the government nationalized the insurance industry and eventually merged the companies. The Hungarian case was somewhat different and, therefore, merits study.

44 History of Triglav. Chapter "Central Governance."

45 Bejtja, "Albanian Insurance Market," 161.

46 "Înființ area societ de "Sovromasigurare."

47 *Zakon za nacionalizacia na zastrakhovatelnite druzhestva.*

48 "25 Jahre Mauerfall."

49 "Staatliche Versicherung der DDR."

The Nationalization Process of Other Economic Sectors in Hungary

Nationalization in Hungary was the result of a relatively long process that lasted from 1946 to 1952. It started with the nationalization of the coal mines and ended with the nationalization of the tenement houses. The Communist Party, in many cases together with the left-wing social-democrats and the National Peasant Party, used a step-by-step process. In the first period, they forced the nationalization of the natural monopolies, such as the coal mines, and they asserted exclusive state control over the biggest heavy-industry companies. Until the end of 1947, they used the aforementioned “dry” methods, based (as explained earlier) on the experience of the Soviet NEP.

At the end of 1947 and the beginning of 1948, the government adopted a new strategy, the direct nationalization of almost all the companies in the banking sector and in the sectors of industry. This more direct process might not have been independent of overall political developments in Central and Eastern Europe. The communist parties started to accelerate the takeover process of power in every Central and Eastern European country. They established the Komintern, a common platform to coordinate their efforts. The Czechoslovak party made a coup-d'état in February 1948. In every country, the communist parties eliminated the social democratic parties in the name of the “unity of the working classes.” This process began in East-Germany in 1946 and continued in every country of the region in 1948.

The long transition period originally envisaged was replaced by almost immediate action, and as I show in the next chapter, this change had an effect on the insurance sector as well, although at a slower pace.

The Insurance Industry:

A New Beginning for a Short Period after World War II

In 1938, there were 43 insurance companies and local branches in the Hungarian insurance market. A further company from Sudetenland was established in 1942. During the war, three smaller insurers merged with larger companies so that by the end of the war there were 41 companies.

The war had an enormous impact on the insurance companies. In addition to the loss of employees, many companies had substantial investments in properties in the city of Budapest, which had suffered a 51-day-long siege (much longer than Vienna or Berlin, where the sieges lasted nine and sixteen days

respectively). Because of the intense street fights, 15 percent of the buildings were destroyed and 59 percent were damaged,⁵⁰ including the tenement houses of the companies. Some companies lost their archives as well.⁵¹

After the war, the eight local branches of UK companies (which as enemy properties had had to transfer their portfolios to Hungarian firms during the war) decided to discontinue operations in Hungary.

The remaining 33 insurers tried to restart operation after the war, but hyperinflation made it almost impossible. The real developments started after the introduction of a relatively stable currency, the forint, in the middle of 1946.

Based on the Potsdam declaration and the Hungarian Peace Treaty of Paris, all German assets in Hungary became the property of the Soviet Union as part of the war reparation claims against Germany. As a consequence, the Soviet Union became the owner of two insurance companies and nine branches of German, Austrian, and Sudeten-German origins operating in Hungary. The Soviets merged most of them into one company, the so-called Central-European Insurance Company (KEBIR). One specialized baggage insurer remained independent.

The state had dominant ownership in three groups of companies. In total, nine different legal entities belonged to these conglomerates. One of them was an agriculture-based mutual insurer (Gazdák Biztosító Egyesülete, the Farmers Insurance Association). The state owned the majority of its shares even before the war. The two others, including the biggest Hungarian insurer, were partly owned by banks. Due to the nationalization of the banks and the firms belonging to their spheres of interest in 1947, these companies were not nationalized directly, but the state gained a considerable stake in them. These companies were called “state-interested” insurers (*állami érdekeltségű biztosítók*). They started to cooperate vigorously in the market, including product harmonization and the establishment of a common commission system. The Ministry of Finance established the Central Insurance board (CIB), which worked as a common board for these companies. Despite their close ties to the state, they were not nationalized, which is one distinct feature of the Hungarian process of monopolization.

