

C O P Y

For signature by  
Underwriting Members  
of Lloyd's, London, only.

BANKERS' AND BROKERS' POLICY.

Effected by ("In and Out" Form)  
James Hartley Cooper & Co., Ltd.,  
Cowper's Court Cornhill,  
London, E. C., and at Lloyd's.

London, 15th May, 1916.

IN CONSIDERATION of a premium of twenty shillings per cent now paid to us by Federal Reserve Bank of \_\_\_\_\_ hereinafter called the Assured, on the amount underwritten by us respectively (the receipt of which we hereby acknowledge) and of the further premium (if any) to be paid to us as hereinafter mentioned, We the undersigned each in the proportion which the amounts hereby underwritten by us respectively bear to the sum of Thirty thousand pounds - \$150,000. and each being liable only in respect of any one loss to the extent of the amount underwritten by him, hereby undertake and agree with the said Assured to hold them harmless and indemnified for and during the space of Twelve Calendar months, from noon of the \_\_\_\_\_ day of \_\_\_\_\_, 191\_, to noon of the \_\_\_\_\_ day of \_\_\_\_\_ 191\_, from and against all such losses or damages as they the said Assured including branches established or to be established may during the said period suffer or sustain or discover that they have suffered or sustained in manner hereinafter mentioned (that is to say):

1. BY reason of any Bonds, Debentures, Scrip, Certificates, Warrants, Transfers, Coupons, Bills of Exchange, Promissory Notes, Cheques, Bank Notes, Specie, Currency, Coin, or other similar Securities, whether payable to bearer or otherwise (not including title deeds of landed property) in which they are interested or the custody of which they have undertaken, and which now are or are by them supposed or believed to be or at any time during the said period of Twelve months may be in or upon their own premises or upon the premises of their bankers or in any recognized place of safe deposit in \_\_\_\_\_ or branches established or to be established or lodged or deposited in the ordinary course of business for exchange, conversion, or registration with the issuers thereof, or with any agent of such issuers, or with any persons employed to procure or manage the exchange, conversion, or registration thereof, being (while so in or upon such premises or so placed, lodged or deposited as aforesaid) lost, destroyed or otherwise made away with by robbery, theft, fire, embezzlement, burglary or abstraction, or taken out of their possession or control by any fraudulent means or by means of credit established by fraud whether with or without violence, and whether from within or without or whether by the officers, clerks and servants of the said Assured or any other person or persons or by the negligence or fraud of the said officers, clerks and servants.

2. BY reason of any securities of the description above specified being lost, stolen, mislaid, misappropriated, or made away with, whether by negligence or fraud of their officers, clerks or servants or any messengers or otherwise, whilst in transit in their own hands or in the hands of their officers, clerks or servants or any messengers between any houses or places situate within ten miles from \_\_\_\_\_ or branches established or to be established, such risk or transit to commence on every security or parcel of securities from the moment of the person into whose hands the same may be delivered on behalf of the said Assured receiving the same and to continue until the delivery thereof at destination.

PROVIDED that the total liability of each of the undersigned in respect of any one loss under this guarantee is limited to the amount underwritten by him, irrespective of the total value of the securities comprised in such loss and that in estimating the amount of such securities so lost as aforesaid the value of the same shall be taken at the average market price or value in \_\_\_\_\_ on the day next after the discovery of such loss or losses respectively (omitting Sundays and Holidays), and if there be no market price or value for the same or any of them on such day then the value thereof shall be the value as agreed between the respective parties or in the event of difference as ascertained by arbitration. And further that upon any loss happening under this Insurance (and subject to the due payment thereof) a further premium calculated at pro rata of the annual premium for the unexpired time on the amount of such loss shall be payable by the said Assured to the undersigned and that as from the time of the happening or discovery of such loss, and even although the further premium may not meanwhile have been actually paid, this insurance shall be treated as renewed so as at all times during the said period of twelve calendar months to continue as an Insurance to the full extent of £30,000 - \$150,000. notwithstanding any previous loss which the undersigned may have paid or be liable to pay hereunder, the true intent and meaning of these presents being that while the total liability of each of the undersigned in respect of any single loss is to be limited to the amount underwritten by him, any number of separate claims to that amount may either on the same or on different days arise against him hereunder subject only to his right on the happening of any loss to payment of the further premiums hereinbefore mentioned and provided for.

Warranted free of all claim for losses not discovered within the said period of twelve calendar months.

Warranted free of all claim for loss of any securities confided to the care of the said Assured, including branches established or to be established, the nominal value and description of which have not been ascertained by them before loss.

AND IT IS HEREBY AGREED that the undersigned upon payment of of any loss hereunder shall become subrogated to all the rights and remedies of the said Assured in respect of the securities for which a a loss is paid and that immediate notice of any such loss shall be given by the said Assured to Messrs. James Hartley, Cooper & Co., Ltd., of Cowper's Court, Cornhill, London, together with all such particulars for the purpose of identification as may be in their power.

Whereas the said Assured has in force certain bonds guaranteeing the fidelity of its officers and employees, it is hereby agreed that this insurance in so far as it covers losses also covered by said fidelity bond (or bonds) shall only be for the excess over and above the amount recoverable under the bond (or bonds) of the officer or employee through whose want of fidelity the loss occurs.

