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Title: Property and Casualty Insurance Solvency and Investments - Playing the Game

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Abstract: Expected continuation of intense competition, large underwriting losses, high interest rates and volatile financial markets means that investment results will play a most important role in shaping company survival patterns. Maintaining solvency and survivability will mean that investment results as well as underwriting results must be "competitive."

The investment practices of several "large, good" companies are reviewed revealing differences and similarities. Comparisons to 1982 earned premiums portray perspective as to the investment-underwriting balance. During recent years the unrealized capital losses on bond portfolios were enormous but not recognized in statutory accounting. Total returns including evaluation of all capital gains should be the appropriate scoring device of the future.

Opinions concerning improving total return investment results are presented. In general, more flexibility and marketability are considered essential; and in the high risk-high reward area common stocks should assume a larger role and long term bonds should assume a lesser role.

PROPERTY AND CASUALTY INSURANCE

SOLVENCY AND INVESTMENTS - PLAYING THE GAME

Summary

Coordination of fleet life company, property-casualty company and holding company investment activity is beyond the scope of this discussion paper.

There is no attempt to identify "brink" solvency situations or dishonest financial reporting.

Expected continuation of intense competition, large underwriting losses, high interest rates and volatile financial markets means that investment results will play a most important role in shaping company survival patterns. Total investment return should receive comparable rank with the underwriting ratio in measuring progress toward success or lack of progress toward insolvency, liquidation or slow death situations.

The investment practices of several "large, good" companies are reviewed and differences as well as similarities are revealed. Comparisons to 1982 earned premiums should portray some perspective as to investment-underwriting balance.

A more aggressive approach to the investment side of underwriting-investment balance can be expected as market volatility of recent times emphasizes the complexity of the investment problem.

Total return should be the key device considered in evaluating company financial strength and investment results. Some statutory accounting rules may be out of tune with the times.

Opinions and suggestions concerning improving total return investment results are presented. In general, more liquidity and marketability is considered essential; and in the high risk-high reward area common stocks should assume a larger role and long term bonds should assume a lesser role.

PROPERTY AND CASUALTY INSURANCE

SOLVENCY AND INVESTMENTS - PLAYING THE GAME

<u>Solvency, Insolvency, Survivability, Slow Death</u>

Consideration of the investment role in property and casualty insurance company solvency or survivability must recognize and evaluate the current and prospective overall operational situation. In the past there may have been a tendency to consider investment income as the frosting on the cake with not much to worry about as long as bond interest was received and market valuation of the bonds was not recognized in the balance sheet accounting rules.

It appears that underwriting ratios for many companies now range and can easily range in the 110% or over area. This assigns a demanding, challenging and necessary role to the investment operation in maintaining survivability and solvency and preventing either dramatic insolvency or "slow death."

Insolvency may be the verdict of statutory accounting rules which produce a situation where above the line liabilities exceed total assets. GAAP accounting rules may produce different results; neither system adjusts assets and liability real values to the real world balance sheet date financial environment.

A few years ago I attended a hearing concerning a "rehab" company which was having trouble. The Deputy Commissioner said to the judge, "This company is insolvent." The Company President said to the judge, "If our loss reserves had been adequate we would have been insolvent ten years ago. We are still collecting premiums and paying claims." Statutory accounting does not place a monetary evaluation on the time lag that exists between premium collections and claim payments.

Another interesting asset and liability valuation situation is portrayed in Travelers June 30, 1983 report to stockholders.

	GAAP Shareholders Equity	Bonds & Redeemable Preferred Stocks Excess Carrying Value Over Market Value
	(In # Mils)	
June 30, 1982	$2,806.8	$3,058.7
June 30, 1983	3,035.4	861.8

Thus, if Travelers had carried bonds at market without recognizing current interest rate levels on the liability side more than the total stockholders equity would have been erased. The accounting systems also fail to recognize the $2,196.9 million bottom line capital gains accomplished during this 12 month period.

The Government Employees Insurance Company (GEICO) balance sheet situation on December 31, 1975 is interesting in relation to the solvency problem. It reveals the difference in shareholders equity evaluation between the GAAP and statutory accounting systems.

