

C.I.A. Secretly Owned Insurance Comp

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BUSINESS SUCCESS CITED IN REPORT

Agency Also Kept Links to
College Faculty Members
Despite Johnson's Ban

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WASHINGTON, April 26 —

The Central Intelligence Agency secretly owned a complex of insurance companies whose profits were for years successfully invested in private securities, according to the final report of the Senate Select Committee on Intelligence Activities.

These purchases, which included the stocks of American corporations, apparently occurred, the report said, without the knowledge of management or the other stockholders of those concerns.

The committee also found that the agency has continued to maintain secret relationships with several hundred faculty members at American colleges and universities despite a directive from President Johnson eight years ago that barred covert associations between the agency and scholarly institutions in this country.

Those instances were among a number uncovered by the Senate committee in which the C.I.A.'s operations, directed chiefly at the collection of foreign intelligence, had had a substantive impact on a variety of domestic American institutions over the last three decades.

Tangled Network Found

The committee found that the agency, in attempting to in-

fluence world events and opinions, to provide cover and security for its employees, and to organize and support its clandestine activities abroad, had established a complex and sometimes tangled network of covert relationships with the academic, business, religious and financial communities in this country.

Although the panel concluded that the C.I.A. had for the most part been scrupulous in its efforts to limit the domestic "fall-out" from these relationships, many of which have now been terminated, it found some real or potential improprieties in the agency's on ownership of ostensibly private corporations and in its continuing relationships with American citizens, including several hundred scholars and professors.

The relationship of the C.I.A. to private American organizations first became a public issue in 1967, after it was widely reported that the agency had secretly contributed to the support of the National Student Association.

What was not disclosed at the time, however, was the agency's use, discovered by the Senate panel, of American students in various intelligence operations abroad, including the filing of reports on noted persons on the Soviet Union and emerging nations and Soviet security practices.

Use of Foundations

The disclosure of the Student Association's relationship also led to revelations of the C.I.A.'s use of legitimate American foundations to funnel support to selected groups here and abroad, but the extent of the agency's involvement with charitable foundations, which the Senate report characterized as "massive," was never made clear.

Between 1963 and 1966, the report says, the agency was involved to some degree in nearly

half of all charitable grants by American foundations exclusive of the Ford, Rockefeller and Carnegie organizations, known collectively as the "Big Three."

The 1967 disclosures led to a directive by President Johnson barring future covert financial support by the C.I.A. to American universities or private voluntary organizations like the student association.

Although the guidelines were strictly adhered to by the C.I.A., the committee found that they were so narrowly drawn that the agency was largely able to circumvent them.

