

Kleindienst Says He Helped Man Get Teamsters' Contract

By John Jacobs
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Former Attorney General Richard G. Kleindienst testified under oath yesterday that he helped secure a Teamsters union life insurance contract for a man now accused of siphoning off \$7 million in premiums. But Kleindienst denied that he exerted any improper influence to do it. The client, insurance promoter Joseph Hauser, is being investigated by the Senate Permanent Subcommittee on Investigations. The Securities and Exchange Commission has sued him for fraud in connection with the \$7 million in premiums. Last March Hauser was convicted in a federal court in Los Angeles of bribing union officers in a separate but similar case involving union pension funds.

Kleindienst acknowledged to the subcommittee, which is holding hearings on union pension funds, that he interceded with his friend, Teamsters President Frank Fitzsimmons, on Hauser's behalf. He also said he shared a \$250,000 "finder's fee" for his services, but denied vehemently that he knowingly worked with Allen Dorfman, a convicted labor racketeer, to obtain the \$2.6 billion life insurance contract.

Fitzsimmons, who earlier this year stepped down as a trustee of the Central States, Southeast and Southwest Areas Welfare Fund, was a trustee of considerable power when Kleindienst approached him. At the time, the fund had solicited bids from various life insurance carriers to handle the fund's

business, which amounted to \$24 million a year in premiums.

"I didn't ever ask Mr. Fitzsimmons to use his influence," Kleindienst testified of his golfing and gin rummy partner. "But in the context of our friendship it was assumed he would use his influence, and I certainly hoped he would."

One reason the fund solicited bids, according to its chief executive officer, Daniel Shannon, was to get away from the influence of Dorfman, who had processed Teamster insurance claims for years. In testimony Monday, Shannon said he was hired to put the affairs of the troubled central fund in order, and he wanted the fund eventually to process its own claims.

On April 30, 1976, the fund's trustees voted to give the life insurance contract to Old Security Life Insurance Co., a respected firm that had entered into a reinsurance agreement with Hauser's Family Provider of Arizona, which had one employee and assets of \$250,000.

The fund's outside consultant, Tolley International, had convinced the trustees that Old Security had submitted the lowest bid, even though Shannon favored a bid by Prudential. But the terms of the contract with Old Security did not meet with the original specifications designed by Tolley and called for Dorfman's group to continue processing the claims.

Kleindienst testified that he talked by telephone with Dorfman on April 27, 1976, and persuaded Hauser to fly to Chicago to meet him the next day. Under vigorous questioning by sub-

committee chairman Sen. Sam Nunn (D-Ga.), Kleindienst said he did not use his influence to maintain Dorfman as the claims processor, in violation of the contract specifications.

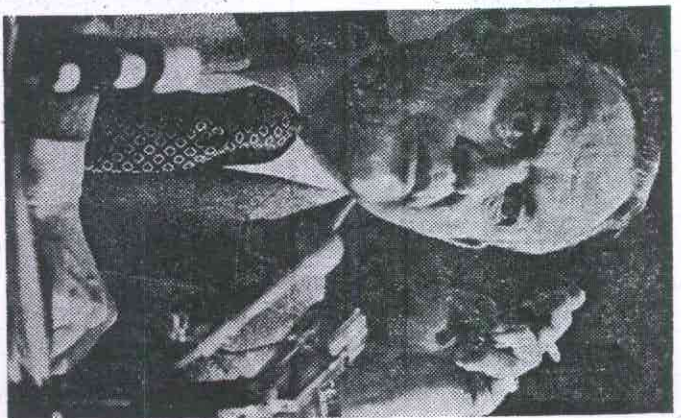
But sources close to the investigation say, and other witnesses have asserted in testimony, that Kleindienst paved the way for Dorfman to continue in his old role.

Dorfman appeared before the subcommittee yesterday, accompanied by Chicago attorney Albert E. Jenner, and declined 11 times to answer questions, citing the Fifth Amendment privilege against self-incrimination. In 1972 he was convicted and served time in prison for conspiracy in connection with a central states pension fund loan.

"Isn't it true," Nunn asked Kleindienst, "that Allen Dorfman holds the key to the central states pension fund? Isn't it true that he is one of the most powerful people in the whole apparatus of the Teamsters' health and welfare fund?"

Kleindienst replied that he knew that now, but that he did not know it when he talked to Dorfman on April 27 last year. He said he knew that Dorfman had been involved in criminal proceedings, but that because Dorfman and Fitzsimmons were friends, at least "it would not hurt" for Hauser to go to Chicago to talk to Dorfman about continuing to process the claims.

In other testimony, Washington public relations consultant Irving Davidson described how he served as a go-between for Hauser and Thomas



RICHARD G. KLEINDIENST
... denies exerting improper influence

D. Webb Jr., a friend of Kleindienst and Fitzsimmons. For that, he split Kleindienst's \$250,000 fee from Hauser and gave half of that to Webb. He also testified that he was in Kleindienst's office when Kleindienst called Dorfman and then told Hauser in strong terms to meet with Dorfman.

Kleindienst has not been charged with anything illegal. He appeared as part of the subcommittee's broader investigation of pension fund abuses. Nunn said in an interview that he is thinking of proposing legislation to prevent pension fund abuses, but declined to elaborate until after the hearings end. The hearings continue today, with Fitzsimmons and Hauser as the expected witnesses.

Both Fitzsimmons and Kleindienst have denied that they had any idea Hauser would siphon off the Teamsters' premiums, as the SEC and the central fund have charged.