GEICO

SHAREHOLDERS' EQUITY

	1975	1974
Statutory accounting practices	$ 49,302,281	$103,048,706
Deferred policy acquisition costs	-0-	45,667,224
Allowance for amounts uncollectible on cancelled policies	(3,000,000	(5,000,000
Deferred Federal income taxes	(367,907)	(21,004,000)
Non-admitted assets	11,536,030	20,004,000
Effects of consolidated subsidiaries	(20,755,168	119,066
Other	199,449	227,439
In Accordance with Generally Accepted Accounting Principles	$ 36,914,685	$143,665,426

1975 GEICO written premiums were over $660 million so the then surplus situation was most critical. In October 1983 GEICO stock sells for about three times book compared with a discount from book for Travelers and Aetna.

The industry is in need of a more definite and precise concept of investment income. Are realized and unrealized capital gains equivalent in income status to dividend and interest income? Is the potential uncertainty of capital gains positive or negative? If total certainty is a paramount virtue then making money may become difficult. Insurance companies earn their living on "uncertainty."

Concerning evaluation of results, the Continental Corp stockholders report is of interest:

	Per Share
Book Value, December 31, 1982	$41.38
Book Value, June 30, 1983	44.60
Increase	$ 3.22
Stockholder Dividends	1.30
Total Gain	$ 4.52

The above gain does not include unrealized capital gains on bonds but would reflect all capital gains on stocks.

Compared to the above $4.52 the earnings report showed operating income of $ .71 per share and realized capital gains of $1.91 per share. Unrealized capital gains are not recognized in earnings statements. Wall Street analysts focus on the $ .71 number.

In "playing the game" on the investment side it would seem advisable to consider "total after tax return" as the scorekeeping device. "Return" would mean interest, dividends, all realized capital gains and all unrealized capital gains whether or not they are recognized in statutory or GAAP accounting rules.

This discussion paper will consider only bond and stock investments. Financial positions in subsidiary companies involve management rather than purely investment strategies and decisions. Joint ventures were defined by Mr. Filer of Aetna at a meeting as follows:

"A man with all of the money meets a man with all of the experience. They form a joint venture. In six months the situations are exactly reversed."

The "example" companies considered are "good, strong and healthy" and their investment patterns reveal similarities as well as variation. Future investment patterns of these companies and all companies should and likely will reflect the current and prospective changes in the insurance and financial universes. Identification of "hanky pank" investments is not the purpose of this paper.

Presented statistical data was obtained from 1982 Consolidated Annual Statements unless otherwise identified.

Underwriting-Investment Operational Balance

The tabulation following indicates the extent to which investment income supplemented by capital gains offsets the straight statutory underwriting loss. The 1983 numbers are expected to be less favorable so the challenge to the investment operation is real if survivability is to be maintained. Positive 1982 common stock capital gains helped the overall underwriting-investment operational balance materially.

- % of 1982 Earned Premium -

	Under-writing Loss	Investment Income	Col. 2 - Col. 1	- Capital Gains - Common Stocks, Ex. Affiliates
U.S. F&G	12.7%	13.5%	.8%	5.0%
Chubb Group	12.1	10.9	-1.2	3.2
St. Paul	6.6	16.7	10.1	6.3
Continental Ins.	12.7	12.7	0	3.3
Allstate	6.1	10.3	4.2	3.9
Liberty Mutual	19.6	17.6	-2.0	3.4
Travelers	13.4	17.1	3.7	1.4

Taxation

Utilizing available tax advantages and tax savings are important ingredients in investment success.

Concerning long term capital gains the corporation is at some disadvantage over the individual because it pays 28% compared with the 20% maximum for individuals. On short term gains the corporation has some advantage in that its 46% rate is somewhat lower than the top marginal rate of 50% for individuals. The principal corporation advantage, however, is in dividends where 85% of the income is excluded from Federal taxation.

The insurance situation is complex because the usual large underwriting losses should be offset by taxable investment income. For GAAP financial statements the tax loss carry forwards may be deemed as too uncertain to be recognized.

The tabulation following illustrates the types of investment income according to taxable status.

	% of Total Investment Income, Excluding Affiliates		
	Tax Exempt	Dividends	Other
U.S. F&G	58.2%	17.9%	23.9%
Chubb Group	52.1	18.8	29.1
St. Paul	61.4	17.0	21.6
Continental Ins.	36.7	30.3	33.0
Allstate	58.9	22.8	18.3
GEICO	46.3	32.0	21.7
Liberty Mutual	25.7	4.2	70.1
Travelers	33.0	9.0	58.0

The Liberty Mutual concentration on taxable income indicates large underwriting loss expectations. Underwriting loss predictions are essential in determining the taxable-tax exempt income relationship.

In the tax exempt area GEICO and Continental were stronger in dividends as compared with tax exempt bond interest.

