



MAR 30 1981

B-202656

The Honorable William M. Thomas  
House of Representatives

Dear Mr. Thomas:

This is in response to your letter of February 17, 1981, to our Mr. Martin Fitzgerald, transmitting a copy of a letter to you from one of your constituents, a Mr. [REDACTED]. You asked us to look into Mr. [REDACTED]'s suggestion that GAO study the subject of purchasing insurance to avoid losses when computers suffer casualty damage. He cited a specific loss of this type in his letter. Staff from our Los Angeles Regional Office investigated the incident and found that there was indeed a sprinkler malfunction which caused damages estimated at \$1.8 million. The installation has taken steps to prevent a recurrence of such damage.

Concerning Mr. [REDACTED]'s question about insurance, the Federal Government policy is pretty well set. One of our reports 1/ stated:

"The Government has a long-established policy for self-insuring its property. This policy is based on the theory that the magnitude of the Government's resources, with many exposure units and geographic dispersion, makes it more advantageous for the Government to assume its own risks rather than to insure them through private insurers at rates sufficient to pay all losses and operating expenses together with a profit for the insurer. Although there is no statutory requirement on self-insurance, the Government's policy for self-insurance is expressed in the decisions of the Comptroller General of the United States and is reflected in the official business of various Government departments and agencies. The Congress has recognized this policy in some cases by specifically prohibiting the expenditure of appropriations for payment of insurance premiums while in other cases it has authorized the purchase of insurance by the Government or its contractors."

We do appreciate your constituent's interest in the matter; it represents a sincere desire to save the Government money. Under the

1/PSAD 75-105, dated August 26, 1975, "Extending The Government's Policy Of Self-Insurance In Certain Instances Could Result In Great Savings."

circumstances, however, we believe that the subject has been given appropriate attention, and that further study is not now warranted.

We will be happy to supply further details if you wish. Our Mr. Ken Pollock may be contacted at (275-5044).

Sincerely yours,

MILTON J. SOCOLAR

Acting Comptroller General  
of the United States

cc: Mr. Scantlebury, AFMD  
Mr. Campbell, AFMD  
Mr. Anderson, AFMD  
Mr. Pollock, AFMD  
Dr. Merritt, AFMD  
Index and Files