

[No part of this transcript may be made available to any person not present at the 29th meeting of the CIA Career Council, except with the explicit permission of the Chairman (Mr. Reynolds) or the Executive Secretary [redacted]]

25X1A9a

CIA CAREER COUNCIL

29th Meeting

Monday, 11 June 1956

DCI Conference Room

OGC HAS REVIEWED.

DOCUMENT NO. _____
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S (B) 2011
NEXT REVIEW DATE: _____
AUTHORITY: HR, 70-2,
DATE: 25/06/81 REVIEWER: 018995

[1 copy excerpts of p.14 from line 6 to bottom of page, p.21 from line 19 to bottom of page, and pp. 22 thru 25, were given to [redacted]]

25X1A9a

~~SECRET~~

CIA CAREER COUNCIL

29th Meeting

Monday, 11 June 1956

DCI Conference Room

Present

Harrison G. Reynolds
D/Pers, Chairman

Matthew Baird
D/TR, Member

[REDACTED]
COP-DD/P, Alternate for DD/P, Member 25X1A9a

Lyman B. Kirkpatrick
IG, Member

[REDACTED] 25X1A9a
D/CO, Member

[REDACTED] 25X1A9a
SA/DDI/AD, Alternate for DD/I, Member

Lawrence K. White
DD/S, Member

[REDACTED] 25X1A9a
Executive Secretary

[REDACTED] 25X1A9a
Reporter

Guests

H. Gates Lloyd, Assistant Deputy Director (Support) 25X1A9a
[REDACTED] Deputy General Counsel

[REDACTED] BCD/OP, President of GEHA
[REDACTED] DCh/BCD/OP, Treasurer of GEHA

Members of the Board of GEHA, Inc. 25X1A9a

25X1A9a [REDACTED] Chairman
[REDACTED] Member
[REDACTED] Member
[REDACTED] Member 25X1A9a
[REDACTED] Member
John Tietjen, Member

~~SECRET~~ CONFIDENTIAL

~~CONFIDENTIAL~~

. . . . The 29th meeting of the CIA Career Council convened at 2:00 p.m., Monday, 11 June 1956, in the DCI Conference Room, Administration Building, with Mr. Harrison G. Reynolds presiding

MR. REYNOLDS: The meeting will please come to order.

The Career Service Council and the members of the Board of Directors of GEHA were called together to meet jointly today because of a category of employee who was covered by the insurance of GEHA and a disagreement on the part of two groups in the Agency as to what this coverage should be.

In October, 1952, the CIA Career Service Board, predecessor of the CIA Career Council, established a Hazardous Duty Working Group under the chairmanship of [REDACTED] -who is now the Administrative Officer of the [REDACTED] to determine whether the principle of "hazardous duty" pay should be established in CIA. In addition, [REDACTED] the Executive Secretary of the Career Board, interviewed Admiral Lewis Strauss--before Admiral Strauss became a member of the Atomic Energy Commission--in New York, since Admiral Strauss had been appointed by the President to head a Commission to report on the question of hazardous duty and incentive pay in the Armed Forces. As a result of the report of the Hazardous Duty Working Group and the recommendations of Admiral Strauss, the CIA Career Service Board on 10 March 1953 decided it would NOT recommend to the Director a pay differential for hazardous duty but that it WOULD explore the possibility of protecting CIA employees through an insurance program especially tailored to meet the needs of the Agency.

25X1A9a
25X1A
25X1A9a

As a result of its decision on 10 March, the CIA Career Service Board established an Insurance Task Force under the chairmanship of [REDACTED]. Actuarial consultants were authorized by the Career Service Board, their advice was reviewed by the Board, and on 30 June 1954, the Board approved the report of the Insurance Task Force. On the basis of this approval, a contract was negotiated by the Office of Personnel and the General Counsel with Mutual of Omaha, the contract being signed on 29 July 1954. In the meantime, a sterilized brochure describing the new hospitalization and life group plans had been prepared with the collaboration of representatives of the insurance company, and on 29 July 1954 an official notice was issued establishing this program.

25X1A9a

In paragraph 2.a. of this official notice (Notice [REDACTED] - 25X1A I will read the first sentence [reading]:

"This new term life insurance, as described in the attached brochure, may be purchased by members of GEHA who are

~~CONFIDENTIAL~~

~~SECRET~~

Staff Employees, Staff Agents, or Contract Employees, or who are civilian or military personnel detailed to the Agency. In the case of Contract Employees, evidence of insurability by medical examination is a requirement in addition to approval of the application by the Station or Mission Chief and evidence of an appropriate contract on file at headquarters."

And paragraph 2.b. - WAEPA Life Insurance - reads:

"Subject to security considerations, WAEPA term life insurance and accidental death coverage is currently available to civilian Staff Employees of the Agency through GEHA. The eligibility of Staff Agents, Career Agents and Contract Employees must be determined on an individual case basis."

MR. REYNOLDS (Continuing): The Board of Directors of GEHA last week did not approve the coverage of certain persons who had been included in a Project of this Agency, and addressed a resolution to the Deputy Director of Support, which he has now received. So I will ask Colonel White to address himself to this proposition.

COLONEL WHITE: The resolution which the Chairman has referred to [dated 31 May 1956] is the last sheet of the thermofax which you have. It is attached to the memorandum itself [from the General Counsel, dated 11 June 1956, IS 6-1273]. I received this from the Board as putting me on notice that certain people were not to be covered. The responsibility I felt was upon me to resolve this in one way or another, because the Director understands that the people are being covered, and in at least one case a commitment had been made that coverage would obtain. So I feel very heavily the responsibility to see that this is resolved in whatever way is appropriate, and take whatever action is appropriate to see that the Agency lives up to the commitment which has been made.

25X1A9a I'd like to say in the beginning that this memorandum dated 11 June, which [redacted] and Larry Houston have written--I apologize for this kind of a paper, but this was brought about by a project which is a very sensitive project, and while this paper does not mention the project at all I would like to have all of these papers turned back in, if I may, when we are finished today, because I think it is getting fairly widely known as to what prompted this.

I'd like to ask, if you haven't finished reading this memorandum, if you would now finish reading it, after which I would like to say another word or two.

. . . . Members present were then given a few minutes to finish reading the memorandum to which Colonel White referred

. . . Dr. Tietjen and [redacted] joined the meeting . . . 25X1A9a

██████████
██████████

COLONEL WHITE: Is everybody finished?

