

# Teamster Head Disputes Kleindienst On Role in Insurance Contract

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Teamster president Frank E. Fitzsimmons denied under oath yesterday that he helped former Attorney General Richard G. Kleindienst obtain a large Teamsters life insurance contract for a man alleged to have swindled the Teamsters out of \$7 million in premiums.

Fitzsimmons' testimony contradicts what Kleindienst told the Senate Permanent Subcommittee on Investigations Tuesday. Kleindienst said he interceded with his friend Fitzsimmons to get the union's Central State Welfare Fund to award a \$24 million contract to insurance promoter Joseph Hauser, then Kleindienst's client. Hauser, who paid Kleindienst \$125,000, has been the subject of several weeks of hearings by the subcommittee and has been sued by the Securities and Exchange Commission for fraud in connection with missing Teamster and other pension fund premiums.

Hauser appeared at the hearing yesterday flanked by attorney Henry Rothblatt and cited his Fifth Amendment rights against self-incrimination when asked questions about his allegedly illegal activities by acting subcommittee chairman Sen. Sam Nunn (D-Ga.). Last March Hauser was convicted in a Los Angeles federal court of bribing union officers in a separate case involving union pension funds.

Among the questions Hauser refused to answer was whether he converted to his own use more than \$11 million of the \$39 million in premiums he collected from 20 union trust funds between 1974 and 1976.

In nearly four hours of testimony, Fitzsimmons testified that he talked by telephone with Kleindienst, but told him only that Old Security Life Insurance, a firm used as a front group without its knowledge by Hauser, was among the life insurance carriers that had submitted a bid for the contract and would be considered with the other bidders.

The Central states Welfare Fund, of which Fitzsimmons was then a member, awarded the contract to Old Security on April 30, 1976, over the objections of the fund's executive director, Daniel Shannon, who wanted the contract to go to the Prudential Insurance Company of America. The fund's outside insurance consultant, Tolley International Corp., had recommended Old Security because Tolley said it had submitted the lowest bid. But an outside actuary hired by the subcommittee testified Monday that Prudential had submitted the lowest bid.

Fitzsimmons repeatedly denied Kleindienst's testimony that he had had several phone conversations with Kleindienst in April, in which he told Kleindienst that Old Security was the lowest bidder and that the firm stood a good chance of getting the contract.

"It's untrue," Fitzsimmons said. "If Mr. Kleindienst said that, he made an untrue statement."

Fitzsimmons also disputed Kleindienst's testimony that he suggested Kleindienst put Hauser in touch with Allen Dorfman, a longtime friend of Fitzsimmons and a convicted labor racketeer whose Chicago company has processed Teamster life insurance claims for years.

Nunn and a number of witnesses before the committee have asserted that Dorfman is the key to understanding the award of the contract to Old Security. That company's bid included a provision to allow Dorfman to continue processing the life insurance claims, in violation of the contract

specifications. Shannon, the fund's chief executive, told the subcommittee Monday he felt that the fund was "subservient" to Dorfman and said he wanted the fund to get out from under Dorfman's influence. Dorfman took the Fifth Amendment when he appeared before the subcommittee Tuesday.

Dorfman was convicted in 1972 on a conspiracy charge involving a \$55,000 kickback to himself in connection with a Central States Pension Fund loan. Fitzsimmons said that after the conviction he removed Dorfman as a consultant to the pension fund "because he violated his trust," but retained him as the processor of the life insurance claims "because he didn't violate his trust there."

"Isn't it your logic," Nunn interjected, "that if a man abused one of your children, you wouldn't let him around your child anymore, but you wouldn't mind if he took another of your children for a walk?"

Fitzsimmons replied that the situation was more akin to "a horse that bites one person but doesn't bite another one."

After the hearing, Nunn told reporters that once the subcommittee staff has fully examined the record compiled during the hearings, he will probably make legislative recommendations for cleaning up abuses of union pension funds. He added that because of "substantial conflicts in testimony," he will recommend that the subcommittee vote to forward the record to the Justice Department for possible perjury prosecutions.