

bonds issued in this period were very large and, to assure their success, were offered at yields competitive with those of corporate borrowers. One company, however, which at times invested more in general obligation bonds than in revenues, indicated that in times of tight money or of large supplies of general obligation bonds, these yields approached those of revenue bonds and, in addition, many general obligation bonds have the desirable feature of being noncallable.

*b. Maturities*

Most of the companies indicated 20 to 40 years as the usual maturities purchased, although a few also purchased 10- to 20-year maturities or occasionally shorter. Reasons cited for purchasing longer maturities were similar and recurrent in company replies: the higher yield on longer term maturities; the long-term character of life insurance company liabilities, making long-term investments appropriate; a minimum need for current liquidity.

*c. Effect of ratings*

Most of the sample companies indicated that the availability and level of bond ratings either have not been an influence or have been only a minor influence in their municipal bond purchases. The companies place greater reliance on the analyses of their own staffs than on the ratings of outside agencies. In addition, many of the acquisitions were revenue bonds for facilities not yet in existence, and these ordinarily were not rated. One company noted it preferred unrated bonds because of the lessened competition. As noted by one or two companies, purchases are influenced to the extent that ratings tend to influence market prices and thus yields; a large proportion of the purchases by these companies were unrated bonds.

All but one of the sample companies stated that they purchase unrated municipals. The one exception indicated that "municipal securities in the four highest ratings are usually purchased." Municipals below fourth grade are much less frequently purchased than municipals unrated by the services.

With respect to quantification of municipals by quality rating or lack of rating, 10 companies replied in terms of acquisitions, 4 gave information in terms of current holdings, and 4 did not have data readily available. Of the 10 companies, 7 indicated that most of their municipals were not rated at the time of acquisition; another indicated that most of its acquisitions were comprised of third and fourth quality and unrated bonds; another company indicated that 60 percent of acquisitions were unrated and below fourth quality bonds; and a 10th company replied that 10-15 percent of acquisitions were unrated and below fourth quality bonds. For the four companies providing data on current portfolio holdings by quality grade, the portfolio distributions are summarized below.