When I received this resolution, as I said, I felt I was out on a limb to do something rather promptly, and I asked the Board to meet with me right away, which they did - last Friday - and I think we summarized in this memorandum how the Board felt. There is no question--as a result of my meeting with the Board--that they were most sincere in carrying out their duties and responsibilities to the policy holders. I asked them to reconsider this resolution, and I have outlined, I think, their reaction to that request here in this memorandum. I felt that we should have a joint meeting of the Career Council and the Board because of two things: first, the Board has a responsibility to the policy holders, and their conception of what the Agency intent and policy was with regard to this matter did not coincide with my feelings as a member of the Career Council; and the Career Council also has a responsibility to all the people in the Agency and to the Director. I felt the Career Council in all probability had a view somewhat akin to my own as to what the Agency policy and intent and understanding of the Council was in going into this insurance program. So I thought it was advisable, as the next step in trying to work this out, to see whether or not that is correct. Certainly I think we would all agree that the Career Council and the Board should have unanimity of opinion as to how we administer this program, because although it is a program in which our people are stockholders, it also is an Agency instrument in another way. In fact, we are actually paying substantial amounts from Agency funds to administer the program to protect its security, etc. So I think the Board and the Council certainly should have some understanding of what we are trying to do here, and I hope we might accomplish that through this meeting.

Harry, that about summarizes the problem and I would suggest to the Council and the Board that we follow this general procedure, and if anyone would rather follow another procedure, it doesn't matter, but I think we might well get 25X1A9a the thing in focus first of all by asking ██████████ who was the Chairman of our Insurance Task Force and is also the Chairman of GEHA, to explain to the Council what the thinking of the Board was in passing this resolution; and then after 25X1A9a whatever discussion you would want, I think also I would ask ██████████ to comment on what our contract calls for.

Now I should also say that I think an ingredient in this is: On what basis did we negotiate with the underwriters? We have a different understanding on the part of the four people who did the negotiating. ██████████ will explain

25X1A9a

25X1A9a

one viewpoint to you and I think it would be proper to have [REDACTED] explain the other viewpoint, and legally what our contract calls for. Unless someone has a better suggestion, I would think that would be a simple way to get the thing on the table so you can see what the real problem is.

MR. BAIRD: Except that chronologically there is a FIRST step, it seems to me, and that is the instructions to [REDACTED] and the Committee from the Council. He must have had some points of reference with which to enter into negotiations.

MR. REYNOLDS: Matt, I think that is a thought which we should consider certainly, because when I came here in January, 1954, the Insurance Task Force was presumably half-way through its job, and Kirk was then Chairman of the Career Service Board. It was my impression as a new member of the Board that this whole thing hinged on hazardous duty, and I think if you don't mind, Red, I'd rather have Kirk give the chronology, and then [REDACTED]

MR. KIRKPATRICK: Unless somebody has contrary views, it seems to me that is covered perfectly well in the last sentence in paragraph 3 of this memorandum dated 11 June, in which there is a quotation from the report of the Executive Secretary of the Career Service Board, dated 8 May 1953, which states:

"There is no question that there are risks and hazards connected with certain activities conducted by CIA. The policy decision taken by the Board was that these risks should be covered by insurance if possible rather than by incentive or hazardous duty pay."

I think that summarizes it. We could go into a discussion at great length. And the Task Force reported at least twice on the progress of their negotiations, and then [REDACTED] gave a detailed report at the conclusion.

MR. REYNOLDS: Is there any comment on Mr. Kirkpatrick's statement?

MR. KIRKPATRICK: In other words, the point I am making is that it is my impression that the Career Service Board at that time wanted a broad insurance program developed for the Agency that would cover hazardous duty--and I think that view is shared by the others that were members then.

MR. REYNOLDS: [REDACTED], will you take over now, please, sir?

[REDACTED] I'd like your permission to have any member of the Board supplement what I have to say.

MR. REYNOLDS: Certainly, sir.

[REDACTED] First, as a preamble, each member of this Board is greatly concerned and absolutely sincere, individually and as a group, about this point of view which I will try to explain. Next, for the record, we believe that insurance programs--all of them that we have--are facets of good personnel administration in

the Agency, and we feel it is incumbent upon us as the policy group in respect to these programs to be as responsive to the desires of the Agency as is humanly possible. Because it is possible that I might not cover questions which you have in mind as I go along, I'd appreciate it very much if you would make notes and ask the questions after I get through. Is that satisfactory?

MR. REYNOLDS: Certainly.

25X1A9a

[REDACTED] Now because I am going to deal with a cast of characters I'd ask Rud if he would pass out the lists which I have given him--one for each of you--showing the members of the Task Force, the Underwriter, the Underwriter's representatives, the GEHA Board of Directors, and the GEHA officers, and a statement as to the insurance competency of the Agency officers, which we have on the very bottom of that sheet of paper [filed with background papers of 29th meeting].

[REDACTED] There are only seven copies, so not enough to go around to other than the members of the Council.

25X1A9a

[REDACTED] Just so you will know who we are talking about. The formal title of the underwriting company is the [REDACTED]

25X1A9a

25X1A5a1

[REDACTED]. I want to say a word about the Underwriter's representatives.

[REDACTED] the local General Agent, has full TOP SECRET clearance. We have, however, kept our conversations on a need-to-know basis with him, and our dealings with him extend back for seven years to the beginning of the first insurance program that we had. [REDACTED] is Executive Vice-President of the Company. Al

25X1A5a1

25X1A5a1

[REDACTED] and he has no clearance.

25X1A5a1

Now the members of the Board you see listed next, and who they are, and the GEHA Officers are shown right below. You see that the officers coincide with the administrative responsibility in the Office of Personnel for the programs.

Next I thought you might be interested in seeing again the causes of death as the Task Force presented it to you two years ago [filed with background papers of 29th meeting]. And it is important to note that here now, because I am going to use it in part. You will note on the very bottom that we did show [REDACTED] 2 deaths by enemy action; fortunately they turned out not to be deaths, which we found out later. And you will see the principal causes shown in percentages--of death. The up-to-date figures, that is to say, these last two years, we have just gotten out and Rud will have those if you want to know what has happened in the last two years. I don't have those figures.

25X1A5a1

Now I will ask: are there any questions so far about the Underwriter or Underwriter's representatives, or the GEHA Board of Directors or GEHA Officers--

and the circumstances of death that we used when we talked with ██████████ 25X1A

COLONEL WHITE: This may not be important but what kind of clearance

X1A5a1 did ██████████ have?

