

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 2517, October 8, 1942
Superseding Circular No. 729, dated
July 23, 1926, and part of Circular
No. 1415, dated September 11, 1934.]

INSURANCE OF SHIPMENTS OF PAPER CURRENCY, COIN AND SECURITIES

*To all Member Banks, and Others Concerned
in the Second Federal Reserve District:*

For many years we have held certain open policies for registered mail insurance under which shipments made by us by registered mail and shipments consigned to us by registered mail may be insured. These policies have been used by us to cover shipments by us, and have been made available to banks in connection with shipments to us if so desired by them. These policies formerly covered all risks except loss by theft by employees of the sender or of the addressee, but the policies have recently been amended to exclude coverage with respect to war risks. Accordingly, it is appropriate to define our responsibility with respect to shipments to and from us.

It is our practice to ship paper currency and securities by mail and to ship coin by mail or express. In any case where we are requested to ship paper currency, coin or securities, we undertake to make delivery merely to the post office, express company or other carrier. The risk of loss occurring subsequently to such delivery is on the addressee. The risk of loss with respect to shipments of paper currency, coin or securities to us is on the sender until the shipments have been actually delivered to us by the post office, express company or other carrier.

Although we cannot assume the risk of loss in connection with such outgoing and incoming shipments, we will continue to arrange for the coverage of such shipments by registered mail under our registered mail insurance policies on the terms and subject to the conditions set forth in this circular. Since the rate charged by the express company with respect to shipments by express is based upon value and includes a charge for the risk assumed by the company under its shipping contract, it is not customary to insure shipments sent by express.

Nature of insurance coverage

Such registered mail insurance covers all risks except so-called war risks and loss by theft by employees of the sender or of the addressee. Risk attaches from the time of leaving the office of the sender until actual delivery has been made to the office of the addressee, whether delivery is effected in whole or in part by employees or agents of the Post Office Department, sender or addressee, and in event of nondelivery covers until returned to the sender. In case of reforwarding of any shipment, such shipment is covered until delivered at the correct or new address or until returned to the sender.

The policies contain the following clause eliminating war risk coverage:

“Notwithstanding anything herein contained to the contrary, this insurance is warranted free from capture, seizure, arrest, restraint, detainment, confiscation, preemption, requisition or nationalization by or under the authority of any Government (de facto or otherwise) or any Agency thereof whether civil or military, and the consequences thereof or of any attempt thereat, whether in time of peace or

war and whether lawful or otherwise; also warranted free from aerial or other bombardment and from all consequences of hostilities or warlike operations (whether there be a declaration of war or not), piracy, civil war, revolution, rebellion or insurrection, or civil strife arising therefrom."

The Uniform Express Receipt likewise provides that the express company shall not be liable for loss, damage or delay caused by "the hazards or dangers incident to a state of war."

With respect to losses incurred while the property is in transit by messenger to or from the post office, the policies attach as excess policies covering only for the excess over any amount which may be recoverable from any other insurance or surety covering such loss.

Limitation of liability

Liability under such registered mail insurance policies is limited to \$10,000,000, on property dispatched from any one sender to any one addressee on any one train, boat or other conveyance.

Insurance of outgoing shipments of paper currency and coin

All shipments of paper currency, and all shipments of coin by mail, by us to a bank will be insured by us under such registered mail insurance policies for the account and risk of the addressee.

Insurance of incoming shipments of paper currency

All shipments of paper currency to us by a bank by registered mail may be insured under such registered mail insurance policies for the account and risk of the sender, provided that the conditions enumerated below are strictly complied with.

1. The insurance declaration, that is, the notice of the shipment, including a statement of the amount of insurance to be effected, shall be sent to us concurrently with the shipment, but under separate cover. For this purpose we have provided special forms, copies of which will be furnished upon request. Declarations regarding currency and securities should not be included on the same declaration form.

