UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

IN REPLY
REFER TO:

OFFICE OF GENERAL COUNSEL

B-158766

1977

The Honorable Alan Cranston
United States Senate

Dear Senator Cranston:

This is in response to your letter dated December 21, 1976, on behalf of your constituent, Rev. Arthur Richards, 1650 West Mountain Street, Glendale, California, 91201, regarding his inquiry concerning "U.S. Government Insurance contracts". Rev. Richards advised you by letter dated December 12, 1976, that as a licensed insurance broker he was interested in obtaining "U.S. Government insurance contracts" and was seeking information relative to where such contracts could be obtained and the procedures to be used in obtaining such contracts.

In reply to Rev. Richard's inquiry we note that the Federal Government's long standing policy has been to self-insure its own risks of loss. As far back as February 9, 1892, the first Comptroller of the Treasury so advised the Department of State. In this connection we have stated that:

> "It is a settled policy of the United States to assume its own risks and the established rule is that, unless expressly provided by statute, funds for the support of Government activities are not considered applicable generally for the purchase of insurance to cover loss of or damage to Government property. * * * It is not sufficient that there is no law specifically providing that the United States shall not insure its property against loss, but rather that there is some law which specifically authorizes it. * * * The basic principle of fire, tornado, or other similar insurance is the lessening of the burden of individual losses by wider distribution thereof, and it is difficult to conceive of a person, corporation, or legal entity better prepared to carry insurance or sustain a loss than the United States Government. As to

this policy of the Government to assume its own risks, no material distinction is apparent between assumption of risk of property damage and assumption of risk of tort liability." 19 Comp. Gen. 798, 800 (1940).

The Government's practice of self-insurance is derived from policy considerations, not positive law. This policy arose because it was felt that the magnitude of the Government's resources and the wide dispersion of the types and geographical location of the risks made a self-insurance policy generally more advantageous to the Government, in that it would save the items of cost and profit which private insurers have to include in their premiums. See B-175086, May 16, 1972.

It is to be noted that exceptions to this general rule have been made. See B-151876, April 24, 1964; see also 55 Comp. Gen. 1196 (1976). Most of these exceptions have been provided through congressional action. For example, the Department of State and the Department of Agriculture have been granted statutory authority by Congress to purchase insurance covering the liability of employees for damage or injury caused while operating Government vehicles in foreign countries. See 22 U.S.C. § 2670(e) (1970) and 7 U.S.C. § 2262 (1970) respectively. However, in the case of insurance purchased for the purpose of operating Government vehicles in foreign countries we have been advised that such insurance is obtained in the host country from host country insurance companies.

In conclusion, the general policy of having the Government assume its own risks, that is, act as self-insurer would, in all but a few instances, eliminate the need for "U.S. Government insurance contracts". Moreover, those few instances in which the Government would purchase insurance would not, in general, necessitate use of established bidding procedures.

We hope that this information serves the purpose of this inquiry.

As requested in your letter of December 21, 1976, we are returning the materials forwarded to our Office. Additionally, we are enclosing copies of our decisions as cited above.

Sincerely yours,

Paul G. Dembling

Paul G. Dembling
General Counsel

Enclosures