25X1A9a

██████████ None. He was present only at one meeting--the last one, where we wrapped up the features of the program, which were all published anyway.

X1A5a1 ██████████ is the only one who has any kind of an idea what this is all about.

John, do you want to mention the actuarial consultants?

They were mentioned.

Both of whom had full TOP SECRET clearance.

They went over all of our work - the actuarial aspects

25X1A5a1 and the proposals of ██████████ and passed them. It was the ██████████ here in

25X1A5a1

Washington.

Now, the substantive part of it.

The Board first learned of this matter at its meeting on 31 May of this year (1956). It learned at that time that there were 16 contracts already written, one pending, and it seemed likely there were about 8 more to go, making a total of 28. That fact is important. They were written - 3 in January, 1956, 4 in February, 1 in March and 7 in May, 1956. The Board unanimously concluded-- and I will give you the reasons--to ask that losses arising from the extra-hazardous part of this project be underwritten for GEHA by the Agency. I am compacting an awful lot of talk here, but the whole point of the matter rests in the following principles, involving three points which are the heart of the matter:

First, these are extra-hazardous duty assignments in substantial amount, and those words are carefully chosen - the extra-hazardous performance of duty in substantial amount and continuing time. These extra hazards do, in my opinion, and in the

25X1A9a

opinion of ██████████--who was on the Task Force--differ, because of amount and

kind, from our understanding with ██████████ during the course of negotiations and in

25X1A5a1

the final conclusion. That view is not shared by the other two members of the

25X1A9a

Task Force - ██████████. I will say more about that in a moment. But the first point, then, is continuing, extra-hazardous duty and substantial amount of it.

Second, the Board felt that the classification of the extra-hazardous duty personnel within this project as "employees" means the addition of a group in our

insurance life coverage plan which are not true employees, that is to say "true"

in terms of regular--really, it's difficult to find words to say what we had in

mind--but the regular staff employee, the regular staff agent or contract employee

~~CONFIDENTIAL~~

did not and does not constitute within its total the extra-hazardous aspect--the size of the extra-hazardous aspect and the continuing nature of it, as is contained in this project. Third point: we felt that the introduction of this substantial and continuing extra-hazardous duty jeopardizes the interests and rights of the great body of employees who stand to lose, first, dividends, hence extra premium, or failure of ██████ to renew the contract. I am not telling you what I think, I am telling you what the Board feels, all of us together - uniformly.

Now this is important as a sub-point under the last one. The Board agrees that the underwriting plan did and does contemplate any hazard on the part of the Agency's basic force, the regular staff employee, the regular staff agent, and the contract employee--perhaps the word "regular" is of importance here--but feels that such hazards, wherever they fall--and we admitted them in the negotiations, as evidenced in the contract--such hazards are not the same as that posed by this project, - the difference between intermittent and occasional versus substantial and continual. And there the whole thing rests.

I have since found out two pieces of information which impinge here, and which two pieces of information I would like to lay out not that they are conclusive but rather to indicate ██████ reaction when we went into negotiations. These two pieces, I reaffirm, are not conclusive in themselves, but I set them forth as indicative of ██████ "understanding."

On 17 February, as a result of conversation between ██████ and Larry Houston, ██████ went to ██████ here and said, "We would like to have you add \$20,000 of life for some special types of personnel - premium immaterial." ██████ said he thought no, but he phoned the home office to ask them and they said "No." Well, of course you would say no. The home office said such risks are not insurable.

MR. KIRKPATRICK: John, would you go over that again? We asked them-- ██████ asked ██████--and the answer came from the home office--for \$20,000 of life coverage for certain special types of personnel, premium immaterial - for any price - and ██████ said no.

██████: Is this \$20,000 additional or \$20,000 face? \$20,000 additional, on top of face amount of \$15,000.

MR. KIRKPATRICK: Did that raise a question on the face amount, too? No, because we have it covered. [Next sentence was off the record.]

~~CONFIDENTIAL~~

[REDACTED]

The second piece of information. Last Friday morning I was talking with [REDACTED] 25X1A5a1 about another matter, and he said, "As long as I've got you on the wire I want to ask you a question. I have in front of me a death certificate"--if this is too sensitive--it goes to the heart of the matter, but I think it is important--

MR. KIRKPATRICK: We couldn't deal with this issue unless we get to the heart of the matter.

25X1A9a

[REDACTED] He said, "I have in front of me a death certificate which reads [off the record]. He said, "It occurred to me that maybe you wouldn't like the home office to see that." He said, "I can block it out and tell them to take it." So I said, "That is a security matter. I will call back." So I called [REDACTED] 25X1A and asked him, and Bob said we would like to take advantage of [REDACTED] 25X1A5a1 offer and have that blocked out. Later I learned that [REDACTED] 25X1A5a1 reason for calling me was not that he was worrying about our security but, rather, that he didn't want the home office to see that sentence because he thought there might be some question as to [REDACTED] 25X1A5a1 willingness to renew. Now [REDACTED] 25X1A5a1 may be wrong on that, but that was his point of view.

The Board recommends that GEHA itself cover--not through [REDACTED] 25X1A all the present contracts and the remaining ones to go on the extra-hazardous duty assignments within this project, and we will use our check--we pay, and the Agency pay us in case of loss, for the reasons I have given you.

Now that is the end of my story. I have compacted this thing from a great deal of conversation and I may have left out some things which the members of the Board would like to set forth as supplements or amendments or emphasis.

Would you like to invite any member to add anything?

25X1A MR. REYNOLDS: I'd like to ask [REDACTED] his opinion on the security aspects.

MR. KIRKPATRICK: Let me ask a question before Bob answers. How much does the GEHA Board know about the particular project involved?

[REDACTED] We don't know why but we know what they are doing. 25X1A9a

25X1A9a [REDACTED] I know but I haven't said anything to the Board. 25X1A9a

[REDACTED] We add two and two and make four - because of the death certificate and the high degree of sensitivity as we have heard it.

MR. KIRKPATRICK: I think maybe, Bob, just for the sake of security of the project, that we could just say that anything discussed here today ends here

~~CONFIDENTIAL~~

today, and that the record be purged to that degree.

25X1A9a

MR. REYNOLDS: The record will be purged of that portion of [REDACTED] statement as to his conversation with [REDACTED]

25X1A5a1

MR. KIRKPATRICK: But I don't know how we can cope with this problem unless we discuss it pretty frankly.