2. Shipments shall be insured for the amount reported or declared, which amount may be more or less than the actual value of the property shipped, and in the event of loss the liability of the insurers shall be the replacement cost of the lost property or the market value thereof at the time of dispatch or at the time the loss becomes known to us, whichever of the foregoing shall be the measure of the actual loss sustained, but in no case shall the liability of the insurers exceed in the aggregate, exclusive of interest, the sum for which the lost property was reported or declared.

3. The packing and sealing of the package containing the property shall be done by an employee of the sender and the sealed package shall be in charge of a responsible person until deposited and registered at the post office, or shall be in the custody of an armored car service in transit from the office of the sender to the post office.

4. Contents of packages shall be enclosed in a strong wrapper, envelope or cloth or canvas bags, well secured. Packages may be sealed in any manner acceptable to the post office at place of mailing.

5. In order for shipments to us to be insured, they must be made by *registered* mail. Under no circumstances can a shipment to us be insured when sent by ordinary mail.

In the event of loss of a shipment insured under such policies, we will make claim on behalf of the addressee or the sender, as the case may be, for the amount involved. The post office registry receipt with respect to a shipment to us should be carefully preserved by the sender in order that it may be available as evidence in event of loss.

Insurance of currency shipments at our expense

Insurance under such registered mail insurance policies will be provided at our expense on all shipments of paper currency, and on all shipments of coin by mail, by us to a member bank. Shipments of coin by us to a member bank, which are not made by mail, will be made by express, prepaid.

Insurance under such registered mail insurance policies will be provided at our expense on all shipments by registered mail to us by a member bank of paper currency in denominations of \$2 or larger, and in the \$1 denomination totaling \$500 or less, declared for insurance under the conditions herein named.

Insurance of shipments of securities

The following securities shipped to us by a bank may be insured under our registered mail insurance policies, provided that the conditions enumerated above with respect to the insurance of incoming shipments of paper currency are strictly complied with in connection with the shipment of the securities:

- (a) Coupons and maturing bonds forwarded for collection.
- (b) Securities forwarded for safekeeping, for sale or redemption, to be held as collateral for loans, government deposits or deposits of bankruptcy funds, for exchange of denomination, for exchange for securities in registered form, or for exchange for securities which are not in registered form.

Such shipments, however, will be insured at the expense of the sender. For this reason it is suggested that banks which hold registered mail insurance policies of their own may find it more convenient to insure shipments of securities under their own policies.

Where we have occasion to ship securities held by us under the circumstances described above we will make the shipments by registered mail and, unless we have been instructed to the contrary, we will insure them under our registered mail insurance policies at the expense of the addressee.

Insurance of shipments of securities made by us as fiscal agent of the United States

Shipments of United States Government securities by us, as fiscal agent of the United States, upon original issue or in exchange for temporary certificates, are at the expense and risk of the United States under the Government Losses in Shipment Act and the regulations issued thereunder. The interest and responsibility of the United States in such shipments ceases upon delivery by the post office. An addressee accepting delivery at the post office by agent or otherwise, must, therefore, transport such shipments at its own risk from the post office to the office of the addressee. If the addressee bank does not carry insurance covering this risk, we can arrange coverage for its benefit from the time the securities are receipted for by its agent, at a rate of one cent per \$1,000, subject to all the conditions of our registered mail

insurance policies. As pointed out heretofore, such policies do not cover war risks. In addition, such special coverage does not cover any claim for shortage or mysterious disappearance unless due to a known casualty in transit between the post office and the office of the addressee. Any bank that desires such special coverage should so advise us.

Stock of unissued War Savings Bonds shipped by us to issuing agents is the property of the United States and hence such shipments are at the expense and risk of the United States, and the interest of the Government does not cease upon delivery by the post office.

Effect of this circular on previous circulars

This circular supersedes our Circular No. 729, dated July 23, 1926, entitled "Insurance of Shipments of Currency, Coin and Securities". The requirement that the packing and sealing of the package containing the property insured shall be witnessed by two persons, as set forth in paragraph 12 of our Circular No. 1415, dated September 11, 1934, entitled "Shipments of Paper Currency and Coin", is no longer applicable provided the packing and sealing are done by an employee of the sender.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.