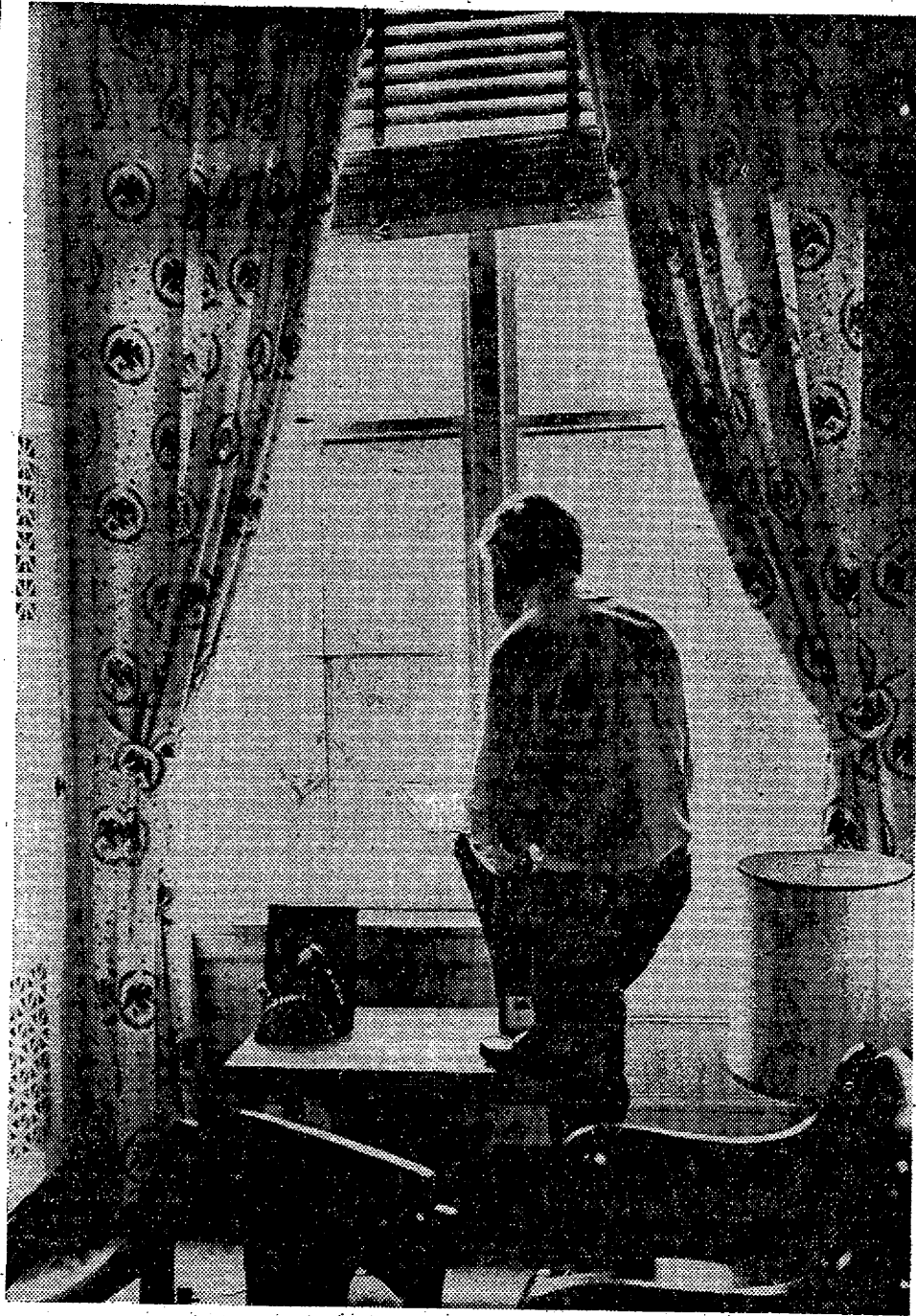
Shift in Focus

The Senate panel also found that the C.I.A. continued its ties to the American academic community by shifting the focus of its covert relationships from educational and research institutions themselves, which were proscribed, to individuals within those institutions.

The committee characterized the agency's overall response to the 1967 guidelines as more of an attempt to prevent further public disclosures about its internal workings than "a significant rethinking of where boundaries ought to be drawn in a free society."

As a result, the C.I.A.'s ties to the academic community continue to be substantial. The committee found that relationships currently exist with hundreds of scholars and researchers working in more than 100 American colleges, universities and related institutes, and that, in the majority of these cases, "no one other than the individual concerned is aware of the C.I.A. link."

These clandestine operatives, the report said, provide leads and make introductions for intelligence purposes or write books and other materials used



The New York Times

Senator Frank Church in his office examining the intelligence committee report of its 15-month-long investigation before it was released to the public yesterday.

by the C.I.A. for propaganda. The Senate report is the first of two volumes and deals exclusively with the panel's 15-month investigation of this country's external intelligence operations. A second volume, on domestic intelligence agencies, is to be released later this week.

The committee investigators also examined the C.I.A.'s past use of American religious organizations and personnel in gathering foreign intelligence. And the report notes a public assurance by George Bush, the new Director of Central Intelligence, that as of last February the C.I.A. had terminated its "paid or contractual" relationships with American clergymen and missionaries aboard.

Ownership of Corporations

Although Mr. Bush's statement did not rule out the continuing of such relationships on a voluntary or unpaid basis, the committee said it had been assured by the C.I.A. that, henceforth, no Americans following a religious vocation would be used in an "operational" way by the agency.

In all, the committee learned that 14 covert arrangements had existed, involving the "direct operational use" of 21 American missionaries and clergymen. All, it said, were terminated as of last August.

Of equal concern, the Senate committee wrote, was the C.I.A.'s secret ownership of a number of corporations, some of them bogus and others active and profitable, which have been created or purchased by the agency over the years for a variety of purposes.

Such corporations, known

within the agency as "proprietary," have on occasion enmeshed themselves deeply within the American business and financial communities, investing their capital and profits in domestic securities markets or running the risk of unfair competition with private concerns in the same field.

In addition, the Senate panel found that the operating proprietaries, which have included several air carriers, a private investigating concern and the complex of insurance companies, had not been subject to sufficient accountability and financial controls.

Nor, the report said, has the C.I.A. taken sufficient steps to advise its Congressional overseers of its clandestine business ventures. The committee found, for example, that Congress was not informed of the existence of the insurance complex until after it had begun to invest heavily in the domestic stock market, a practice since discontinued.

Most of the agency's existing proprietaries, the report said, are shell corporations with paper assets that are used to provide agents with working cover or to hide the agency's operations. But the report found that the operating proprietaries had been used heavily in the past to extend the C.I.A.'s presence abroad, to provide support for paramilitary operations, to disseminate propaganda and to manage the agency's private investments.

"Although the agency would deny that private investment is a purpose of proprietaries," the report states, "the existence of proprietary enterprises which occasionally returned sizable

profits indicates that private investment may indeed have been a widespread agency policy.

Moreover, the agency has specifically authorized its insurance complex to act as an institutional investor for its own funds and those of other proprietaries. Thus, the extent of private investment by the agency is actually a question of definition and shading."

Although the insurance complex, which has a combined net worth of \$30 million, has ceased its investments in American securities and is divesting itself of those it holds, its sales of such stocks over the last 12 years, the report said, have returned the C.I.A. a \$500,000 profit.

The insurance complex is the largest of the operating proprietaries, which have a combined net worth of nearly \$60 million, and the only entity besides Air America, a Far Eastern carrier undergoing liquidation, that has produced significant profits over the years.

The insurance complex, a former C.I.A. official said today, writes insurance only for agency officers and employees who, because of the hazards their jobs entail, cannot qualify for commercial coverage. The report said that it would continue to hold its investments in long-term, interest-bearing securities abroad and offshore time deposits.

What was once an "extensive proprietary system" has been reduced by half in recent years, the committee found, because of the agency's philosophical shift from its insistence on a "standby capability" that led to the acquisition of Air America and similar entities.