At the expense of reported surplus some companies have realized losses on their bond portfolio and offset these losses against capital gains on common stocks. This is desirable because it permits shifting at least 28% of the loss to IRS. In 1982 U.S. F&G realized $113 million of losses on bonds and this offset $95 million of capital gains on common stocks.

Large underwriting losses will encourage a shifting from tax exempts to taxables in the bond area. This shift will accelerate if reporting bonds at market values becomes a reality.

In the future it seems that high yielding preferred and common stocks might replace bonds in the tax exempt investment area. Competitive corporation tax advantages should be utilized.

Liquidity, Marketability

Portfolio liquidity and marketability are the basic ingredients supporting investment flexibility. The positions of cash vs. invested assets and bonds vs. stocks should change as company situations and market conditions change. Investing the money in long term bonds and then sleeping well because statutory accounting does not recognize market value of bonds should no longer be acceptable money management. The insurance universe and the financial universe are changing constantly.

Liquidity is accomplished through bond maturities or marketability. Schedule D - Part 1A plus the balance sheet cash item provide the basis for determining liquidity through maturities.

% of Total Bonds plus Cash by Maturity

	Cash Plus 1 Yr. or Less	Over 10 Years	Other
U.S. F&G	12.2%	76.2%	11.6%
Chubb Group	9.2	45.8	45.0
St. Paul	8.3	78.0	13.7
Continental Ins.	8.5	62.9	28.6
Allstate	2.6	78.1	18.4
GEICO	14.8	39.5	45.7
Liberty	6.4	52.8	40.8
Travelers	9.3	71.9	18.8

Maturities typically will not provide the necessary funds to alter the Company investment posture within a reasonable time horizon.

The excess of carrying value over market value will be substantial for the long term bonds purchased prior to 1980.

The larger concentration of 1 to 10 year maturities (Other) of Chubb, GEICO and Liberty should be positive.

Bond marketability will relate closely to the type of bond held. U.S. Treasuries can be bought and sold any day in any quantity; these are the securities that are bought and sold by professionals and others playing the interest rate game aggressively. The marketability of long term municipals is questionable or non existent; special arrangements for trade or sale must be made.

The tabulation following shows the proportion of the bond portfolio represented by U.S. Government Bonds.

December 31, 1982

U.S. Government Bonds as % of Total Bonds

	%
U.S. F&G	5.3%
Chubb Group	26.4
St. Paul	7.8
Continental Ins.	19.6
Allstate	6.1
GEICO	17.1
Liberty	46.5
Travelers	4.6

During 1982 Liberty Mutual realized capital gains on U.S. government bonds were as follows:

Profit on Sales or Maturity	$43,171,904
Loss on Sales or Maturity	14,781,281
Net Realized Gain	$28,390,523

The large U.S. Bond position of Liberty and Chubb add materially to investment flexibility.

Common stocks of large capitalized companies generally are highly liquid or marketable. These stocks are generally listed on the New York Stock Exchange so information on daily trading volume and market prices is readily available. Many stocks on the New York Stock Exchange, however, trade at very limited volume levels so liquidating large amounts of stock can be a problem.

Information on market prices and trading volume on unlisted stocks is provided by Nasdaq (National Association of Security Dealers). The stocks that they show as "National Market Issues" generally will be traded actively because that is why they are so classified. Other Nasdaq over the counter stocks may or may not be traded actively.

The valuation as well as the marketability of non-Nasdaq over the counter stocks may be an open question. How much is someone able and willing to pay for the stocks? Possibly stocks in the category where no trading exists should be carried and considered at the lower of cost or market values.

Portfolio Risk vs. Reward

Long term bonds and preferred stocks represent the high risk-high reward segment of the investment portfolio from the standpoint of long term interest rate volatility. Common stocks represent the high risk-high reward segment of the portfolio from the standpoint of stock market volatility.

Ratio to 1982 Earned Premiums

	Bonds> 10 Yr Maturities Plus Preferred Stocks	Common Stocks
U.S. F&G	98.4	19.2
Chubb Group	65.9	19.3
St. Paul	133.3	35.5
Continental Ins.	58.2	26.0
Allstate	88.1	20.9
GEICO	62.7	24.1
Liberty	103.7	11.7
Travelers	111.8	11.4

The major bottom line risk for these companies lies in long term bond and preferred stock market volatility resulting from long term interest rate changes. For some of the companies a 10% drop in bond prices could have more bottom line effect than a 10 point increase in underwriting ratio.

