The FINANCIAL SERVICES FACT BOOK

Insurance Information Institute

The Financial Services Roundtable

2008

The FINANCIAL SERVICES FACT BOOK 2008

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TO THE READER

Each year the Financial Services Fact Book, a partnership between the Insurance Information Institute and The Financial Services Roundtable, expands to reflect developments shaping the financial services sector. This year's book highlights a host of new trends, from the growth of retirement assets to developments in the mortgage and housing markets. In this our seventh edition we have expanded a number of charts to provide historical data and have added a number of tables showing state-by-state data.

Among the new charts added this year:

- Charitable contributions by industry
- Value and number of subprime mortgages
- Top subprime mortgage lenders
- Top ten global private equity firms
- Median home values by state
- Household income by state
- Home ownership by state
- Top ten states by remittances overseas
- Percentage of residents without health insurance by state

This endeavor could not succeed without the help of many organizations, consultants and others who collect industry data and who have generously given permission to use their data in this book. However, the bulk of the work involved in collecting, integrating and interpreting the material was done by the Insurance Information Institute, which accepts editorial responsibility for the book.

The Financial Services Roundtable and the Insurance Information Institute actively seek your advice, comments and suggestions for next year's edition.

Robert Hartwig
President
Insurance Information Institute

Steve Bartlett
President and Chief Executive Officer
The Financial Services Roundtable

Contents

Financial Services at a Glance .... **V**

Chapter 1: The Financial Services Industry **1**
Overview 1
Assets 2
Mergers 3
Employment 5
Gross Domestic Product 6
Leading Companies 9
Corporate Social Responsibility 10

Chapter 2: Savings, Investment and Debt Ownership **11**
National Savings 11
Investments 12
Household Assets 17
Educational Plans and Loans 21
Consumer and Business Debt 24
Consumer Debt 25
Bankruptcy 30
Consumer Fraud and Identity Theft 31

Chapter 3: Retirement Assets **33**
Retirement Funds 33
Annuities 42
Mutual Funds 44

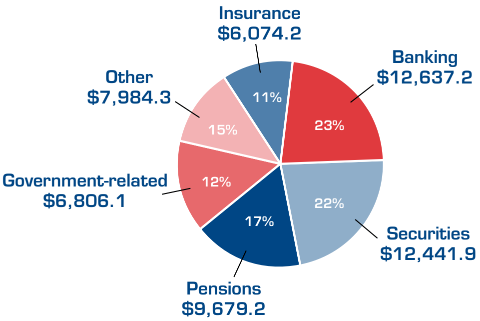
Chapter 4: Convergence **45**
Financial Holding Companies 45
Bank Holding Companies 46
Leading Bank Holding Companies 48
Banks 51
Leading Banks 57
Insurance Companies 60
Leading Insurance Companies 61

Chapter 5: Insurance **63**
Overview 63
All Sectors 64
Property/Casualty: Financial 71
Property/Casualty: Premiums By Line 75
Property/Casualty: Specialty Lines 78
Property/Casualty: Reinsurance 83
Property/Casualty: Capital Markets 84
Life/Health: Financial 87
Life/Health: Premiums By Line 91
Health Insurance 93

Chapter 6: Banking ... **97**
Overview ... 97
All Sectors ... 98
Commercial Banks ... 104
Thrift Institutions ... 112
Remittances ... 117
Credit Unions ... 118
Industrial Banks ... 122
Chapter 7: Securities ... **123**
Overview ... 123
Capital Markets ... 131
Asset-backed Securities ... 135
Derivatives ... 137
Exchanges ... 139
Mutual Funds ... 141
Hedge Funds ... 144
Separately Managed Accounts ... 144
Chapter 8: Finance Companies ... **145**
Overview ... 145
Assets and Liabilities ... 147
Profitability ... 148
Receivables ... 149
Concentration ... 152
Leading Companies ... 153
Chapter 9: Mortgage Finance and Housing ... **155**
Mortgage Industry ... 155
Home Ownership ... 164
Chapter 10: Technology ... **169**
IT Spending ... 169
Electronic Commerce ... 171
Electronic Payments ... 174
ATMs ... 177
Chapter 11: World Rankings ... **179**
Chapter 12: Demographics ... **185**
Geographic Mobility ... 185
Income and Expenses ... 188
Appendices ... **195**
Summaries: Gramm-Leach-Bliley, Pension Plans, Insurance Accounting ... 195
Brief History ... 197
Financial Services Organizations ... 201
Company Index ... 208
Subject Index ... 212
I.I.I. and The Financial Services Roundtable Member Companies ... **220**
I.I.I. and The Financial Services Roundtable Staff ... **223**
I.I.I. and The Financial Services Roundtable Board Members ... **226**

