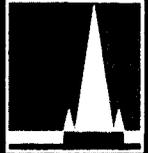


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NORWICH

Norwich Union is one of the UK's largest insurance companies. So how did it get mixed up in this farcical tale of terrorist funding, private dicks and financial blunders? **Pete Sawyer** investigates

Since it was founded 200 years ago, Norwich Union has managed to become one of the UK's largest insurance empires, as well as a symbol of respectability. It employs around 12,000 people in Norwich and, only a few weeks ago, it raised more than £2 billion on the stock market as it converted to a public limited company.

However, corporate blundering has ripped through the heart of this fine old British institution. The story that emerges could have come straight from the pages of a best-selling thriller. It involves a shady, gun-toting private detective who was allowed to run

amok by Norwich Union's senior management; widespread allegations of dishonesty within Norwich Union's salvage department; the payment of £60,000 for information to a man with a criminal record; outlandish claims of terrorist funding; and a number of physical assaults — one of which took place within the confines of the Royal Courts of Justice.

A High Court judge was so shocked by some of these goings on he directed that the evidence given by Norwich Union's employees be sent to the Norwich Union board "so that they could see for themselves what was alleged to have taken place in their name". Although some of the incidents

happened more than six years ago, the repercussions persist, and in recent weeks have led to the opening of an inquiry into alleged police corruption.

The story begins with gun-toting private detective Christopher Lee, a former Metropolitan police officer and director of an agency called Magnum Investigators International. Magnum seemed reputable enough; it was fronted by former Conservative junior minister Sir William Shelton, carried out work for a number of insurance companies and was regularly used by journalists conducting tabloid investigations. Lee himself described Magnum as a heavyweight in the private eye business. Back in December 1990, Lee was the guest



speaker at a talk on insurance industry fraud, when he met Malcolm Scarlett, then the internal auditor for Norwich Union. Scarlett was impressed with Lee and hired Magnum to investigate some "irregularities" uncovered in Norwich Union's printing and publicity department. Lee's investigation produced the desired results — in February 1991 the manager of the department was confronted and dismissed.

Pleased with the outcome, Norwich Union decided to put Magnum on a retainer of £20,000 per month, gave it office space at Norwich Union's HQ and provided it with Norwich Union business cards. It told Magnum to look into losses at its Belfast and Norwich salvage operations, which were then running into millions of pounds. Both investigations were to end in farce.

A team of Norwich Union internal auditors in Belfast had been trying to establish exactly how the office came to be owed nearly £3 million by one salvage agent, David Megaw Services. The team had discovered that David Megaw had the run of the office: he put in his own bids on Norwich Union's car insurance write-offs, and these bids were accepted without question (soliciting two tenders is the normal practice for what can be quite lucrative scrap).

The team suspected that Megaw was buying written-off cars from Norwich Union for much less than they were really worth and then selling them on for a handsome profit. One of Magnum's investigators, John McKenzie, took over the investigation from the internal auditors. The Belfast assistant branch manager's telephone was tapped and an inquiry began into whether Megaw had sold on Norwich Union's write-offs to private buyers before he had paid for them.

A former Royal Ulster Constabulary police officer was hired to visit some addresses of people who had bought the written-off cars from Megaw. At the third address, she expected to find an elderly couple; instead, she found herself staring down the barrel of a shotgun. The owners had been warned of her visit by someone from Norwich Union's Belfast office. She had to be given a new identity.

Magnum and Norwich Union were out of their depth. In March 1991, an agent from another firm of investigators informed Norwich Union that he had intercepted a 20-minute mobile phone conversation between McKenzie in Belfast and Malcolm Scarlett at his home

in Norfolk "which had seemed very irresponsible". The agent added that he reported a reference in the conversation to the Royal Ulster Constabulary to the authorities in Belfast because it was of a "very sensitive nature".

That month, Norwich Union's Northern Ireland branch manager, David Kidd, started receiving threats and his holiday caravan on the coast was torched. At the behest of the RUC, Magnum and the audit staff were ordered back to Norwich and the investigation was handed over to the police. A few weeks later Kidd was found dead at his home. He had apparently shot himself.

Any business dealing with Northern Ireland has to accept the possibility of funds being channelled into terrorism. Both the RUC and Metropolitan Police investigated allegations by former Norwich Union staff members that a Loyalist terrorist group, the Ulster Freedom Fighters, was somehow receiving finance via Norwich Union's Belfast office. The police failed to turn up any evidence.

Until March of this year, Norwich Union's Northern Ireland salvage continued to end up with David Megaw. Despite protestations from the internal audit department, Norwich Union's senior management backed the view of the salvage department that, with the current political situation in Northern

Ireland, there was no viable alternative to Megaw. Since March, the salvage has gone to a relative of Megaw's, but Norwich Union is satisfied that there is no business relationship between them.

While his colleagues were investigating the Northern Ireland branch in 1991, the private detective Christopher Lee, who had by now taken to carrying a silver pistol around with him, had sunk his teeth into the alleged fraud involving the salvage unit in Norwich. An anonymous tipster claimed that employees sold written-off luxury cars for much less than they were worth in return for backhanders from a north London salvage dealer called Metrobreakers. Lee claimed the fraud involved more than £5 million.

The Norwich salvage unit staff had their office phones tapped. They were amateurishly followed and harassed by Magnum's agents. On one occasion, Magnum spent a whole day following the wrong people. On another, Jim Julian, the husband of a staff member, was run over while challenging one over-zealous detective. Julian went on to complain to Norwich police about the incident.

In June 1991, Lee claimed another breakthrough. Lynda Curtis had formerly worked for the chief executive of Metrobreakers, Tony Cleary. She was persuaded by one of Lee's contacts, another salvage dealer called Colin Reynolds, to "spill the beans" on her former boss and to come along to a meeting at the Cumberland Hotel in London's West End. Lee arrived at the meeting accompanied by plain-clothes police officers from Norwich and from Special Branch. At the meeting, which was covertly taped by police, Lee told Curtis that Norwich Union was willing to pay her £60,000 if she would meet board members and answer questions about Metrobreakers. Additionally, he offered her "round-the-clock" protection in the shape of a very large minder called George.

Lee also said that Cleary had threatened to "blow him away" and that money had been finding its way to the IRA for years. As a result of Lee's information, police put Cleary's house under surveillance, but found no evidence of a link to the IRA. Coincidentally, the day before the meeting at the Cumberland, Norwich Union had received a telephoned bomb warning.

At a further meeting at Norwich Union's HQ — which police also attended — Lee advised Norwich Union to make the £60,000 payment to his contact, Colin Reynolds, who would then pass it on to Curtis, because the police objected to the payment of a potential court witness. So the payment was made to Reynolds — a man who Norwich Union knew had done time for perjury, attempted theft and handling stolen goods. The cheque was signed by Albert Mills, now director of Norwich Union's

Jim Julian, who was run over by a zealous detective, took the whole fiasco up with Norfolk police. But an officer said the case would not be reopened, regardless of any new evidence



general insurance operations. Reynolds, of course, kept the money. Curtis never signed a court witness statement because she never received her £60,000.

Lee's investigation into Metrobreakers produced little in the way of tangible results. Rita Fiddy, the clerk in charge of the salvage unit dealing with Metrobreakers, was dismissed in August 1991 at a disciplinary hearing, but she took her case to an employment tribunal in 1993, arguing that what she had done was no different to normal Norwich Union practice. Norwich Union backed down within 10 minutes of the tribunal hearing opening.

When the Metrobreakers case came to court in 1993, the court heard how two salvage unit employees had been terrorised by the agents hired by Magnum to investigate the fraud. The judge called the unchallenged evidence about Lee's questioning methods "disturbing" and said Magnum had resorted to "deceit and intimidation", made "wild and objectionable allegations which they could not hope to substantiate" and "harassed potential suspects and witnesses", leaving some employees "deeply disturbed".