The common stock risk element appears very "light" in comparison with the long term interest rate risk. For most of the companies in the example composite risk as well as composite reward might both be improved if the common stock numbers were increased and the long term bond numbers were reduced.

Bond Portfolio - Risk, Reward

Concerning the marketable (U.S. Bonds) segment of the bond portfolio, a basic question is whether to trade aggressively and play the interest rate game or else just average, diversify, hope and pray. Maybe all investors are in the game whether they realize it or not.

Exhibit A illustrates the Cash-bond distribution of an insurance company portfolio managed by outside advisors. Very high trading and turnover results from trying to maximize bottom line net through anticipating short term market movements. Liberty enjoyed large realized capital gains in 1982. This is a difficult game to win.

Maturity selection and diversification represents a most important element in the high quality bond area. The yield among various maturity categories does not vary a whole lot; the big risk-reward potential difference lies in the capital gain area. The tabulation following reviews the yield-capital gain or loss experience of three U.S. Treasury issues.

Issue and Maturity	Yield - Based on Market Price			% Capital Gain-Loss	
	Dec. 31, 1981	Dec. 31, 1982	Oct. 14, 1983	1982	1983(Thru Oct 14)
10-3/8%, 2004	13.57%	10.53%	11.58%	+27.4%	-8.6%
10-3/4%, 1990	13.86	10.38	11.44	+20.5	-5.0
12%, 1987	13.77	10.15	10.97	+13.9	-3.2

The 5 to 10 year maturity range appears desirable because closeness to maturity limits market risk. The long maturities have the greatest market swing so these are desirable if capital gains are the major objective.

In the tax exempt bond area the 20 year maturities carry about a one percentage point higher yield than the 10 year maturities but the market risk is much greater.

Increased yield and total return might be accomplished through investing in lower quality bonds both in the municipal and corporate areas. Comparative yields according to Moody's quality classifications as of October 14, 1983 were as follows:

	Municipal Bonds	- Corporate - Industrials	Utilities
Aaa	9.00%	11.82%	12.74%
Aa	9.30	12.12	12.99
A	9.80	12.66	13.30
Baa	10.15	12.87	14.00

Source: Moody's Bond Survey

The yield spread appears somewhat limited and actual acquisitions of these bonds will relate to what is available. There now are likely very few new issues of bonds in the Aaa area.

The "junk" or extremely speculative bond area may prove to be interesting and rewarding. This area requires skill in analysis of individual situations but the rewards can be substantial. In 1983 through October the market value of International Harvester Credit Corp 13½% bonds of 1988 increased from 56 to 94 and at the same time provided exceptionally high interest income. During this period the prices of high grade bonds declined. Developing an in-house capability in this area may be difficult; the right outside connection can be rewarding.

The property/casualty bond situation is summarized extremely well in a speech made to the Association of Insurance and Financial Analysts on June 9, 1983 by Louis A. Simpson, GEICO Senior Vice President in charge of investments.

"In my opinion the greatest lesson that property and casualty insurance companies should have learned in the 1970s was the difference between current investment income and total return. Since my investment experience prior to joining GEICO had been in managing tax free funds, my focus was always on total return. In contrast, P/C companies in the 70s pursued primarily current investment income committing a large portion of their investment portfolios to long term bonds -- mostly tax exempts. An extremely large amount of money was lost on these bonds as rising inflation and interest rates led to massive unrealized capital losses. I believe that accounting convention may have contributed to these losses because if managements had been forced to recognize market values, they may have pursued different investment strategies."

Stock Portfolio - Risk, Reward

In the investment area where dividend yield is considered as an alternative to bond interest yield, more emphasis might point to public utility common and preferred stocks. Concerning marketability, public utility common stocks should in general be far superior to municipal or corporate bonds.

Concerning market volatility the tabulation following compares the yield volatility for 1982 and 1983 among various types of investment vehicles.

1982-1983 Through October 14

	Oct. 14 Yield	Highest Yield	Lowest Yield	Ratio: Lowest to Highest
Corporate Bonds Aaa	12.28%	16.31%	12.11%	.74
Municipal Bonds Aaa	9.00	12.50	8.10	.65
Public Utility - Pref. a.a.	11.66	15.21	10.97	.72
Public Utility - Common	10.53	12.72	10.11	.79

Source: Moody's Bond Survey

The yield or market volatility was highest for municipal bonds and lowest for public utility common stocks. With the 85% dividend exclusion the 10.53% yield on public utility commons develops a full after tax yield of 9.80% which is about comparable to the yield on Class A tax exempt bonds.