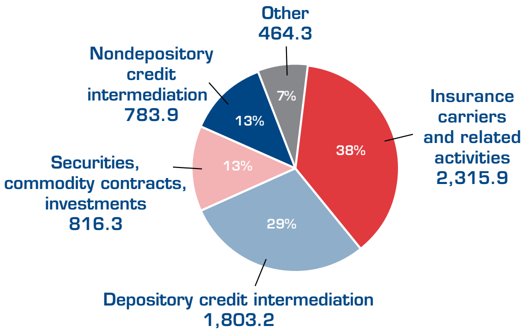
- **The assets of the financial services sector grew 10.5 percent to $55.6 trillion in 2006 from $50.3 trillion in 2005.**
- **The financial services industry's gross domestic product (GDP), excluding the real estate sector, reached $958 billion in 2005, accounting for nearly 8 percent of the national GDP.**
- **Financial services employed 6.2 million workers in 2006, accounting for 5.4 percent of total U.S. employment in private industry.**
- **Financial assets of the personal sector grew 80 percent to $37.4 trillion in 2006 from $20.8 trillion in 1996. This sector includes households, nonfarm noncorporate business and farm business.**
- **Financial services mergers were valued at $200 billion in 2006, up 27 percent from $158 billion in 2005.**
- **Household debt rose 8.6 percent and business debt rose 8.2 percent from 2005 to 2006.**
- **Insurance fee income reported by bank holding companies (BHCs) fell 1.3 percent to $43.5 billion in 2006 from 2005. BHC investment fee income rose 15.3 percent to $56.4 billion.**

ASSETS OF FINANCIAL SERVICES SECTORS, 2006
($ billions)



Source: Board of Governors of the Federal Reserve System.

FINANCIAL SERVICES EMPLOYMENT BY INDUSTRY, 2006
(000)



Source: U.S. Department of Labor, Bureau of Labor Statistics.

OVERVIEW

Before the Gramm-Leach-Bliley Financial Services Modernization Act (GLB) was passed in 1999, competition among the various segments of the financial services industry was strictly limited by law. GLB removed many of the Depression era barriers that restricted competition. Today, financial services consumers have much the same kind of choice they do in other industries. They can select from an ever broadening array of financial tools and a wide spectrum of financial services distributors, from companies that aim to serve their customers' multiple needs to those that specialize in one or two types of products.

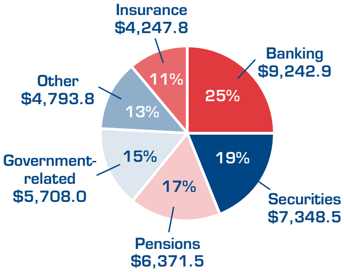
When the act passed it was expected to spur massive cross-sector mergers. Mergers did occur but for the most part not among leading players. Banks bought specialized securities firms, accounting for 32 percent of securities industry mergers between 2001 and 2006. Banks have tended to concentrate on distributing insurance products by buying existing agencies and brokers rather than insurance companies or by establishing their own agencies. Some of the largest insurance brokerages now belong to banks. For their part, insurance companies have set up thrifts or banking divisions rather than buying existing banks. Many of these subsidiaries, a number of which are Web-based with no physical location, offer a full range of banking services and investment products.

While the arrangement that provided the major impetus for the passage of GLB, Citigroup's merger with Travelers Insurance Group, has been dissolved, the convergence of products and services continues to gather momentum as companies look for innovative ways to tap the growing market for financial products.

