

5 percent of admitted assets will go each year into tax-exempt municipals, others indicated that at any one time from about 30 to 50 percent of their portfolios would be invested in municipals, the annual rate of investment depending upon their portfolios' present composition.

The important point is that there recently has been little underwriting profit in the business, and this seems to be the prospect for the immediate future. Since this makes the advantage of tax-exempt securities slight it seems unlikely that they will be attractive as investments for fire and casualty insurance companies until the underwriting picture changes.

The survey of the independent companies reported that the 14 companies responding to this question indicated that they would be likely to invest in excess of \$100 million each year for the next 10 years. Only one of the companies indicated that they had a tax carry forward until 1971 and would not purchase any municipal securities until that time. The other years would depend on their profitability in the years to come. Since this is only a sample of our companies, I believe that it would be reasonable to assume that our members could purchase between \$500 and \$750 million of municipal securities in each of the next 10 years.

2. OBLIGATIONS OF PRIVATE, NONPROFIT ORGANIZATIONS

Mutual companies express little or no interest in investments in debt obligations of private nonprofit organizations. There have been some purchases of university dormitory revenue bonds, but these have been considered as being in the same category as municipals. There was no information regarding stock company interest in these obligations.

Only 1 of the 15 independent companies indicated that they would purchase these types of securities. This was an insignificant amount of \$150,000 annually. The rest all indicated that they would not purchase these types of securities or that only very little amounts would be purchased. It appears that these types of obligations are not attractive to our companies.

3. POSSIBLE EXPANSION OF INVESTMENTS OF MUNICIPAL SECURITIES

The stock companies advise that although the competition from the commercial banks in the past 3 years (1962-64) in the municipal bond market may have been a slight factor in the relative decline in the amounts of municipal bonds purchased, the principal factor accountable for this decline has been the unprofitability of the fire and casualty insurance business. The need for tax-exempt income has not been as great as when the industry was recording statutory underwriting profits. An increasing volume of profitable business will enable the industry to increase its volume of State and local municipal bond purchases.

In the case of the mutual companies answers were varied as to what circumstances would lead to expansion of investment in State municipals (not private nonprofit bonds). More than normal increase in admitted assets, or the decision to expand municipal holdings relative to other classes of securities, could lead to expansion, as would further improvements in determinants that would be to the companies' advan-