The legal centainty of dividends as compared with bond interest is lacking but the uncertainty of common stock dividends may be positive because for a well selected portfolio there should be more dividend increases than decreases. Dividend increases also should mean capital gains.

Aside from the public utility area, the main total return consideration is capital gains. This part of the investment portfolio is presumed to represent the highest risk-reward segment. Diversification and skill are the two basic ingredients of success in accomplishing adequate reward at acceptable risk levels.

The first diversification consideration might be the overall cash position vs. invested position decision. This means wagers on general market movements, buying when it is supposed to go up and selling when it is supposed to go down. However, buying and selling stocks involves issue selection and in the 1983 market in particular, some issues will go up and some will go down while the overall averages change very little.

General market movement hedging or speculation can be accomplished through purchase or sale of put or call index options. When an anticipated upward or downward market move is decided upon, a reasonable hedge can be obtained through the purchase or sale of call or put index options. This may be an alternative to liquidating or adding to the portfolio.

Industry diversification represents a major challenge in common stock portfolio management. During 1983 the daily movement of the Dow Jones average has been a pretty good guide as to whether the day was a winner or a loser. Looking at a longer time frame, 1983 has been a year of industry rotational corrections. At any given time some industry groups advanced sharply while other groups declined sharply. The overall composite average might change very little but stocks in industry groups may do very well or very poorly.

Exhibit B illustrates market movement and volatility of Barron's Group Stock Averages. The ratio of 1983 low to 1983 high indicates volatility. Volatile groups were e.g. air transport and retail merchandising. The other two columns indicate where the latest price lies in relation to both the high and the low.

Industry diversification should not mean passive portfolio management. "Bottom fishing" has become a popular term meaning picking the bottom on groups where prices have been beat down from their high points. On the other hand, stocks with "momentum" moving upward strongly have a different appeal; based on Exhibit B this would include liquor and office equipment.

The Standard & Poors 500 industry spread often is used as a starting point in viewing the Company industry spread. Exhibit C attached shows how an actual small stock portfolio managed by two professional advisors uses this spread to reflect similarities and differences. The S&P 500 spread is not necessarily right and proper but it makes for a convenient comparison and the comparison probably encourages intelligent diversification.

Insurance is a "risk" business and there may be thought that stock market selection should hedge the insurance risk. Intense competition seems to have replaced inflation as the most deadly foe and there is no investment hedge against this. Stocks that are supposed to go up should be bought and stocks that are supposed to go down should be sold.

Industry diversification is an important risk control element but the diversification pattern should be revised aggressively. Playing intermediate industry market movements can be rewarding. Within the industry framework issue selection must utilize all in-house and outside source knowledge and skills.

Fad and fancy are important stock market considerations. In early 1983 the small high tech companies were in vogue but later in the year most of these stocks lost favor dramatically and the large capitalized companies rebounded and brought support to Dow Jones averages.

Insurance stocks can be an interesting and rewarding area if interest, desire and capability exist. Although these stocks can increase the insurance risk, an insurance company would be investing in something it understood.

Developing and organizing skill capability in the investment area is a problem for which no good general answer applies. Expensive in-house research may come up with an answer that could be obtained just as well through a phone call to New York. The use of outside professional advisors in small and medium size companies may increase as company managements gain better perspective as to the complexity of the investment responsibility.

General Portfolio Guidelines

Variations in the underwriting, tax and surplus situations of individual companies makes the suggestion of a specific model portfolio impractical and unrealistic. However, general suggestions as to what should happen as contrasted with what has happened should be in order.

1. Total return should be the success criteria regardless of current statutory or GAAP accounting rules.

2. In the high risk-high reward area, common stocks should assume a greater role and long term bonds a lesser role.

3. Emphasis on liquidity and marketability should be increased. In the bond area U.S. Treasuries should assume a larger role. Except for U.S. Treasuries, bond maturities should be limited to ten years.

4. In the tax exempt income area high yielding preferred and common stocks should assume a larger role and tax exempt bonds a lesser role.

5. In the common stock area industry diversification should be emphasized and trading opportunities on intermediate industry market moves should be aggressively pursued.

6. Purchase of put options and writing of covered call options should be considered when anticipated market movement warrants.

7. The 85% dividend exclusion from taxable income should always be kept in mind.

General Comments

Offering investment advice that will be considered months later is playing a dangerous game. Hopefully what has been said will invite disagreements, criticism and discussion. Author Ben Graham once said, "There is more than one way to make money on Wall Street."