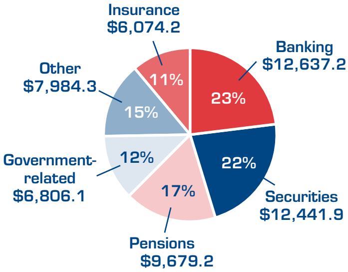
- **1916 National Bank Act limiting bank insurance sales except in small towns**
- **1933 Glass-Steagall Act prohibiting commercial banks and securities firms from engaging in each other's business**
- **1956 Bank Holding Company Act restricting bank holding company activities**
- **1995 VALIC U.S. Supreme Court decision allowing banks to sell annuities**
- **1996 Barnett Bank U.S. Supreme Court decision allowing banks to sell insurance nationwide**
- **1999 Gramm-Leach-Bliley Act allowing banks, insurance companies and securities firms to affiliate and sell each other's products**
- **2001 U.S. House of Representatives Banking Committee becomes the Financial Services Committee**
- **2002 Citigroup spins off its Travelers' property/casualty insurance unit**
- **2005 Citigroup sells its Travelers' life unit**

ASSETS

ASSETS OF FINANCIAL SERVICES SECTORS, 2002
($ billions)



2006
($ billions)



Source: Board of Governors of the Federal Reserve System.

ASSETS OF FINANCIAL SERVICES SECTORS BY INDUSTRY, 2005-2006
($ billions, end of year)

Sector	2005	2006
Banking		
Commercial banking[1]	$9,323.9	$10,204.0
Savings institutions[2]	1,789.4	1,714.5
Credit unions	685.7	718.7
Total	**11,799.0**	**12,637.2**
Insurance		
Life insurance companies	4,350.7	4,708.8
All other insurers	1,250.4	1,365.4
Total	**5,601.1**	**6,074.2**
Securities		
Mutual and closed-end funds	8,326.5	9,700.2
Securities broker/dealers[3]	2,127.1	2,741.7
Total	**10,453.6**	**12,441.9**
Pensions		
Private pension funds[4]	5,120.3	5,558.2
State and local govt retirement funds	2,701.5	2,978.7
Federal govt retirement funds	1,074.5	1,142.3
Total	**8,896.3**	**9,679.2**
Government-related		
Government-sponsored enterprises	2,805.4	2,841.0
Federally related mortgage pools	3,677.0	3,965.1
Total	**6,482.4**	**6,806.1**
Other		
Finance companies[5]	1,856.9	1,888.6
Real estate investment trusts	329.6	395.7
Asset-backed securities issuers	3,066.7	3,599.3
Funding corporations	1,815.0	2,100.7
Total	**7,068.2**	**7,984.3**
Total All Sectors	**$50,300.6**	**$55,622.9**

[1]Includes U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies and banks in U.S.-affiliated areas. [2]Includes savings and loan associations, mutual savings banks and federal banks. [3]Includes investment banks. [4]Includes defined benefit and defined contribution plans [including 401(k)s] and the Federal Employees Retirement Thrift Savings Plan. [5]Includes retail captive finance companies and mortgage companies.

Source: Board of Governors of the Federal Reserve System.

NUMBER AND VALUE OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS BY SECTOR, 2002-2006[1]

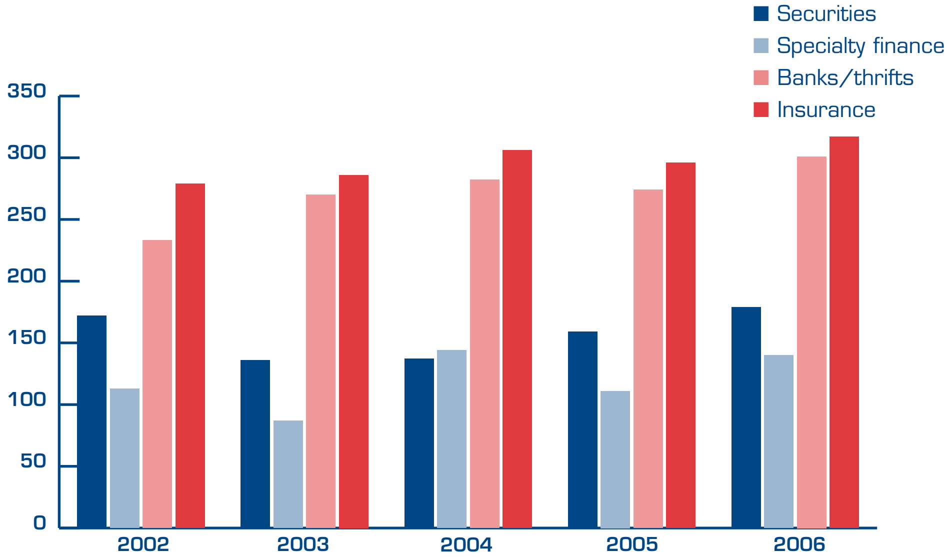
($ billions)

