

## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARDFebruary 26, 1935  
B-1063

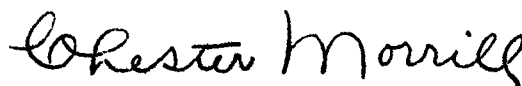
Dear Sir:

There is inclosed copy of a letter, dated February 14, 1935, received by the Federal Reserve Board from Mr. C. B. Eilenberger, Third Assistant Postmaster General, regarding the practice of placing coupons, bonds, scrip, stock certificates, etc., in the ordinary mails instead of dispatching such matter by registered mail. It will be appreciated if you will advise the Board at your early convenience as to the present practice of your bank in this respect and of your views on the subject matter contained in Mr. Eilenberger's letter.

It will also be appreciated if you will advise the Board whether any matter of the type referred to above is being received by your bank in the ordinary mails from member banks or from other Federal Reserve banks and, if so, whether this has made it necessary for you to take any added precautions, which may have resulted in some inconvenience or in increased expense.

In case it is the practice of your bank to dispatch any coupons, bonds, etc., by ordinary mail, please furnish the Board with a statement showing the estimated savings during the year 1934, which have resulted from this practice, prepared in accordance with the attached form.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures

TO ALL GOVERNORS

ESTIMATED SAVINGS DURING YEAR 1934 WHICH HAVE RESULTED FROM THE  
PRACTICE OF DISPATCHING COUPONS, BONDS, ETC., BY ORDINARY  
MAIL INSTEAD OF BY REGISTERED MAIL

FEDERAL RESERVE BANK OF \_\_\_\_\_ (INCLUDING BRANCHES)

Year  
1934

Estimated registration fees* if matter had been dispatched by registered mail . . . . .	\$.....
Estimated cost of insurance if matter had been dispatched by registered mail . . . . .	.....
Estimated <u>additional</u> clerical and protection expense chargeable to operation if matter had been dispatched by registered mail . . . . .	<u>.....</u>
Total . . . . .	<u>.....</u>
Less -	
Cost of insurance, if any, on ordinary mail shipments . . . . .	\$.....
Losses, if any, absorbed by Reserve bank . . . . .	<u>.....</u>
Estimated savings . . . . .	<u>.....</u>

MEMORANDA

	<u>Estimated number of pieces**</u>	<u>Estimated value</u>
Estimated value of coupons, bonds, etc., dispatched by ordinary mail and number of pieces of such mail . . . . .	.....	\$.....

\*Including surcharges, if any.

\*\*Envelopes dispatched.

B-1063b

## POST OFFICE DEPARTMENT

Third Assistant Postmaster General

Washington

February 14, 1935

Federal Reserve Board,

Washington, D. C.

Gentlemen:

It has come to the attention of this Office that some insurance companies have inaugurated the practice of insuring ordinary first-class mail. It appears that the policy does not cover currency and coin but does cover such matter as coupons, bonds, scrip, stock certificates, etc., and that the maximum liability assumed in connection with any one article is \$300.

It is understood that this insurance on ordinary first-class mail is carried by comparatively few companies and that a majority of the companies which carry the bulk of commercial insurance on registered mail have not as yet undertaken this insurance of ordinary mail. It is understood that a few banks or trust companies have been carrying their own risk on matter of the character referred to above sent by them as ordinary instead of registered mail.

It is known that in many instances, matter of the character mentioned would be mailed by the senders as registered mail were the commercial insurance companies to refrain from insuring the matter if sent as ordinary mail, and this Office is of the opinion that matter of this kind should not be placed in the ordinary mails.

The law establishing the Registry Service (39 U.S.C. 381a Supp. VII) indicates that the Registry System was established "for the greater security of valuable mail matter." It is not believed that it was the intent of Congress that the ordinary mails be burdened with matter of the character outlined above which either singly or in the aggregate is of more than nominal value and of such a character as would ordinarily be given the protection of the Registry Service.

The domestic Registry Service has reached a high state of efficiency as is evidenced by the very small proportion of losses which occur. This result has been attained largely through the maintenance of an expensive system of records and receipts and other safeguards which have been thrown around registered mail.

B-1063a

For many years the Registry Service has been conducted at a material loss. During the fiscal year 1934, the expenses of the Registry Service in connection with paid registrations exceeded the revenues from paid registrations by \$3,662,614. The efficiency of the Registry Service, with resulting high degree of safety afforded mail of large value entrusted to it, has of course been of obvious advantage to the senders and commercial companies underwriting such mail, and it is believed that the commercial insurance companies as a whole, as well as the senders of registered mail of considerable value, are materially concerned in the efforts made by the Department to balance the revenues of the Registry Service with the expenditures so that there may be no necessity for curtailing any of the safeguards now afforded registered mail of large value. The adequacy of the records maintained in connection with registered mail at present have also aided materially in recoveries of substantial sums in case of major robberies, etc., all of which has been of material advantage to the insurance companies through reduction of the net losses to be sustained by the companies, and the senders of registered mail of large value have benefited through the low insurance rates which are believed to have been made possible as a result of the efficiency of the Registry Service.

It seems evident that should the practice of insuring ordinary first-class mail be extended considerably, it would militate seriously against the Registered Mails Service and affect its revenues to a material extent, necessitating that such action be taken as the Department might find available and appropriate for the purpose of protecting its interests in the premises.

It is also believed that as soon as it became known that matter of more than nominal value of the character enumerated above is being entrusted to the ordinary mails, the number of losses would materially increase with consequent numerous inquiries or complaints to the Department, the handling of which would add still further to the expenses of the Postal Service without affording any offsetting revenue.

For the reasons stated, it is believed to be to the interests of all concerned to discourage the insurance of ordinary mail of the first-class even though the amount of risk underwritten is comparatively small.

The object of this communication is to obtain, if possible, your cooperation, in so far as the Federal Reserve Banks and branch Federal Reserve Banks are concerned, in the efforts of the Department to discourage the use of the ordinary mails for matter of the character mentioned and for the reasons stated in detail above. It is under-

B-1063a

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stood that the Federal Reserve Bank at \_\_\_\_\_, \_\_\_\_, has utilized this comparatively new insurance to some extent at least, whereas the Federal Reserve Bank at \_\_\_\_\_, \_\_\_\_, has issued instructions to the effect that matter of the character referred to above should not be sent as ordinary mail.

Will you please advise as to your views regarding the matter and as to whether you find it practicable to instruct the Federal Reserve Banks and branch Federal Reserve Banks to the effect that matter of the character in question should be sent by registered mail instead of being sent by ordinary mail covered by commercial insurance.

Representatives of this Office will call on you within a few days for the purpose of furnishing you any further information regarding the matter which may be desired.

Very truly yours,

(Signed) C. B. Eilenberger  
Third Assistant Postmaster General.

GWP:HBB

B-1063a