

TABLE 6.—EXPECTED TAKEDOWNS OF COMMITMENTS OUTSTANDING JAN. 31, 1967, OF REPORTING LIFE INSURANCE COMPANIES¹

	Outstanding commitments (mil- lions of dollars) expected to be taken down within—			Percent of outstanding com- mitments expected to be taken down within—		
	1 month	2 months	6 months	1 month	2 months	6 months
Total commitments.....	\$810.3	\$1,561.5	\$4,198.4	8.5	16.4	44.1
Securities, total.....	347.4	660.9	1,567.5	10.6	20.3	48.1
Business and industrial bonds.....	280.9	527.8	1,308.6	10.3	19.3	47.8
Public utility bonds.....	14.0	30.7	68.5	9.2	20.2	45.0
Railroad bonds.....	10.4	19.1	31.7	20.8	32.3	63.4
State, municipal, and local securities.....	3.9	7.4	11.2	23.8	55.0	82.7
All other securities.....	38.1	75.9	147.5	12.3	24.5	47.6
Mortgage loans and real property, total.....	462.9	900.6	2,631.0	7.4	14.4	42.1
Business and industrial mortgages.....	203.7	420.8	1,272.2	6.2	12.5	37.8
Farm mortgages.....	38.5	68.5	134.7	20.4	35.3	71.4
Nonfarm residential mortgages ²	198.2	369.1	1,098.1	8.9	16.5	49.2
FHA insured.....	28.9	57.2	120.3	13.5	26.7	56.2
VA guaranteed.....	9.5	23.2	69.0	9.5	23.2	69.2
Conventional.....	159.8	288.8	908.8	8.3	15.1	47.4
1-4 family ²	(64.2)	(128.9)	(334.6)	(15.0)	(30.0)	(78.0)
Multifamily ²	(127.9)	(231.2)	(742.1)	(7.3)	(13.2)	(42.5)
Real property for lease or rental.....	16.5	40.4	97.4	3.9	9.5	23.0
All other real property.....	1.0	1.9	28.6	2.2	4.5	67.2

Note: Because of rounding, components may not add to totals shown.

¹ Companies covered in this report hold 70 percent of the assets of all U.S. life insurance companies.

² Memo: This detail by property is not provided by all reporting companies.

Accordingly, rather than being a destabilizing force, as the joint committee print suggests, the contractual nature of pension savings and the investment of such funds on a forward commitment basis are powerful forces for stability in the economy and for sustainable long-term growth.

PENSION SAVINGS, INVESTMENT, AND RISK CAPITAL

As noted earlier, the joint committee print asks whether the investment of pension savings has not been too conservative and thus not conducive to vigorous economic growth. This question appears to reflect a misunderstanding.

It is true, of course, that pension fund investments must be made with due regard to the safety of the principal of the investment. But, this does not mean that the funds are not placed in highly productive uses. It does not mean that the funds cannot be invested with imagination and with a dedication by the investment managers to find the most productive outlets.

The greatest proportion of corporate bonds purchased by insured pension funds today—and for the past 15 years—have been acquired by means of direct placements. A high proportion of the corporate bonds purchased by noninsured funds are also direct placements. By dealing directly with the borrowing firm, pension fund officers are enabled to appraise risk and growth potential. They are in a position to underwrite loans and to be paid for any investment risks taken in the financing of firms in new industries and firms with a high growth potential. This is also true of mortgage loans to business and industry.