

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-495

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1942

Dear Sir:

Enclosed for your information and  
files is a copy of a letter with reference  
to the financing of fire insurance premiums  
under Regulation W.

Very truly yours,



L. P. Bethea,  
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



S-495-a

May 15, 1942

\_\_\_\_ Company,  
\_\_\_\_ Street,  
\_\_\_\_, \_\_\_\_.

Gentlemen:

In your letter of May 11, 1942, you asked whether the instalment financing of the premium on a three year fire insurance policy is exempted by section 8(g) of Regulation W if, upon cancellation of the policy by the finance company for default in an instalment payment on the loan contract, the unearned premium returnable by the insurance company on a short-rate cancellation basis would be only 60 per cent of the entire premium, whereas under the loan contract, the insured would owe the lender an amount equal to  $66\frac{2}{3}$  per cent of such premium.

Your inquiry requires a negative answer, since section 8(g) applies only in cases where the extension of credit is at all times to be fully secured by the unearned premium returnable by the insurer on cancellation of the policy.

The administration of Regulation W has been decentralized, and, therefore, if you have further inquiries relating thereto, it is suggested that you address them to the \_\_\_\_\_ Branch of the Federal Reserve Bank of \_\_\_\_\_.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.