

erties. The distribution of invested assets at the end of 1965 and increase in ownership during the preceding decade provide a summary view of life insurance portfolio activity.

The data in table V-3 provide a picture of how some \$16 billion of insured pension fund accumulations have been invested during the past decade along with other life insurance assets. The striking feature of recent years has been the active financing of business firms through directly placed term loans and mortgages on commercial and industrial properties. Private pension arrangements have, then, made an important contribution to the extensive financing of the high level of business investment, and secondarily, to the expansion in the stock of housing.³

TABLE V-3.—INVESTED ASSETS OF U.S. LIFE INSURANCE COMPANIES, 1965

Assets	Amount (billions)	Percentage of total	Net change since 1955 (billions)
Bonds:			
U.S. Government.....	\$5.1	3.5	—\$3.5
Foreign government.....	.9	.6	.4
State, provincial, and local.....	5.5	3.8	2.8
Railroad.....	3.3	2.3	— .6
Public utility.....	17.0	11.8	3.1
Industrial and miscellaneous.....	38.3	26.4	20.2
	<u>70.2</u>	<u>48.4</u>	<u>22.4</u>
Stocks:			
Preferred.....	2.9	2.0	1.1
Common.....	6.3	4.3	4.4
	<u>9.1</u>	<u>6.3</u>	<u>5.5</u>
Mortgages:			
Farm.....	4.8	3.3	2.6
1- to 4-family.....	29.9	20.6	12.2
Multifamily and commercial.....	25.3	17.4	15.8
	<u>60.0</u>	<u>41.4</u>	<u>30.6</u>
Other:			
Real estate held for investment.....	3.3	2.3	1.3
Other assets.....	2.4	1.7	1.4
	<u>5.7</u>	<u>3.9</u>	<u>2.7</u>
Total.....	<u>145.0</u>	<u>100.0</u>	<u>61.2</u>

Note: Excluding cash, policy loans, home office buildings, and premiums due.

Source: Computed from Institute of Life Insurance, "Life Insurance Fact Book," and Federal Home Loan Bank Board Source Book.

Competitive Influences

The normal competition among life insurance companies for superior earnings on investments, which has been responsible for many innovations in capital market instruments, has been reinforced by competition from other managers of pension fund accumulations. In 1950, when insured pension reserves amounted to \$5.6 billion, trustee plans had amassed \$6.5 billion of assets. By the end of 1965, trustee assets of \$58 billion were more than double the \$27.3 billion of insured pension reserves.

The flexibility of trustee plans, especially in equity investment, accounted for much of the loss in market share sustained by life insur-

³ For extensive treatment of the lending and investing activities of life insurance companies, reference can be made to Life Insurance Association of America, *Life Insurance Companies as Financial Institutions*, Englewood Cliffs, N.J., 1962, and Andrew F. Brimmer, *Life Insurance Companies in the Capital Market*, East Lansing, Mich., 1962.