MR. REYNOLDS: I think we must, if we're going to settle this thing, because there is an inconsistency here which is a very awkward one for the Agency as a whole, and for its people, in my opinion. Because here the Career Service Board thought that it was creating or giving all the protection that it could for hazardous duty, and it didn't and it hasn't - isn't that correct, Kirk? I'm asking you that as former Chairman of the Council.

MR. KIRKPATRICK: Well, I think there is a lot that meets the eye here, and it seems to me--and I have had a little experience in the insurance field-- not as much as [REDACTED] but some experience--but it seems to me we are dealing with two actuarial bases which are conflicting with each other, one known and one unknown, and that the GEHA Board, in the simplest terms, feels that with the hazard in this group of contract employees that the actuarial base may change so drastically that [REDACTED] will cancel the whole policy. That is it in a nutshell.

25X1A9a

25X1A5a1

[REDACTED] Then it is a "degree" that we are discussing here.

25X1A9a

MR. BAIRD: Are you right in saying "contract employees"?

25X1A9a

[REDACTED] That is my question.

MR. BAIRD: The record says they are staff employees.

COLONEL WHITE: The Director has approved that these people are staff employees for the purpose of this project. Now that is a point. However, the thing I think we should not lose sight of is that in our Agency notice there we say that even military people detailed to the Agency are eligible for this insurance, and contract employees. So it seems to me that throwing in this business about true staff employee or staff agent is a new one to me, because in our basic notice we say that contract employees and military personnel detailed to the Agency are eligible. So taking the view that they are not true staff employees and staff agents is one which I don't find valid.

25X1A9a

[REDACTED] Why did we go through this process of getting these people designated as staff employees? Why was it felt important?

25X1A9a

[REDACTED] It was a very simple thing. Under the statute which set up the Federal Employees Government Life Insurance program--the Eisenhower program--

~~CONFIDENTIAL~~

contract employees were not eligible to secure that insurance. So the Director signed an authorization appointing these people, and appointees are eligible. So that was the sole purpose - to give them eligibility to FEGLI--

COLONEL WHITE: To that insurance [FEGLI] but not this [GEHA]. But an important point is--and I think we should look at this from the overall and not isolate this particular thing--the important point here is that if the ultimate decision is that they are not eligible for this insurance then their whole Eisenhower insurance is in jeopardy, too.

25X1A9a

But don't you have to isolate this, Red? Doesn't this come down, in the last analysis, to a question of figures and statistics, and all the rest of it? You could bring in 400 people who are made staff employees on the basis these were, and nobody would blanch and nobody would think twice. But it so happens these were brought in with fanfare and trumpets, saying, "These boys are going to put their necks on the block" - so everybody starts to worry. So isn't the question really before the house to decide on this matter rather than getting into all the aspects of principle involved in this insurance? We can work that out over a period of time by setting up certain groundrules and getting advice from the Board a priori rather than after the contracts are signed, and get ourselves off the hook for this one project, which is really before us, and find out exactly how many of these contracts that are being written are actually of the hazardous duty kind; in other words, what are we dealing with in dollars and cents? Is it 28 people or three or four people - in effect, because they aren't all in the same category.

25X1A9a My understanding is 16 plus the additional 12, which would make a total of 28, will be strictly employed for the extra-hazardous duty. And there are many others in the project who are covered by insurance who will not fall within that extra-hazardous duty category at all - staff employees assigned to the project who are normally covered by insurance.

25X1A9a

Then in all probability how many of those--

25X1A9a Of the 28? To my understanding, all of them.

COLONEL WHITE: My personal estimate of the risk involved in this as far as claims go, is that there are other projects running, Dick--as a matter of fact, one big one which was running and which we could have lost five times this much-- so that my personal view as to the risk of exorbitant claims because of this one project is that you are running other projects and have been running other projects

~~CONFIDENTIAL~~

where the risk was and is much greater.

MR. KIRKPATRICK: I agree with you completely, Red. I would say, actually, that of the numbers involved in this, they all at one time might experience extra hazard, but I doubt very much whether they all will in fact, and certainly none of us can sit here and predict what the losses might be. But I would be very surprised if they were large, for the simple reason that I think an initial loss may preclude later losses - in other words, end it right there.

█ That is what I am trying to get at. I can't conceive we are talking about as many people--

25X1A9a

COLONEL WHITE: That is the total number of policies.

MR. KIRKPATRICK: You started out with a preamble, John, so let me first say that the Career Council in no way questions the integrity of the GEHA Board or their sincerity in reaching this decision, but we feel, as the Career Council--particularly those sitting here the last three days--that perhaps we aren't all playing on the same wicket. We had one concept and now another one seems to have developed. I think we all sympathize, understand, and expect the GEHA Board to: (a) protect the individual against an increase in premium; and (b) protect the Agency against in any way, by implication or otherwise, being dishonest or deceitful with Omaha; and (c) protect all of us from the possible loss of this very beneficial contract. But, on the other hand, it does seem to me if we are going to maintain any flexibility whatsoever, and if the Agency, on the contrary, is going to maintain any flexibility in the handling of its employees, of which we have more categories than you could shake a stick at today, that we have to reach an understanding in this right now, because we are going to have more projects like this. I foresee this as one of a part of a series of projects on a constant basis but never all at one time, involving a large number of risks but nevertheless involving risks that must be covered. And I wonder if the real answer to this might not be to just point out to █ that we're going to get 25X1A5a1 into areas of extra hazard, that we recognize this and we recognize there might have to be a reassessment of your actuarial base in the future. Because, after all, actuarial bases are constantly reviewed in every phase of insurance, whether it's automobile accidents or death from heart failure, or whatever it might be. Here we have the particular actuarial base which is the CIA employee, per se. The CIA employee's character may be changing as we go along, and it may be necessary to change that actuarial base, and some of us sitting here in Washington may have

~~CONFIDENTIAL~~

[REDACTED]

to spend 10 or 15 cents a month more to protect the guy in the field. Is that an unusual precept to advance? What I am saying is, in effect, why do we jump at this conclusion right now? I think everybody in the room recognizes that should we soon go into catastrophe in this project, that yes the Agency would step in and pay with hard cash so that we wouldn't jeopardize the contract. But aren't we worrying about something that hasn't happened yet and may not happen, and shouldn't we approach this on the basis - let's watch this thing develop, and if we start having losses then we can go in and discuss it with them and say, "Sorry. When we initially negotiated with you we didn't envisage the type of losses we are now running into." Because if we stick to the "regular staff employee" as our basis of dealing with this, then my view is the regular staff employee basically doesn't have hazardous duty, with damn few exceptions.