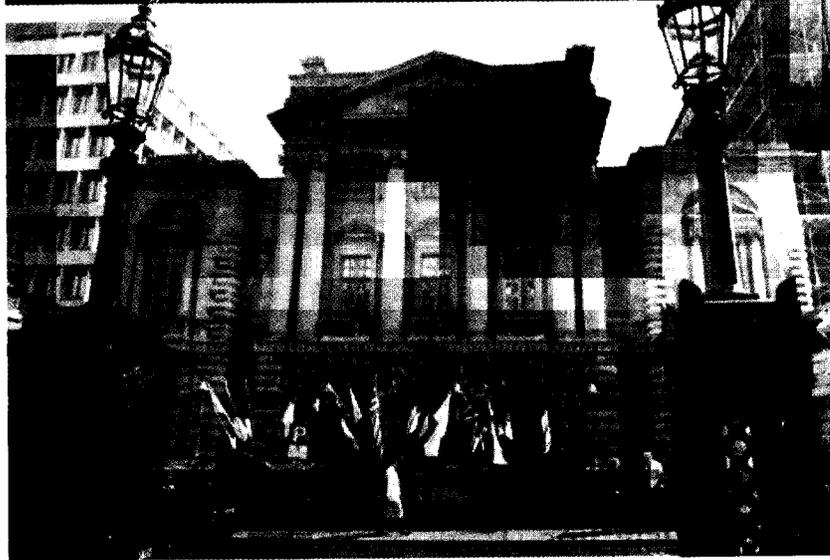
Even the High Court offered no sanctuary from intimidation and threats. During the trial, Rita Fiddy's husband, Roger, was roughed up inside the High Court building. Only the intervention of two High Court stenographers saved him from serious injury. Norwich Union's QC told the court that the company "completely disapproved of and disassociated itself" from Magnum's methods. He apologised for the "considerable trauma and distress" to which a number of entirely innocent and respectable employees had been subjected, and said the employees would be compensated.

Norwich Union won the Metrobreakers case, but it was a hollow victory; by that stage Metrobreakers had gone into liquidation. Norwich Union stood little chance of recovering its losses and had spent around £3 million in legal fees. Metrobreakers' former boss, Tony Cleary, was bankrupted.

Jim Julian, who was run over by the over-zealous Magnum detective, took up the whole fiasco with the Norfolk police in 1993. One policeman told him "no matter what evidence you have, even if you had a smoking gun" the case would not be reopened. Julian had even turned up at Norwich Union's annual general meeting in 1992 to make his claims public. The chairman simply switched the microphones off.

However, in the last few weeks, Norfolk Police have started investigating allegations that Lee — with the knowledge of Norwich Union — may have bribed one of its officers to stop charges being brought against the Magnum agent who ran over Julian.

Lynda Curtis continues to pursue Norwich Union for the £60,000 promised to her but paid to Reynolds. One morning in June 1993, a cat with its throat slit was left on her doorstep and a few months later she received a tele-



Above: Norwich Union lost millions through salvage agents
Centre: Norwich's Allan Bridgewater and Richard Harvey
Below: House of horror — Norwich Union HQ, in Norwich
Far left: Jim Julian, a staff member's husband, was run over

phone call from someone saying that if she didn't stop pushing for the money from Norwich Union "she would not live to see the weekend".

Norwich Union's chief executive, Allan Bridgewater, sent Richard Harvey, then newly appointed as Norwich Union's general manager for finance and investment, to see Curtis in October 1993. Harvey knew next to nothing about the case; he had previously been Norwich Union's man in New Zealand.

He turned up at Curtis's north London flat in his chauffeur-driven Daimler and listened intently to her grievances. Despite the visit, however, Norwich Union maintains that it has satisfied its obligations and regards the matter formally closed. Harvey is now group finance director and will become Norwich Union's £500,000-a-year chief

executive next year when Allan Bridgewater retires.

As for Lee, the investigator at the heart of this tale, he has since vanished, leaving a trail of debts. His former neighbours in Coulsdon, Surrey, say he just packed up his van and drove off into the night. According to some, he is now in Derbyshire, trading under his wife's maiden name of Wheatley. Others say he is now working in Los Angeles.

Magnum went into liquidation around the time of the Metrobreakers court case, owing creditors around £500,000 — despite earning an estimated £840,000 in fees from Norwich Union. Outstanding loans to Magnum directors came to £250,000. Malcolm Scarlett, Norwich Union's internal auditor, has since retired. Apparently, he regrets only two things in life — his divorce and the day he hired Magnum Investigators International. ■

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