March 30, 1929.

Dear Mr. Strater:

In accordance with your letter a day or two ago requesting that you be advised in advance, if possible, of any added topics which the Board may have to suggest for discussion at the conference beginning Monday, the following is herewith submitted:

"Should self-insurance reserves be carried by the Federal reserve banks and if so when and for what purposes should they be used and what effect if any should they have on the cost of fidelity or other insurance carried by the banks."

At the present time, five of the Federal reserve banks are maintaining self-insurance reserves as follows:

New York	$1,443,870.
Cleveland	541,017.
Richmond	300,000.
St. Louis	250,000.
Minneapolis	250,000.

The New York and Cleveland banks established the reserves for the purpose of ultimately carrying a fairly substantial amount of their own fidelity insurance, thus reducing materially their annual insurance premiums. The New York bank is carrying less fidelity insurance than it would carry if it were not for its self-insurance reserve, and available information indicates that the same is probably true of Cleveland. The Federal Reserve Bank of Richmond holds its reserve primarily as a protection against losses not covered, or only partly covered by insurance which it carries. It is understood that the St. Louis fund, which was established the first of the year, is intended for the same use.

Very truly yours,

(signed) E. M. McClelland,
Assistant Secretary.

Mr. H. F. Strater, Secretary,
Governors' Conference.