	2002		2003		2004		2005		2006	
	Deals	Value	Deals	Value	Deals	Value	Deals	Value	Deals	Value
Securities[2]	174	$8.3	136	$12.8	137	$6.1	159	$20.2	179	$45.7
Specialty finance[3]	114	24.9	87	19.9	144	18.8	111	58.7	140	22.0
Banks	180	8.6	221	63.8	225	118.0	239	19.5	255	77.6
Thrifts	52	9.0	49	8.7	57	13.6	35	9.8	46	31.2
Insurance	281	9.2	286	60.0	306	14.3	296	49.8	317	23.6
Life/health	20	2.7	28	14.1	24	3.5	24	21.9	27	5.8
Property/casualty	44	0.4	50	22.9	24	0.6	53	10.8	60	14.9
Brokers and agents	204	1.3	198	1.2	241	1.4	206	1.6	218	2.0
Managed care	13	4.8	10	21.8	17	8.8	13	15.5	12	0.9
Total	**801**	**$60.0**	**779**	**$165.2**	**869**	**$170.8**	**840**	**$158.0**	**937**	**$200.1**

[1]Does not include terminated deals. [2]Includes securities and investment companies, broker/dealers and asset managers. [3]Specialty finance firms range from small finance companies to major credit card operations. Includes terminated deals. Asset deals are not included.

Source: SNL Financial LC.

NUMBER OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 2002-2006



Source: SNL Financial LC.

MERGERS

TOP TEN FINANCIAL SERVICES ACQUISITIONS ANNOUNCED IN 2006, UNITED STATES[1]

($ millions)

Rank	Buyer	Industry	Country	Target	Industry	Country	Deal value[2]
1	Wachovia Corp.	Bank	U.S.	Golden West Financial	Thrift	U.S.	$25,473.8
2	Bank of New York Co.	Bank	U.S.	Mellon Financial Corp.	Bank	U.S.	16,864.4
3	Capital One Financial Corp.	Credit card	U.S.	North Fork Bancorp.	Bank	U.S.	14,567.9
4	Chicago Mercantile Exchange	Broker/dealer	U.S.	CBOT Holdings Inc.	Broker/dealer	U.S.	11,054.8
5	Regions Financial Corp.	Bank	U.S.	AmSouth Bancorp.	Bank	U.S.	10,060.3
6	NYSE Euronext	Broker/dealer	U.S.	Euronext N.V.	Broker/dealer	Netherlands	9,769.2
7	BlackRock, Inc.	Asset manager	U.S.	Merrill Lynch Investment Mgrs.	Asset manager	U.S.	9,487.4
8	Investor group	Not classified	U.S.	General Motors Acceptance Corp.	Diversified lender	U.S.	7,353.0
9	PNC Financial Services Group	Bank	U.S.	Mercantile Bankshares Corp.	Bank	U.S.	6,027.1
10	Huntington Bancshares Inc.	Bank	U.S.	Sky Financial Group Inc.	Bank	U.S.	3,592.1

[1]Includes transactions where the target was either a bank, thrift, insurance company, asset manager, broker/dealer or specialty lender and either the buyer or seller was domestic to the U.S. and that was announced in 2006.

[2]At announcement.

Source: SNL Financial LC.

EMPLOYMENT

From 2002 to 2006 employment in the financial services industry averaged 5.4 percent of total U.S. employment.