25X1A9a

[REDACTED] We intended to wrap up all the hazardous duty. This is a matter of degree, and we are just concerned with the size of this particular activity vis-a-vis what we had visualized.

MR. BAIRD: I see no way out of it except to determine whether this is extra hazardous.

25X1A9a

[REDACTED] We think it is. I think [REDACTED] expressed it very well. I tried to draw that issue sharp, as I say - the amount and continuing versus intermittent and occasional.

25X1A9a

25X1A MR. REYNOLDS: [REDACTED] would you address yourself to this problem?

I know you have given it a great deal of thought and are very familiar with it.

25X1A9a

[REDACTED] There are just two aspects I'd like to mention. In my opinion on this matter I was influenced by what I understood to have been the original approach to it, and I did not have available the deliberations of the Council, but thinking in terms of the normal risk and hazard expected of staff employees and staff agents. And there was brought to mind the case of [REDACTED] and [REDACTED] - after that accident happened there did not come a formal announcement, a staff study, etc., but there was a clear opinion expressed across the board that staff employees in the Agency should not be put in position of performing services such as that, because it was too compromising, too dangerous - they knew too much. We were putting staff employees who had knowledge of the Agency, its organization, its personnel, its operations, into the hands of the enemy - and that, as a matter of principle, is something that shouldn't be permitted. Now the same thing applies with a prisoner of war - still thinking along the same vein - the POWs, such as the

25X1A9a

and
25X1A9a

25X1A9a

[REDACTED] case. There again you have what I would consider and was thinking in terms of the normal staff employee - you have your special intelligence clearances from the Director, and from the USCIB--the United States Communications Intelligence Board--the policy that staff employees or officers who have been briefed in this particular field should not be given assignments or placed in the position where, should they fall into the hands of an enemy, their knowledge would be compromised. So that is my concept of what was expected in the form of risk and danger as regards a staff employee. And, for that reason, I have always thought in terms of the insurance programs as being based much on that type of risk - normal accidents in planes, etc. But I considered these, in my thinking on that basis, as being extra-hazardous duty and not within the contemplated insurance program. Because say you take the normal staff employee here in the Agency and assign him on such a duty - he is in a position to compromise many, many things if captured, say, over and beyond the project which he is connected with. So I am thinking in terms of security at the same time. But that is just a basis of my thinking and it is the basis on which I thought the insurance program was set up, the normal risk that would be expected. Of course, it is recognized that the Agency at any time may direct its employees to perform services which are hazardous. It depends on the needs and desires of the Agency. But in a normal sense that is not quite the case, and that is the way I was thinking.

On the other hand, thinking in terms of this normal risk, if we put into this category the personnel who are, say, engaging in duties which are extra hazardous, then we are taking, say, an Agency responsibility--this is my thinking--an Agency responsibility and putting it in terms of insurance problems which don't come out of the Agency's pocket but comes out of the pockets of the various employees of the Agency for whom this type of insurance is quite important.

Now, I also go beyond that. I am looking at it this way, that with all the problems we had in the insurance field daily before this program came into effect--it consumed a great deal of our time just working out the individual's program. As an insurance vehicle and meeting all the requirements of security, I think it is a wonderful thing, because it gives us all the security we need and it makes available to our employees various types of insurance without the problem of the mass filing of names of our employees outside the Agency in insurance organizations. We have a very pertinent problem right now with [REDACTED] because they have 3,000 of our names, and we're running into a problem in that regard right now.

[REDACTED]

So this is what influenced my thinking and my position in this particular matter. Now it was not based on a legal basis, and whatnot--a legal interpretation of the contract--but was just my general approach to it as I have understood and appreciated what is expected of a staff employee of this Agency, and at the same time a staff agent.

MR. REYNOLDS: Kirk, you made what almost amounted to a proposal when you were talking. I wish you would state it again in the form of a proposal and then let both the GEHA Board and the Council members address themselves to it.

MR. KIRKPATRICK: What I propose is that basically to reconcile the worries of the GEHA Board with the desires of the Agency and the Career Council, that these nominally be accepted as insurance risks, and that should multiple losses occur which would start to affect the actuarial base, that at that time and when they occur, the Agency examine its position and see whether they should be withdrawn from the GEHA mechanism and the Agency stand the loss rather than the insurance company stand the loss. I don't know what the legal aspects are, but you can see the point I am making. I think from a security standpoint we would be justified in paying those losses. I'm not sure from an ethical point of view we wouldn't be on very sound grounds in throwing this whole thing on an Agency cost basis. I recognize your worries about the potential losses here, and you may be right; on the other hand, I am not SURE you are right. If we have losses there will be multiple losses, there is no question about that, but as to what the multiplication factor would be, I can't tell you that.

25X1A9a

[REDACTED] Translate your word "multiple" vis-a-vis "dividends", as an example. How far would you take it? Eliminate dividends and if [REDACTED] wants to raise the premium then you would want to step in? Or would you say preserve the rate of dividends that has already been established? We got one last year and we're likely to get one this year. We're going to reduce the premium.

25X1A5a1

MR. KIRKPATRICK: Please don't misunderstand what I say. Let's keep this as an insurance program and not try to knock the cost so low that it doesn't cover us. Do you see what I mean? Let's keep a broad coverage without keeping our eye too much on the dividends.

COLONEL WHITE: I would support that strongly. We have very cheap insurance and if we can make it cheaper, fine, but as between getting the same dividends and getting coverage for this kind of thing, certainly I would say give the coverage.

~~CONFIDENTIAL~~

MR. BAIRD: It can't be too cheap for what we want.

MR. KIRKPATRICK: Because, as I say, I think the Agency is moving into a lot of these projects. 25X1A9a

MR. REYNOLDS: [REDACTED], are there any obstacles to Kirk's proposal? 25X1A9a

[REDACTED] I think we can work something out. The principal problem along these lines is for the Agency having to pay a death benefit without having any effect on the benefits payable by the Bureau of Employees' Compensation. I think it's very possible that we can work out some sort of an arrangement where we have a high loss factor, of contributing or making good, in part, those amounts to the association. I think a direct contribution for loss might cause us difficulty. And the reason that I can't be any more sure is that in the final analysis the answer rests with another governmental agency and not this Agency.

