*Distribution of municipal bond portfolio of individual companies by rating grade*

[In percent]

| Rating grade | Company A | Company B | Company C | Company D |
|---|---|---|---|---|
| 1st and 2d | 10 | 5 | 4 | 16 |
| 3d and 4th | 78 | 39 | 42 | 68 |
| Unrated | 7 | 50 | 49 | 15 |
| Below 4th | 5 | 6 | 5 | 1 |
| Total | 100 | 100 | 100 | 100 |

It may be noted that the assets of companies A and B were in excess of $1 billion and those of companies C and D fell within the range of $100 to $600 million. Although the distributions for companies B and C appear remarkably similar, the companies differed widely in asset size—company B was roughly 10 times larger than company C—and in the proportion of assets held in municipals—the proportion for company C was more than 4 times that of B.

In summary, these 4 companies and the 10 providing rating-grade information on acquisitions have emphasized third and fourth quality and unrated bonds in their municipal investments; these 14 companies accounted for 45 percent of assets of all U.S. life insurance companies at the end of 1965.

*d. Use of Proceeds*

Replies varied as to the influence on purchases of the intended use of bond proceeds, as indicated by the following quotations of company replies. (The quotations are complete and are not excerpts from the replies to the question.) Although some replies noted preferences, most companies did not indicate prejudices as to the use of bond proceeds. A few, however, as indicated by the quotations, noted their objections to industrial revenue bonds, but one of the sample companies noted that it has been a substantial buyer of these bonds.

1. Use of bond proceeds has not been a determining factor.

2. Bond purchases are influenced by the intended use of the proceeds only to the extent that the project being financed is economically sound and serves a useful public purpose.

3. The intended uses of bond proceeds are not a major influence. Economic necessity, credit and yield considerations are major influences. There are no notable preferences or prejudices.

4. Bond purchase is based upon adequate security and attractive price. An evaluation of the significance of the project to be financed is a basic element of the security. We have no notable municipal bond prejudices or preferences.

5. We prefer bonds issued to construct essential services: water, sewer, and electric service, schools, etc. However, the security of the bond is considered more important than the purpose for which it is issued.