EMPLOYMENT IN THE FINANCIAL SERVICES INDUSTRY, 2002-2006

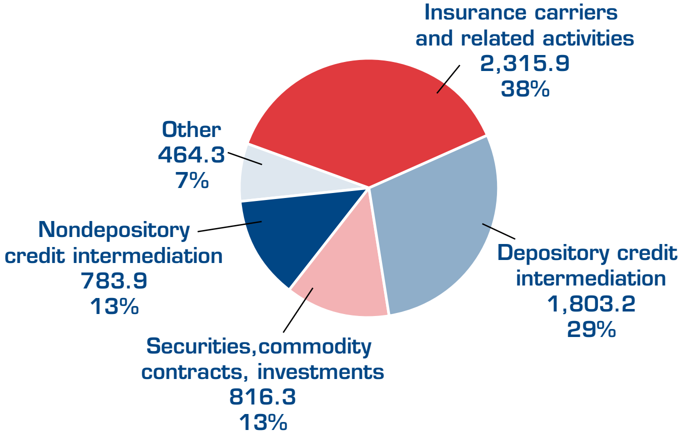
(000)

Year	Monetary authorities	Depository credit intermediation	Non-depository credit intermediation	Activities related to credit intermediation	Securities, commodity contracts, investments	Insurance carriers and related activities	Funds/ trusts	Total
2002	23.4	1,733.0	694.9	258.0	789.4	2,233.2	85.4	5,817.3
2003	22.6	1,748.5	749.9	294.0	757.7	2,266.0	83.9	5,922.6
2004	21.8	1,751.5	756.9	308.7	766.1	2,258.6	85.4	5,949.0
2005	20.8	1,769.2	769.9	329.9	786.1	2,259.3	87.7	6,022.8
2006	21.5	1,803.2	783.9	349.7	816.3	2,315.9	93.1	6,183.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

FINANCIAL SERVICES EMPLOYMENT BY INDUSTRY, 2006

(000)



Source: U.S. Department of Labor, Bureau of Labor Statistics.

- Employment in private industry grew from 108.8 million in 2002 to 114.2 million in 2006.

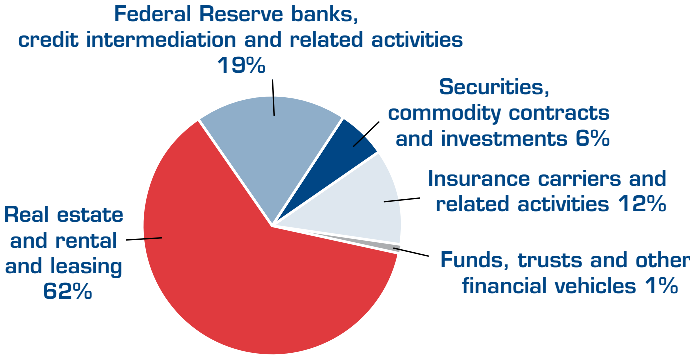
GROSS DOMESTIC PRODUCT

FINANCIAL SERVICES CONTRIBUTION TO GROSS DOMESTIC PRODUCT

Gross domestic product (GDP) is the total value of all final goods and services produced in the economy. The GDP growth rate is the primary indicator of the state of the economy.

- When real estate transactions (e.g., development, mortgages and related services, property sales and rentals) are included, financial services accounted for 20.4 percent of the GDP in 2005, compared with 20.6 percent in 2004.

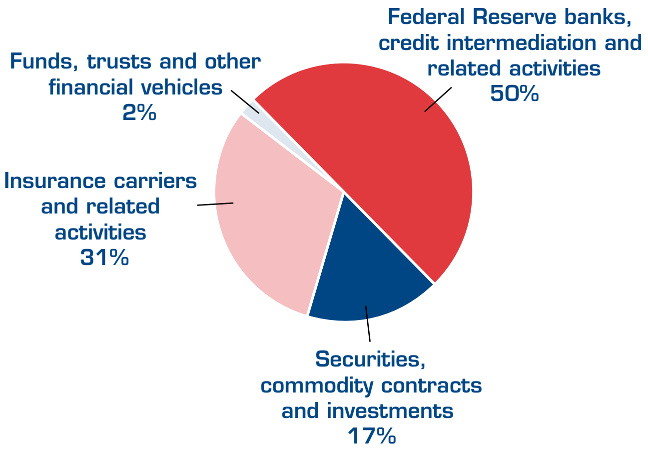
GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, INCLUDING REAL ESTATE, 2005



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

- With real estate excluded, the remaining financial services industries accounted for 7.7 percent of the GDP in 2005, compared with 7.8 percent in 2004.

GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, EXCLUDING REAL ESTATE, 2005



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

GROSS DOMESTIC PRODUCT OF THE FINANCIAL SERVICES INDUSTRY, 2001-2005[1]

($ billions)

	2001	2002	2003	2004	2005
Total GDP	**$10,128.0**	**$10,469.6**	**$10,960.8**	**$11,712.5**	**$12,455.8**
Total financial services industry	**2,059.2**	**2,141.9**	**2,244.6**	**2,408.7**	**2,536.1**
Industry percent of total GDP	20.3%	20.5%	20.5%	20.6%	20.4%
Finance and insurance	$782.6	$822.7	$864.6	$917.3	$957.7
Insurance carriers and related activities	234.4	237.4	255.0	295.6	296.1
Federal Reserve banks, credit intermediation and related activities	360.1	417.4	445.0	444.5	474.7
Securities, commodity contracts and investments	170.2	148.4	145.9	156.8	167.4
Funds, trusts and other financial vehicles	18.0	19.5	18.7	20.4	19.5
Total real estate and rental and leasing	1,276.6	1,319.2	1,380.0	1,491.4	1,578.4
Real estate	1,169.7	1,215.9	1,274.2	1,386.3	1,472.6
Rental and leasing services and lessors of intangible assets	106.9	103.3	105.8	105.1	105.8

[1]Includes real estate and rental and leasing.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

FINANCIAL SERVICES SECTOR'S SHARE OF GROSS DOMESTIC PRODUCT, 2001-2005[1]

	Percent of total gross domestic product				
	2001	2002	2003	2004	2005
Finance, insurance, real estate, and rental and leasing	**20.3%**	**20.5%**	**20.5%**	**20.6%**	**20.4%**
Finance and insurance	7.7	7.9	7.9	7.8	7.7
Federal Reserve banks, credit intermediation and related activities	3.6	4.0	4.1	3.8	3.8
Insurance carriers and related activities	2.3	2.3	2.3	2.5	2.4
Securities, commodity contracts and investments	1.7	1.4	1.3	1.3	1.3
Funds, trusts and other financial vehicles	0.2	0.2	0.2	0.2	0.2
Total real estate and rental and leasing	12.6	12.6	12.6	12.7	12.7

[1]Includes real estate and rental and leasing.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

GROSS DOMESTIC PRODUCT

FINANCIAL SERVICES VS. TOTAL U.S. GROSS DOMESTIC PRODUCT GROWTH, 2001-2005

($ billions)

Year	Total U.S. gross domestic product	Percent change from prior year	Finance, insurance, real estate and rental and leasing	Percent change from prior year	Finance and insurance	Percent change from prior year
2001	$10,128.0	3.2%	$2,059.2	6.6%	$782.6	5.7%
2002	10,469.6	3.4	2,141.9	4.0	822.7	5.1
2003	10,960.8	4.7	2,244.6	4.8	864.6	5.1
2004	11,712.5	6.9	2,408.7	7.3	917.3	6.1
2005	12,455.8	6.3	2,536.1	5.3	957.7	4.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

FINANCIAL SERVICES PERCENTAGE SHARE OF GROSS STATE PRODUCT, 2006[1]

State	Percent	State	Percent	State	Percent
Alabama	5.2%	Louisiana	3.2%	Oklahoma	4.3%
Alaska	2.9	Maine	6.8	Oregon	5.6
Arizona	8.4	Maryland	6.4	Pennsylvania	7.3
Arkansas	3.9	Massachusetts	9.9	Rhode Island	11.6
California	6.7	Michigan	6.1	South Carolina	5.0
Colorado	5.9	Minnesota	9.4	South Dakota	17.1
Connecticut	16.5	Mississippi	4.2	Tennessee	5.4
Delaware	32.8	Missouri	6.0	Texas	5.5
D.C.	4.6	Montana	5.0	Utah	8.6
Florida	6.8	Nebraska	9.9	Vermont	6.1
Georgia	5.9	Nevada	6.9	Virginia	6.2
Hawaii	4.5	New Hampshire	8.2	Washington	5.6
Idaho	4.6	New Jersey	8.2	West Virginia	3.9
Illinois	9.3	New Mexico	3.1	Wisconsin	7.5
Indiana	5.7	New York	15.5	Wyoming	2.3
Iowa	12.1	North Carolina	11.1	**Total United States**	**7.8%[2]**
Kansas	5.9	North Dakota	5.9		
Kentucky	4.9	Ohio	8.3		

[1]Excludes real estate.