MR. KIRKPATRICK: The answer to John's question as to how many multiples-- somebody with an actuarial background would have to answer that. 25X1A9a

[REDACTED] Philosophically you can. What is "multiple"? That is to say, translate it. I don't mean numbers, I mean effect. If we establish a dividend rate of say \$35,000 a year, and as a result of misfortune [REDACTED] says, 25X1A "Well, you're not going to get a dividend next year" or "you're going to get half" - or if your multiple is carried further the next effect is a raise in premium. Now, philosophically what have you got in mind, in those terms - do you think?

MR. REYNOLDS: I think you have to say what [REDACTED] 25X1A5a1 has in mind as far as dividends are concerned. You say \$35,000 - I would say \$25,000.

COLONEL WHITE: I could express my own view - I would say that if we break even, if there are no dividends, then we are doing fine. It's an Agency program which has broken even, and we're doing fine.

MR. BAIRD: It's still cheap insurance.

COLONEL WHITE: I would say we should not go back and talk about increased rates, etc., as long as we are breaking even.

MR. KIRKPATRICK: I think that is fair.

[REDACTED] You have to give the Board some guidance on this. 25X1A9a

MR. KIRKPATRICK: I think that's fair, because the way I would be looking at it, too, is this: Would we be really fair by keeping the actuarial basis so that there were dividends, while on the other hand charging the United States Government for losses? That is, in effect, what we would be doing. In other words, if

~~CONFIDENTIAL~~

[REDACTED]

the losses go up too high and CIA would pay - that is Federal money we're paying - but it's the individuals that are benefiting by the dividends.

COLONEL WHITE: May I comment on that statement of Kirk's? I wanted to make sure - because in my own mind I personally think there is just as good a chance that we may run into the necessity for taking some action such as this on some other project like this one. So I want to make it clear, Kirk--if you agree-- that that was your thought, and not confining it to this one project. If at any time our actuarial rate changes to such an extent to take the action Kirk proposes for this or any other reason, that we then take it.

25X1A9a

[REDACTED] I'd like to ask a question. Why was it that when these individuals were ruled to be staff agents or staff employees, or what have you, for the purposes of this project, and contracts were written on them, that the Board wasn't consulted at the outset about this factor? Why is it that this comes up six months later and is brought to our attention now?

MR. REYNOLDS: That I cannot answer, but I presume the security of the project forbade it at the outset.

[REDACTED] I can understand the security of a project, but this is writing contracts on individuals in the project.

25X1A9a

MR. REYNOLDS: I was briefed in November on it on a need-to-know basis for purposes of recruitment only, and I was not given any more than was necessary for me to say, "This is Priority No. 1 for recruitment" - and nothing was said about insurance at the time, and I never knew anything about it until this came up.

COLONEL WHITE: I am not sure I know the exact answer, but I think I should comment on it. When this matter came up the question was raised as to whether or not there should be some insurance provided for these people, either for nothing or at a very low rate, and so forth, and at one time there was the thought of the Agency underwriting this thing. On further study--and [REDACTED] may know this as well as Larry--I don't know but I concluded that while they might come out as well on the cash payment of insurance, that the dependents might come out further down the ladder with respect to Employees' Compensation benefits than would those people who were eligible for the so-called Eisenhower insurance. So this business of designating these people as staff employees for the purpose of this project was designed to make them eligible for the Eisenhower insurance and thereby get possibly greater benefits for dependents than could otherwise be provided.

25X1A9a

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

And I feel quite certain that the security of this project has always been very high. I know very little about the project myself, but I am sure that there was no intent whatever not to come completely clean with anybody who had a right to know on this. I think it was just assumed that when they were declared staff employees and made eligible for the Eisenhower insurance, that they were, by the terms of our own notice, eligible for this. 25X1A9a

MR. REYNOLDS: Maybe [REDACTED] knows the answer, as to when we were informed in your Division [Benefits and Casualty Division, Office of Personnel].

[REDACTED]: Mr. Houston called me sometime in January while they were working this out. 25X1A9a

MR. REYNOLDS: Actually, I was briefed at the end of November, so there was a time lag there, but I think it was more because the project people didn't quite know what they were going to need. And I think that is true of a great many of our projects. I think these things creep up on us and all of a sudden we find ourselves in this position. 25X1A9a

[REDACTED], have you any comment you would like to make on Kirk's proposal, or any members of your GEHA Board? Perhaps if you will take the chair for a moment and ask your own members about it.

[REDACTED]: You can ask them. 25X1A9a

MR. REYNOLDS: All right, which ones would you like me to ask? 25X1A9a

[REDACTED]: Charlie?

[REDACTED]: As I understand this, we would wait until we get to the bridge and then see how we cross it. I don't think that is a very clear-cut resolution of the problem. I frankly don't know what we're going to do. 25X1A9a

[REDACTED]: Mr. Chairman, the only thing that you could technically take care of is the making up of the dividends. There would be no way of getting the money back to [REDACTED] - to get money back into [REDACTED] to keep your insurance 25X1A
25X1A dividends in GEHA itself, because they [REDACTED] are under State insurance laws and all sorts of technical restrictions, so they couldn't take money back and say, "Well, we didn't have this experience." Isn't that true [indicating [REDACTED] 25X1A9a
[REDACTED]? 25X1A9a

[REDACTED]: Well, I just can't say, John. There are all sorts of ways to work around this. I just don't know. But if you don't report a loss--

MR. KIRKPATRICK: I was going to say - why do you have to report the loss?

~~CONFIDENTIAL~~

[REDACTED]

[REDACTED]: You could do it that way. 25X1A9a

MR. REYNOLDS: I will start with you, Mul. What is your feeling?

[REDACTED]: What was just said now appears to be just exactly what 25X1A9a

we asked for on Friday, that we [CIA] foot the bill if it happens, - when we made a recommendation at the close of the meeting, that the Agency underwrite the loss rather than have GEHA, the association, foot the loss through [REDACTED] Secondly, 25X1A I have to go along with [REDACTED] - I think if there is anything we can 25X1A9a do we should do it now and not wait until we have suffered the multiple loss.

MR. KIRKPATRICK: But what you are proposing to do is to my mind a prostitution of the whole program - that we eliminate right now as a part of the policy measure, these extra hazardous projects.

[REDACTED] No. 25X1A9a

MR. KIRKPATRICK: Just this one, then? 25X1A9a

[REDACTED] Not even the whole project, Kirk. I think it's a fair assumption, and I don't know as much about this project as a lot of the people sitting around here, but I think it's a fair assumption that if there are 28 people involved there are not more than five or six who are really going to be in the zone of extra hazardous duty, and those are the ones that concern the Board.