In 1948, the government decided to establish only one (or two, the second for reinsurance purposes) state insurers. It set up a so-called “committee of six members” to organize the process. The committee members represented the

50 Berend, *A szocialista gazdaság fejlődése*, 13.

51 Tamás, “Az Első Magyar Biztosító Társaság,” 192.

General Council for Economic Affairs (the apex body for economic governance), the Ministry of Finance, and the General Council of the Trade Unions.⁵² The committee also dealt with issues of other insurance companies. Based on the notes of the committee meetings (which are part of the document collection I mentioned at the beginning of this article), it is clear that their goal was to force all the companies not related to the state (apart from those owned by the Soviets and Italians) to cease operations and transfer their portfolios to one of the state-interested insurers. In the process, the government used the method of “dry” nationalization effectively.

It is worth presenting some typical cases. The Astra Insurer was Italian owned. Its main shareholder was the INA (Istituto Nazionale delle Assicurazioni), a state-owned insurer. In October 1946, INA sold its shares to the Helvetia Feuerversicherung AG, a Swiss firm.⁵³ This could be interpreted as the Swiss trusting that private insurance could be a good business in Hungary in the long term. The company had also used this Swiss connection in its marketing. According to an article written by the CEO Lajos Bokor:

The private insurance companies... ask only for ideological, moral, and legislative support from the government, because the private insurance institutions are not expected to play a capital-demanding role in the reconstruction but a capital-producing role, and they intend to play this role to the full.⁵⁴

The demands of Bokor and the private insurers were not heard, so after a year, the owners gave up, and in October 1948, a liquidation proposal was submitted to the General Assembly.⁵⁵ The parent company moved Bokor to the Belgian Congo, and the company’s portfolio was transferred to one of the state-interested insurers, the Farmers Insurance Association. The last information I have about Bokor is from an advertisement in the *Dél Keresztje* (The Southern Cross), a Hungarian-language newspaper published in Sydney, Australia in 1952. He offered his brokerage services as “former CEO of Astra.”⁵⁶ Another Swiss entity, the branch of the Baseler Versicherung gegen Feuerschaden (Basler), also merits discussion. As was the case with many other insurers, the government

52 Boross bequest, no. 227, March 12, 1948. Minutes of the inaugural meeting of 6-member committee.

53 “Svájci érdekeltség Magyarországon.”

54 “A magánbiztosítás és a hároméves terv.”

55 “Gazdasági hírek – Astra Biztosító RT.”

56 “Bokor Insurance Boker.”

appointed a caretaker to run the branch in 1945.⁵⁷ The caretaker was the previous representative in Hungary, so this was not a hostile move. Rather, it was justified by the communication difficulties at the time.⁵⁸ Later, the caretaker became a representative again.⁵⁹ The branch restarted operations, and in 1947, it was also authorized to enter the burglary insurance market.⁶⁰ While the available sources reveal little about the details, the branch asked for permission to transfer its portfolio to the Farmers Insurance Association two years later.⁶¹

By 1948–1949, all seven independent companies had ceased to exist and had transferred their portfolios to one of the state-interested companies. Finally, the state established the state-owned company (legally from scratch) called Állami Biztosító (State Insurer) on May 5, 1949 and transferred the portfolios of the state-interested insurers to it. At the time, there were still eight companies in the Hungarian market, five Italian and two Soviet, in addition to the State Insurance Company.

Before the war, an important part of the market had been dominated by Italian companies (Generali, Foncière and Riunione Adriatica). As a possible part of Italian war reparations for the Soviet Union,⁶² they came under Soviet supervision and could continue their operations until 1950–1951. The history of their liquidation will be the subject of further research.

The heritage of the Soviet companies, especially the portfolios and agent networks of the Anker Group (Vienna), the Victoria Insurers (Berlin), and the Duna-Concordia, was significant. Out of the two companies, the KEBIR was far more important, so I focus on its history. The company was owned by three Soviet entities: Soviet State Insurer (Gosstrakh), which owned 70 percent, the Foreign Trade Bank of the USSR, which owned 15 percent, and the Institute of Transport of the USSR, which also owned 15 percent. The sources do not explain the rationale for this structure.