It is most important that actuaries become more involved in the underwriting-investment operational balance.

EXHIBIT A

ASSET ALLOCATION

Total Portfolio

Quarter Ended	Cash and Equivalents	Bonds	Equities
3/80	70.3	29.7	---
6/80	6.0	94.0	---
9/80	9.6	90.4	---
12/80	30.1	69.9	---
3/81	20.2	75.5	4.0
6/81	28.1	63.8	8.0
9/81	39.9	47.3	12.8
12/81	11.6	72.9	15.6
3/82	12.6	73.6	13.7
6/82	71.3	9.0	19.7
9/82	32.2	43.0	24.8
12/82	32.4	43.5	24.1
3/83	73.1	0	26.9
6/83	60.9	14.6	24.5

EXHIBIT B

BARRONS GROUP STOCK AVERAGES

October 3, 1983

	1983 Low ÷ 1983 High	Sept. 29 Close ÷ 1983 High	Sept. 29 Close ÷ 1983 Low
Aircraft Mfg.	.72	.87	1.21
Air Transport	.54	.76	1.39
Automobiles	.66	.93	1.41
Automobile Equip.	.73	.91	1.24
Banks	.77	.83	1.07
Bldg. Mat., Equip.	.83	.92	1.10
Chemicals	.70	.97	1.39
Closed-End Invest.	.85	.93	1.10
Drugs	.77	.98	1.29
Electrical Equip.	.82	.90	1.10
Farm Equipment	.73	.98	1.33
Foods and Beverages	.83	.97	1.17
Gold Mining	.73	.74	1.02
Grocery Chains	.81	.94	1.16
Installment Fin.	.63	.98	1.55
Insurance	.78	.91	1.16
Liquor	.76	1.00	1.35
Machine Tools	.76	.86	1.13
Machinery (Heavy)	.79	1.00	1.30
Motion Pictures	.63	.78	1.24
Non-Ferrous Metals	.81	.84	1.04
Office Equipment	.76	1.00	1.34
Oil	.81	.96	1.19
Packing	.75	.79	1.05
Paper	.78	.97	1.24
Railroad Equipment	.77	1.00	1.30
Retail Merchandise	.56	.98	1.74
Rubber	.84	.92	1.09
Steel and Iron	.72	.97	1.35
Television	.71	.75	1.05
Textiles	.80	.96	1.19
Tobacco	.79	.99	1.26
Dow-Jones Indus.	.81	.98	1.21
Dow-Jones Transp.	.74	.96	1.30
Dow-Jones Utils.	.89	1.00	1.12

EXHIBIT C

TEN MAJOR INDUSTRY HOLDINGS

June 1983

Advisor A

Industry	Cost	Market 6/30/83	Percent of Common Stock Portfolio	Percent of S&P 500
Office Equipment	$1,441,000	$ 2,071,500	14.4	9.0
Drugs & Hospital Supplies	1,259,748	1,745,491	12.2	7.0
Retail Trade	1,187,189	1,572,250	10.9	6.1
Financial	680,381	870,125	6.1	1.7
Utilities - Electric & Gas	715,419	856,284	6.0	5.0
Electronics & Instruments	601,210	844,225	5.9	2.7
Oil & Gas-Domestic & Int'l	651,578	761,250	5.3	14.2
Print Publish & Broadcast	605,925	724,250	5.0	2.6
Automotive	482,987	621,875	4.3	4.0
Elect Equip & Appliances	442,429	550,000	3.8	3.7
TOTAL	$8,067,866	$10,617,250	73.9	56.0

Advisor B

Industry	Cost	Market 6/30/83	Percent of Common Stock Portfolio	Percent of S&P 500
Drugs & Hospital Supplies	$ 867,737	$1,276,000	10.6	7.0
Oil & Gas-Domestic & Int'l	1,077,445	1,250,500	10.4	14.2
Office Equipment	838,909	1,174,375	9.7	9.0
Transportation-Airlines & Rails	574,257	1,051,000	8.8	2.6
Automotive	704,762	982,000	8.2	4.0
Elec Equip & Appliances	553,193	858,750	7.1	3.7
Banks	743,869	807,625	6.7	2.1
Telecommunications	444,689	713,500	5.9	6.9
Forest Products & Paper	580,365	678,750	5.6	2.0
Lodging & Restaurants	430,520	633,125	5.3	1.7
TOTAL	$6,815,746	$9,425,625	78.3	53.2