

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-684

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 30, 1940

Dear Sir:

On August 8, 1939, the Board wrote a letter (R-518) to all Federal Reserve Banks requesting that it be furnished with certain information with respect to the various classes of insurance carried, premiums paid, losses incurred, etc., since the establishment of the Federal Reserve System.

Replies to this letter have been summarized for the information of the Board of Governors and a copy of the summary is enclosed. It will be noted from the summary that the System has paid insurance premiums, other than those on group life insurance, since its establishment of approximately \$17,200,000 and that claims collected from insurance companies on such insurance have aggregated about \$5,100,000, an excess of premiums paid of over \$12,000,000. In 1938, the last year for which figures were obtained, total premiums paid for such insurance aggregated \$553,800 and claims collected from insurance companies, \$139,300, the premiums exceeding claims collected by over \$400,000. The ratio of claims collected to premiums paid for all types of insurance, other than group life, has averaged approximately 30 per cent. As will be noted from the attached memorandum, the Government's experience under the losses in shipment act has been favorable.

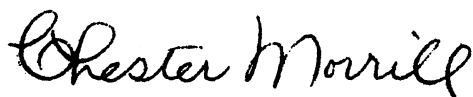
An analysis of these figures indicated to the Board that substantial savings could be effected if the Federal Reserve Banks by contractual agreements absorbed certain System losses instead of carrying insurance against them. While the Board has not attempted to work out any plan for this purpose, its General Counsel has advised it that, in his opinion, it is possible to work out an arrangement for this purpose which would be lawful. A copy of Counsel's opinion is enclosed for your information.

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In these circumstances, the Board would favor the adoption of such an arrangement and is suggesting to the Chairman of the Presidents' Conference that he appoint a committee at his early convenience consisting of operating men and counsel to work out a plan under which insurance now carried against certain losses may be discontinued and such losses absorbed by the Federal Reserve Banks under contractual agreements entered into with each other. The Board will designate a representative from its operating staff and one from its legal staff to serve with the committee. Such a plan when worked out would, of course, be submitted to the directors of each Federal Reserve Bank, and to the Board of Governors, for their consideration and approval before becoming effective.

Very truly yours,



Chester Morrill,
Secretary.

(Enclosures sent only with addressed copies)

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS