

FEDERAL RESERVE BOARD
WASHINGTON

105

February 6, 1922.
X-3324

SUBJECT: Letter from Federal Reserve Bank of Boston
Regarding Insurance on Building

Dear Sir:

There is transmitted herewith, for your information, copy of a letter from the Governor of the Federal Reserve Bank of Boston regarding the insurance on the new building of that Bank.

Yours very truly,

(Enclosure)

G o v e r n o r .

GOVERNORS ALL F.R. BANKS EXCEPT BOSTON

C O P Y

FEDERAL RESERVE BANK
OF BOSTONX-3324a
February 2, 1922.

Mr. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Harding:

I have just completed our final arrangements with the insurance companies as to the rate of insurance on our new bank building and I thought that the Board might be interested to know what that rate was and what the insurance will cost us per year, especially as the Board of Underwriters state that the rate they have issued on our bank building is the lowest rate they have ever put out.

The basic rate is 9.6 cents per hundred dollars on an 80 per cent co-insurance clause which makes an allowance for the value of the foundations. By taking the insurance policies for five years, we get a five-year insurance at four times the rate for one year. The result is that a five-year policy costs us 38.4 cents per hundred dollars, and on \$2,300,000 comes to \$10,752 premium for the five years of \$2150.40 for one year.

Since the time that the building was started, we have been in communication with the insurance people and told them that we would insure the building if the rate was so low that we could not afford to do anything else, but unless we had a good rate we should prefer to set aside a fund to insure it ourselves. It seems to me that this charge per year for insurance on the building of \$2150.40 on \$2,300,000 is so low that we cannot afford to insure the building in any other way, and as I say, I thought you would be interested to know the results of our efforts in this direction.

Of course, we have followed the regulations required by the insurance companies and have done everything to prevent a fire in the building or at least to localize it, but we considered that their regulations and their experience was so good that we could not afford to do any differently from what they recommended in any event. As a result of their recommendation we have sprinklers in the basement, certain fire partitions and fire doors and all exterior glass is wire glass and metal frame windows, and each window has two or three mullions in it which divide the panes into comparatively small pieces and this together with the wire is expected to prevent any fire getting inside the building in case a neighboring building was burned.

These regulations are applied to factory buildings and there is much experience to show that they are effective.

I would add that we have been insured by the best stock companies in Boston, not the same as if we were insured in mutual companies where we would be subject to additional premium in case of loss in some other plant.

Also, when we finally occupy the building even this rate will be cut slightly because we have watchmen in the building 24 hours of the day, and still another reduction about June or July when the high pressure service in Boston goes into effect.

Very truly yours,

(Signed) Charles A. Morss,
Governor.