MR. KIRKPATRICK: You apparently have gotten a different impression. From the facts I've heard I got the impression there are 28 in the extra-hazardous zone. 25X1A9a

[REDACTED] How, conceivably, are you going to arrange that project?

MR. KIRKPATRICK: I'm talking about the facts before the Board.

[REDACTED] That was the thing I was trying to bring out. 25X1A9a

MR. REYNOLDS: Exactly what do you mean? 25X1A9a

[REDACTED] I mean, in PBSUCCESS there were a very, very small percent- age of people who would fall into this zone of extra-hazardous duty, and those are the people that concern the Board, not the support people. Sure, there are a large number of people in every project of this kind that are in there for operational support, as well as other kinds of support, but they are not in the zone of extra-hazardous duty. 25X1A9a

[REDACTED] That is not the case here. These 28 are all in the same slots and do the same kind of work.

MR. REYNOLDS: You mean six out of 28 we may have to pay claims on?

MR. KIRKPATRICK: 28 - but they aren't all the people in the project

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

that are insured. It seems to me what you are proposing is we insure the line of the football team but not the back field - because those in the front line are the ones that are apt to get hurt.

25X1A9a

[REDACTED] That is about it. The thing I also have a question about is that by that same kind of thinking we take a similar action on a continuing basis with our contract agents and deny a sizeable number of people from participation in GEHA - and from my knowledge of their operations it would occur to me they are in far less danger than these people we are talking about today - yet we sit and deny them participation in GEHA. We do it continually.

25X1A9a

[REDACTED] What do the by-laws say? I'm new at this and I was looking over the by-laws of GEHA and Article II limits it - it does not include contract agents. It says members will be staff agents, staff employees and military or civilian personnel on detail.

[REDACTED] And contract employees.

25X1A9a

[REDACTED] That is right, but not contract agents.

[REDACTED] The answer to that lies in the history. What we were after in this program was to do the best we could for our regular people - the staff employees and staff agents - and, incidentally, that is the only group on whom we had any death statistics at all, and that listing that you have was shown to [REDACTED] and, in part, the contract came out of it. Now we said to ourselves that our objective would first be to provide this insurance for our regular employees and stay away from these other categories - which at that time numbered eleven - until we have this solidified, and then we will look around, but before we could add any of these other people we had to have the incidence of death to know what we were doing.

25X1A

MR. REYNOLDS: Dr. Tietjen?

DR. TIETJEN: Harry, I don't think there is any question in my mind at all that this is, from what I know, extra hazardous - it certainly is from a medical viewpoint. It is extra hazardous to the point that it takes unique medical capabilities beyond our ordinary capabilities to select such individuals for such activity. It also has something to do with the frontiers of science, in a sense. In my opinion, then, if we had unfortunate experience there wouldn't be any question that the actuarial experience of the insurance program would suffer. I'd like to suggest perhaps a different formula here - let's cross the bridge when we come to it; in other words, if unfortunately there is a death in this group, then

~~CONFIDENTIAL~~

let us consider what meaning this has in terms of any program, and if the cause of death is based upon circumstances and experiences which we have previously noted in the regular employees, let GEHA pay it, but if it has to do with extra hazardous duty of these individuals I would suggest that the Agency pay.

██████████ We have got it right now - \$15,000.

25X1A9a

DR. TIETJEN: Well, I think that is right.

25X1A9a

MR. REYNOLDS: ██████████ have you an opinion on this that you would like to express?

25X1A9a

██████████ I haven't been read into this much - being brand new, and I don't want to put words into the Board, but the fact is that they cover by insurance the casualties in line of duty for any employee, even if they're ordered on hazardous duty - whether staff employee or staff agent. I would agree to drawing a line for these people who are brought into a project on a short-term, specific task, but I think our personnel who are brought in on a project basis have to be properly considered in a different light from the regular, normal Agency personnel - no matter what the normal Agency personnel have to do in line of duty.

25X1A9a

██████████ Harry, may I make a comment, please? It seems to me no matter what formula one attempts to find it is going to come down, in the last analysis, to how much risk is involved for how many people. I don't see how we get away from that. It seems to me so fundamentally a question here - and there isn't a single person in the room who can make a really sound estimate as to how many people are actually going to be in that position which we term as extra-hazardous. I find that Kirk and I don't even have the same facts that we're talking about, and that may be the case with others in the room here. Therefore, it seems to me that what is fairly essential is for someone to ascertain from the appropriate person or authority exactly what we are talking about in terms of how many people are going to be in this predicament - 1, 2, 3 or 28. It makes the question much too tough to solve, it seems to me, when we are that far apart.

25X1A9a

██████████ I have been close enough, I think, to answer your question. The answer is there are 28 front-line troops all doing the same kind of job. Now, granted you aren't going to have 28 doing this thing all at the same time, but there are 28 guys who do this. They don't have 28 right now, but it's in the neighborhood of 28 to 30 - with 10 at each of three different places. This is aside from all the support elements - they are completely separate - they are not involved in this.

25X1A9a

[REDACTED] I can't debate this matter with you in this large group but I would need a lot of convincing as to how you are going to get 28 people into this predicament.

25X1A9a

25X1A9a

[REDACTED] I'll back up [REDACTED] position and his understanding of it. Within a short period of time all of them will be doing the same thing - but at different times.

MR. REYNOLDS: What would be the actuarial viewpoint?

25X1A9a

[REDACTED] From an actuarial viewpoint I don't think it's insurable.

MR. REYNOLDS: Supposing it were? We have to make some assumptions here.

[REDACTED] There's another factor, too - if you lose the first two or three are you going to do any more?

25X1A9a

MR. KIRKPATRICK: You are going to lose less by this project than the Agency has lost by suicide in the last two years.

[REDACTED] That is the point I am trying to get down to - is the practical side of life here.

25X1A9a

[REDACTED] But we have a principle here - what kind of insurance program we are going to have for our people.

25X1A9a

[REDACTED] The principle is very tough here.

25X1A9a

MR. KIRKPATRICK: The principle here can be resolved only by the Director himself. It's a fact that on this project there is an extra, added starter, and that is that the Director said they are staff employees. Well, I may have a strange sense of organizational discipline but when the Director says they are staff employees, then, by God, it's up to us to see they are staff employees. I don't know how you cut it any other way, because he is the boss and we back up his word. But the basic principle we have to decide for the future is whether we draw a line as to what is covered by GEHA and what the Agency covers with straight Federal cash.

MR. BAIRD: There are two principles. That is one. Secondly, what do we do about this particular situation right now?