WAR CLAUSE.

(Approved by Lloyd's Underwriters' Fire and Non-Marine Association)

This Policy does not cover loss or damage to the property insured occasioned by war invasion hostilities acts of foreign enemies civil war rebellion insurrection military or usurped power or martial law or confiscation by order of any Government or public authority.

Attaching to and forming part of Policy

AMERICAN CURRENCY CLAUSE.

In consideration of an addition of 6% to the premium, which the Underwriters who have hereunto subscribed their names hereby acknowledge to have received, it is declared and agreed that in the event of loss under this Policy payment shall be made in New York in American Currency. In apportioning the loss, if any, the Sum Insured by this Policy shall be calculated at the rate of Five Dollars for every Pound Sterling.

5/4/17.

2873

EX-OFFICIO MEMBERS  
WILLIAM G. MCADOO  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

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AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

May 9, 1917.

Dear Sir:

The Governors of the Federal Reserve Banks at their conference in Washington on April 4th to 16th, 1917, voted, (Topic No. 23 - Surety and Fidelity Bonds of Federal Reserve Banks):

"THAT the Federal Reserve Board be requested to have a summary of its investigation into the matter of surety and fidelity bonds held by the Federal Reserve Banks made, and a copy forwarded to each Bank for its consideration."

In accordance with this vote, and acting for the Committee to whom this matter was referred, I hand you herewith an analysis covering the salient features of the various bonds held by the Federal Reserve Banks as disclosed by the information submitted to the Board.

It will be noted that while nearly all the banks have fidelity bonds in standard form, as approved by the Insurance Committee of the American Bankers' Association, but two of them - New York and Chicago - have policies which cover losses by fraud or forgery perpetrated by parties not connected with the Bank. This policy is known as Lloyd's Bankers' and Brokers' "In and Out" Form. The standard form of American

policy does not cover fraud or forgery unless committed "by or with the collusion of one or more employees of the Bank."

There is also attached hereto a memorandum covering various points included in this analysis which are submitted simply for the consideration of the Governors or of a Committee which might be appointed to investigate this subject.

It might be possible to have a policy written for each of the Banks by an American Company, or by "Lloyds", which would specifically cover frauds and forgery and which would eliminate any clause which is ambiguous as to coverage, or which is not satisfactory to the Banks, if it could be arranged so that all of the Banks would get together and commit their joint interests to some one agent or broker who would be authorized to act for them in negotiating for such policies. It is doubtful if the various Banks acting independently could obtain a policy from different companies which would contain all the desirable features.

Very truly yours,

Enclosures:

M E M O R A N D U M

With reference to the attached analysis of insurance policies of the various Federal Reserve Banks, attention is directed to certain features which might be considered in connection therewith:

Lloyds Bankers & Brokers "In and Out" form, carried by the New York and Chicago Banks, (copy attached), in Provision 1, covers losses by fraud or forgery, whether by parties connected with the Bank or by outside parties. One of the Federal Reserve Agents, however, calls attention to a provision reading as follows:

"Warranted free of all claims for loss of any securities confided to the care of the said Assured, including branches established or to be established, the nominal value and description of which have not been ascertained by them before loss."

He gives it as his opinion that in event of a hold-up of an authorized messenger calling at a post office or an express office for a package, this policy would not cover, even though it were possible, through cooperation with the shipper, to prove the value and contents of the package. Or, in event of unauthorized persons, through fraudulent or forged orders, obtaining packages as indicated above, the contents of which are not known in advance, the policy might not give protection.

Perhaps, however, it is the intent of the clause quoted above simply to deny liability for alleged loss of securities which might be deposited with the Bank for safe keeping, in which event the Bank would probably have no means of knowing the value of any packages so deposited. This situation might be somewhat similar to that of a safe deposit company which rents space to a customer for the safe keeping of valuable papers or securities, the contents of which the company has no knowledge and for which it should not be held responsible. This is a matter which should be given careful consideration, perhaps by a committee of counsel of the Banks. It will be noted that Provision 2 of the Lloyds policy plainly states that the company is responsible for loss of securities while in the hands of messengers within ten miles of the Bank or any of its branches.

One of the Federal Reserve Banks has a policy which does not cover "teller's shorts". While there should, of course, be no suggestion that a Bank would hold an insurance company responsible for ordinary teller's shorts, it is possible that, through theft, there might be a considerable shortage in a teller's accounts, which should be covered.

While the majority of the bankers' blanket bonds cover loss through robbery, theft, hold-up, etc., while the property is in transit within twenty (20) miles of any of the offices covered in the policy, a few of the policies limit this distance to ten (10) miles. Uniformity in this matter ought to be easily obtained.

Query: Should not the co-sureties, or underwriters, sign the policies with the principal, as is done in the case of the policy carried by the Federal Reserve Bank of Richmond? This would add strength to the policy.

One of the clauses of the standard form as adopted by the insurance committee of the American Bankers Association states that the policy does not cover "any loss resulting from the act or acts of any of the directors of the insured, other than those employed as salaried officers." This clause should have careful consideration in those Districts where the Deputy Federal Reserve Agent is a Class "C" Director, is not a salaried officer of the Bank, but has access to the funds in the possession of the Bank, or the Agent.

5/9/17