TABLE 5.—*Relative proportions of general obligation bonds and special revenue bonds to total municipal bonds, all fire and casualty insurance companies*

[Dollar amounts in millions]

	General obligation bonds		Special revenue bonds		Total municipal bonds	Percent of assets
	Amount	Percent of total	Amount	Percent of total		
1956	3,215	65.4	1,704	34.6	4,919	21.9
1957	3,559	64.3	1,974	35.7	5,533	24.3
1958	4,005	63.8	2,274	36.2	6,279	24.5
1959	4,558	63.1	2,664	36.9	7,222	25.9
1960	5,120	62.2	3,117	37.8	8,237	28.0
1961	5,519	60.2	3,656	39.8	9,175	27.9
1962	5,722	56.9	4,330	43.1	10,052	30.0
1963	5,861	54.1	4,979	45.9	10,840	29.6
1964	5,758	51.7	5,390	48.3	11,148	28.3
1965	5,736	50.4	5,646	49.6	11,382	27.4

Source: Data based on Best's Fire and Casualty Aggregates and Averages.

a. *Proportions of securities acquired*

The proportion of revenue bonds to total municipal bonds rose steadily from 35 percent in 1956 to 50 percent in 1965. As noted by several stock companies, this trend was accentuated by the change in regulation Q in late 1962 which raised the ceiling on interest rates which commercial banks were allowed to pay on time deposits, thus making the banks more after-taxes yield conscious. While some commercial banks have been buyers of revenue bonds, the majority have sought general obligation bonds, hence encouraging, on a comparable yield basis, the fire and casualty insurance companies more and more into the revenue bond market. This trend was reinforced by the increased acceptance and availability of revenue bonds at relatively favorable yields.

With respect to mutual companies, a survey found that probably the most important factor in variations in holdings of State-municipal bonds is the individual company's tax situation. The yield on State-municipal bonds is generally lower than that on taxable bonds by a sufficient margin to exclude further purchases in years when no tax saving is involved. Other variables which might influence holdings of State-municipal bonds include fluctuations in cash flow, underwriting results, availability of new cash for investments, feeling that State-municipal bond market is too high, shortage of available offerings of the type the company prefers, interest rate cycles, with companies not anxious to commit to long maturities in periods of low interest rates.

A survey of independent insurance companies regarding their municipal security acquisitions during 1946 through 1965 found the following:

	Range (percent)	Mean average (percent)	Median average (percent)
General obligation bonds	13 to 80	38	47
Revenue bonds	10 to 82	39	40
Other (special assessment, limited tax)	1 to 23	6	8