MR. KIRKPATRICK: I have proposed a formula for this situation now: let's get hit before we start crying.

MR. BAIRD: I don't see how anybody can give an opinion with the paucity of information that we have. About all I know is that we are training some of these people, and the training we're giving them we have trained hundreds in.

MR. KIRKPATRICK: I don't think that is very conclusive, Matt.



MR. BAIRD: I don't know anymore than that, so how the hell can I give an opinion about what we're talking about? 25X1A9a

MR. KIRKPATRICK: I still go back to [REDACTED] consulting the oracle and coming back with an answer, and then meet with the GEHA Board and say, "This is the way we see it." But I still think that from the point of view of backing up the Director and doing right on this project, let's insure these lads and lasses, whoever it may be, and if the losses start running high so that it is going to affect the actuarial basis - not necessarily the dividends, but the actuarial basis - then I think the time may come when the GEHA Board may want to say, "From now on the rest of these losses the Agency pays for." I don't say the first or the second one.

25X1A9a [REDACTED]: I have a question I'd like to ask: Has the Board disapproved an application from any military person detailed to the Agency? 25X1A9a

[REDACTED] No, sir.

25X1A9a [REDACTED]: There's another degree of extra-hazardous duty. Take the jet pilots on detail here - they have to get in their 20 hours a month and they're flying every weekend in jets at high altitudes. That is a different degree of risk than the man who is here on departmental duty all the time. I caution against doing anything about restricting your coverage. I think if we're going to have a program and not have hazardous duty pay, then the program should cover any kind of risk. 25X1A9a

[REDACTED] I'd like to suggest an amendment to your suggestion, Kirk, and that is that since there are so many unknowns and intangibles to this, and disagreement about the degree, etc., that this thing should be allowed to rock along until the first death.

25X1A9a [REDACTED] We have got one. 25X1A9a

[REDACTED] But you have already agreed to let that one go.
[REDACTED]: He was already covered by the policy.

COLONEL WHITE: We have about 19 of these characters who are already covered by this insurance, but what about the other 10? 25X1A9a

[REDACTED] I suggest that it be permitted to rock along until the second death, or the first after this, at which point the same group come together, at which time we may have a lot more facts about whether the Government ought to rock along and a whole lot of other factors which are not available today.

MR. KIRKPATRICK: And in the meantime everybody can examine it and see what to do.

25X1A9a

██████████ Because they are not going to die all at once - they're going to come one at a time.

██████████ An employee group could rightly not be obliged to cover this one death. 25X1A9a

MR. REYNOLDS: I don't agree with you.

MR. KIRKPATRICK: I don't agree. 25X1A9a

██████████ How little pregnant can one be and how long can one stay in that position?

MR. KIRKPATRICK: We had better ask Dr. Tietjen to answer that. 25X1A9a

DR. TIETJEN: It isn't so much a position as a condition. [Laughter]

██████████ You see, this \$15,000 we're going to pay is going to affect the dividends.

MR. KIRKPATRICK: Don't start worrying about the dividends. I think if we had no dividends that would be about the right rate.

25X1A9a

██████████ That might be.

COLONEL WHITE: I think Dick's proposal is eminently sensible, and, as I understand it, would provide for the acceptance of these remaining 10 or so applications, because NEVER - let's face the facts - NEVER, except in a rare case, is the Board or is the Council going to have brought before it all the details of a particular project for a small group of individuals that are going to participate in it, and if we take the view that as a Board or Council we are going to dig into all of these projects and decide for ourselves just whether we're going to cover Joe or Henry or Jim, it seems to me that is just a fine point beyond which we shouldn't go. We should accept the hazards of carrying out intelligence missions for people who are eligible for this insurance, and if our experience factor indicates that we need to change our groundrules, then we can change them, but that certainly would be what I would like to see agreed to.

MR. REYNOLDS: Therefore a motion for the Career Council is in order stating ██████████ proposition, and requesting the Director of GEHA to go into executive session and report to the Council if this proposal is satisfactory to them. 25X1A9a

25X1A9a ██████████ I so move.

COLONEL WHITE: Second the motion.

. . . This motion was then passed . . .

25X1A9a

MR. REYNOLDS: [REDACTED] then will you let the Council know whether or not you would approve the proposal of [REDACTED] - which we will give you in writing from the verbatim record.

25X1A9a

[REDACTED] Just for a little more clarity - your philosophy, I gather, is that we will rock along and not worry until all the dividend record is out and we face an increase in premium - let it ride until we reach the point of no dividend, is that it?

25X1A9a

COLONEL WHITE: While I expressed that as something in answer to John's question, I think the Board should come back to the Career Council at any time they believe that actuarial experience warrants coming back for further guidance or for modification of the groundrules.

25X1A9a

[REDACTED] Dick's proposal is that they will come back after the next fatality.

25X1A9a

[REDACTED] Yes, automatically after the next fatality, not only to look at this project but the whole state of GEHA, but with the thought in mind the project may be so sensitive the Government has to pick up the tab on this.

25X1A9a

[REDACTED] I don't think one more death is going to contribute anything.

25X1A9a

[REDACTED] With [REDACTED] people I'm sure people are bound to die once in awhile.

25X9A2

[REDACTED] I like Colonel White's approach, to let it go to the point where it's clearly going to have affect on the whole program, and at that time - with facts and statistics before us - we examine the whole program as to whether or not they are extra-hazardous risks which cannot be borne by insurance and which must be paid for by the Agency.

25X1A9a

MR. KIRKPATRICK: I don't want to prolong this discussion, but the very basis of the Agency insurance program is that it is the type of work for which insurance, basically, is not purchasable. Insurance is nothing but gambling.

25X1A9a

[REDACTED] I think an important principle is that once a year the company will come in and tell us whether they will have to raise the rates or not. The company also has a contingency fund, which is in our possession, against loss, so I don't see, unless there is an immediate catastrophe, that the company is going to be out of pocket.

25X1A9a

[REDACTED] They won't be out of pocket, no - it's the employee who loses dividends.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

25X1A9a

[REDACTED] I'm not worried about dividends, I'm only worried about increased rates. But I never thought people were counting on dividends.

25X1A9a

[REDACTED] From the point of view of personnel administration we are ambitious to cut the premium.

COLONEL WHITE: May we have all copies of this memorandum before you leave?

MR. REYNOLDS: If there is no further business, the meeting stands adjourned.

. . . The meeting adjourned at 3:25 p.m. . . .

~~CONFIDENTIAL~~