

SELF-INSURANCE

Statement to be made by Chairman Eccles at Chairmen's Conference.
January 26, 1942

The Chairmen may recall that at the request of the Board a special committee of the Presidents' Conference submitted a report on the adoption by the Federal Reserve Banks of a program of self-insurance. At the last Presidents' Conference it was agreed that the Insurance Committee of the Conference should discuss the matter with insurance companies with a view to obtaining their comments and suggestions with respect to competitive plans that might be offered by such companies.

The Insurance Committee expects to hold another meeting next Tuesday and Wednesday, at which time they will receive reports from insurance companies. There is reason to believe that insurance companies will offer to make substantial reductions in present insurance rates. It is understood that the Insurance Committee will submit its report to the forthcoming Presidents' Conference on February 2 and that Mr. Rounds and Mr. Stroud, the Chairmen of the two Committees, have both been invited to meet with the Presidents' Conference and explain their respective reports.

The Board feels that it is desirable that a decision be reached on this matter as promptly as possible and to that end the Board addressed a letter to the Presidents' Conference on November 3 which read in part as follows:

"Since System self-insurance has been under consideration for a number of years and since the Committee appointed to study the subject, after carefully considering the matter for approximately a year, rendered a comprehensive report on August 23, 1941, setting forth both the advantages and disadvantages to the System of carrying its own blanket bond and registered mail and express insurance, the Board believes that the report should receive prompt consideration. As pointed out in its report, the Committee estimates that the System can save at least \$250,000 a year by adopting the plan recommended. This saving seems to the Board to warrant the System's carrying its own insurance on the type of risks referred to and the Board agrees in principle with the report of the Committee although it has not considered any of its details. In view of these circumstances, it is hoped that the Insurance Committee of the Presidents' Conference will submit a prompt report on this matter so that it can be acted upon by the Presidents not later than at the next meeting of the Presidents' Conference."