

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-7002

October 23, 1931.

SUBJECT: Group Life Insurance at Federal  
Reserve Banks.

Dear Sir:

Referring to the Board's letter of Sep-  
tember 3 on the above subject, there is attached  
hereto for your further information, copy of a  
memorandum prepared by the Division of Bank  
Operations under date of September 25 on the cost  
of group life insurance at Federal reserve banks.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Enclosure.

TO GOVERNORS AND CHAIRMEN OF ALL F. R. BANKS.

TO Federal Reserve BoardDATE: September 25, 1931.FROM Mr. Van FossenSUBJECT: Group Life Insurance

Since the preparation of my memorandum of August 12 on the above subject, we have compiled certain information, shown below, on the cost per \$1000 of group life insurance carried by the various Federal reserve banks, which may be of interest to the Board. In this connection it should be borne in mind that the cost of group life insurance varies considerably from year to year at a given Federal reserve bank, and accordingly only very general conclusions can be drawn from the table below as to the relative cost of such insurance at the respective Federal reserve banks. The cost per \$1,000 of insurance shown in the first column below is based on essentially the same scale of rates at each reserve bank and the relatively high average rates at certain of the banks are due to a correspondingly high ratio of employees of advanced age. For example, at Minneapolis and Kansas City 15 per cent of the employees are over 50 years of age and the cost of insurance on these lives is 52 per cent of the total cost at Minneapolis and 47 per cent at Kansas City. None of the other banks, except Philadelphia perhaps, have more than 10 per cent of their employees in this age group and the cost of insurance on such employees is but 28 per cent of the total cost at Boston and but little over 30 per cent at a number of other banks.

Cost per \$1,000 of Group Life Insurance carried by Federal reserve banks.

Federal Reserve Bank	Average	Experience	Dividends	Actual cost per \$1,000	
	tabular or policy rate*	discount -- per cent of tabular rate	received -- per cent of tabular rate	Per cent of tabular rate	Amount
<u>Annual Premium Policies</u>					
Philadelphia	\$11.28	36	Non-participating	64	\$7.21
Kansas City	12.29(a)	27	"	73	8.97
San Francisco	9.48	23	"	77	7.30
Cleveland	8.91	15	"	85	7.58
	9.27(b)	18.2		81.8	7.58
Boston	8.89	12	"	88	7.82
Dallas	9.65(a)	None	44.1	55.9	5.39
<u>Monthly Premium Policies</u>					
New York	9.95	10.7	37.6	51.7	5.14
Richmond	10.44	19.5	24.4	56.1	5.86
Atlanta	10.20	2.3	7.7	90.0	9.18
Chicago	10.10	9.7	8.5	81.8	8.26
St. Louis	10.86	9.4	43.8	46.8	5.08
Minneapolis	12.72	16.0	None	84.0	10.68

\*Slightly higher rates are charged on the monthly premium policies due to interest on deferred payments. Allowing for this the scale of rates at each age is identical for all banks, except Cleveland.

(a) After deduction of extra premium for double indemnity for accidental death.

(b) Calculated on the scale of rates charged the other reserve banks.