

TABLE 1.—*Assets of fire and casualty business—1965*

[Dollars in millions]

	Number of firms	Admitted assets
Stock companies	805	\$31,298.7
Mutual companies	1,344	9,436.7
Reciprocal	53	1,051.2
Lloyds	14	56.3
Total	1,216	41,842.9

¹ Excludes some small mutual companies that are included in the total assets figures.

Source: Best's Fire and Casualty Aggregates and Averages, 1966.

The principal sources of new funds flowing into property and casualty insurance companies are premiums and investment income and, in the case of stock companies, new capital. Table 2 shows that for stock companies increases in reserves derived from premiums accounted for most of the fund increase in 1964.

TABLE 2.—*1964 principal sources of funds—Stock companies*

[Dollars in millions]

Source	Amount	Percent of total
Underwriting	-\$417.8	(47.8)
Increases in reserves	+796.7	91.3
Investment income ¹	+371.7	42.5
New capital	+122.4	14.0
Total	+873.1	100.0

¹ After Federal income taxes and dividends paid to stockholders.

Source: Data furnished by the American Insurance Association.

Characteristically, the fire and casualty insurance business is marked by the uncertainty about the amount of claims; thus, the major categories of loans and investments reflect financial stability as well as the need for investment income which is used to pay dividends. Since stock companies are subject to regular Federal corporate income tax and the Federal tax law has been recently changed for mutuals and reciprocals (domestic Lloyds are taxed as partnerships), tax-exempt bonds are a major investment outlet. In 1965, holdings of bonds and corporate stocks represented over 85 percent of all property and casualty companies' assets. Municipal general revenue and State and local revenue bonds comprised about 27 percent and U.S. Government bonds accounted for over 12 percent. Relatively large proportions of capital, surplus, and reserves allow these insurance companies to pursue an active role in the corporate stock market which is reflected in their holdings of stock, which constitute 37 percent of the total assets.