The Soviets held the first assembly under their control on November 28, 1946. A new board of directors and a supervisory board were elected. There was only one Hungarian member on the board of directors: Imre Váradi, the CEO, and the supervisory board consisted exclusively of Soviet citizens.

57 Lajos Fruchter (1882–1953). See Rockenbauer, “Egy gyűjtemény élete.”

58 *Magyar Közlöny*, July 1, 1945. 1.

59 *Magyar Közlöny*, November 4, 1945. 3.

60 *Magyar Közlöny*, June 5, 1947. 1.

61 *Magyar Közlöny*, April 20, 1949. 2.

62 Boross bequest, no. 171, June 23, 1948. Minutes of the meeting of 6-member committee.

It is interesting to note that some vestiges of the rule of law continued to function under Soviet occupation even under increasing communist political influence. The Commercial Court required the election of at least one Hungarian citizen to the board of directors of the KEBIR. The registration of the company's new name did not go smoothly either. The Ministerial Commissioner in charge of the registration of commercial companies objected to the fact that the company was using the name “Keleteurópa” (Eastern Europe), though its activities were limited to Hungary. He made registration conditional on the company proving its commercial links with Eastern Europe. In its reply, the company argued that one of its owners and its sole reinsurer was the “Russian (sic!) State Insurance Institute” and that it planned in cooperation with the parent company to enter the Eastern European markets after the conclusion of the peace treaty. In a later letter, it also referred to the fact that some members of the Soviet Union were themselves considered independent states. To some extent, this argument may have been supported by the fact that not only the Soviet Union but also Belarus and Ukraine became members of the United Nations when it was founded.

The lifecycle of the company can be divided into two phases. Between 1947 and 1950, the company experienced dynamic development, with a compound annual growth rate of 32 percent, and became an important player in the Hungarian market. In 1951, however, there was a significant decline, mainly due to the loss of active reinsurance.

The Soviet authorities used their power to avoid Hungarian regulations. As the company's activities generated solid profits throughout 1947–1949, profit repatriation became an important issue. There was a regulation for the Hungarian companies according to which they were permitted to pay dividends on their profits only up to four percent of the share capital. However, the two Soviet companies were allowed to pay a much higher dividend based on their 1947 results. In the case of KEBIR, this was 1,550,000 forint, or 52 percent of the share capital.

Their presence in the market after 1949 constitutes another distinct feature of the Hungarian situation. They and the Hungarian State Insurer were competitors. The agent networks in particular fought against each other. The six-member committee and later the Ministry of Finance had to discuss the conflicts and the Soviet claims in many cases. This happened in a period of strict central planning. I am not aware of this type of competition taking place in other industries in the same period. This question offers an interesting path for further research.

The Hungarian Government wanted to establish a monopoly, but it was not easy to drive out the Soviet companies, as Soviet influence remained very significant in Hungary even after the Paris Peace Treaty.

The Soviets probably found the Hungarian idea of creating an insurance monopoly promising. They could get rid of a declining business where the Hungarian state stood behind the competitor firm, the Hungarian State Insurer. As the state became the owner of almost all Hungarian industries, it could easily deprive KEBIR of most of its businesses. During the negotiations, the Soviets tried to take advantage of the situation, always using data from an earlier period when estimating the value of portfolio and ignoring the fact that the portfolios were in decline.

Finally, the Hungarian government bought the Soviet-owned insurers at the end of 1952, together with many other Soviet companies. Only then did it manage to establish a monopoly. The agreement was reached after long and sometimes heated discussions. These debates and the activities of Soviet insurers in Hungary in general will be the subject of a separate article.

One main question remains open: why were the processes of nationalization so different in the Hungarian insurance sector compared to the nationalization of this sector in other socialist countries and also to the processes of nationalization in other branches of industry in Hungary? In the current phase of research, there is no clear answer to this question, and there is probably no single answer either. One explanation could be that an important part of the Hungarian insurance industry was owned by foreign investors, which made the government cautious. Second, the strong Soviet presence also complicated the situation. A third factor may simply have been the fact that in Hungary the insurance industry was never as important as the banking sector, and therefore, it was not important for the political leadership to resolve such a relatively complicated issue.

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