[2]Differs from data shown elsewhere for total United States due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

LARGEST U.S. FINANCIAL SERVICES FIRMS BY REVENUES, 2006

($ millions)

				Profits as a percent of			
Rank	Company	Revenues	Profits	Revenues	Assets	Industry	Employees
1	General Electric	$168,307	$20,829	12%	3%	Diversified financial	319,000
2	Citigroup	146,777	21,538	15	1	Banking	332,000
3	Bank of America Corp.	117,017	21,133	18	1	Banking	203,425
4	American International Group	113,194	14,048	12	1	Insurance	106,000
5	JPMorgan Chase & Co.	99,973	14,444	14	1	Banking	174,360
6	Berkshire Hathaway	98,539	11,015	11	4	Insurance	217,550
7	Morgan Stanley	76,688	7,472	10	1	Securities	55,310
8	Merrill Lynch	70,591	7,499	11	1	Securities	56,200
9	Goldman Sachs Group	69,353	9,537	14	1	Securities	26,467
10	State Farm Insurance Cos.	60,528	5,316	9	3	Insurance	67,877
11	MetLife	53,275	6,293	12	1	Insurance	47,000
12	Wells Fargo	47,979	8,482	18	2	Banking	158,000
13	Wachovia Corp.	46,810	7,791	17	1	Banking	108,238
14	Lehman Brothers Holdings	46,709	4,007	9	1	Securities	25,936
15	Freddie Mac	44,002	2,211	5	0	Diversified financial	5,468
16	Allstate	35,796	4,993	14	3	Insurance	37,350
17	Prudential Financial	32,488	3,428	11	1	Insurance	39,814
18	New York Life Insurance	28,365	1,035	4	1	Insurance	14,141
19	American Express	27,145	3,707	14	3	Diversified financial	65,400
20	TIAA-CREF	26,757	2,334	9	1	Insurance	6,547
21	Washington Mutual	26,561	3,558	13	1	Banking	49,824
22	Hartford Financial Services	26,500	2,745	10	1	Insurance	31,000
23	Travelers Cos.	25,090	4,208	17	4	Insurance	32,800
24	Massachusetts Mutual Life Insurance	24,863	1,266	5	1	Insurance	11,969
25	Countrywide Financial	24,445	2,675	11	1	Diversified financial	54,655

Source: Fortune.

CORPORATE SOCIAL RESPONSIBILITY

The financial services sectors are major contributors to charitable causes, according to a survey of some 200 of the largest U.S. corporations by the Conference Board. Banks, insurance companies and finance firms were each among the top 15 contributors, with combined donations of $913 million to U.S. charitable causes.

LARGEST GIVERS TO U.S. BENEFICIARIES BY INDUSTRY, 2005

Rank	Industry	Number of companies	Total U.S. contributions
1	Pharmaceuticals	10	$3,382,064,842
2	**Banks**	**22**	**640,428,005**
3	Computers and technology	19	618,085,879
4	Printing, publishing and media	6	532,477,751
5	Retail and wholesale trade	9	463,059,105
6	Food, beverage and tobacco	8	346,944,609
7	Other manufacturing[1]	10	324,553,011
8	Petroleum, gas and mining	11	257,290,628
9	Transportation equipment	8	236,369,667
10	Telecommunications	4	187,697,082
11	**Insurance**	**22**	**181,252,149**
12	Utilities	29	168,259,930
13	Precision instruments	10	96,125,784
14	**Finance**	**4**	**91,763,897**
15	Chemicals	9	72,484,680
16	Aerospace and defense	4	57,571,950
17	Other services[2]	11	47,273,630
18	Industrial machinery and construction	9	46,847,088
19	Paper and allied products	4	32,154,810
	Total	**209**	**$7,782,704,497**

[1]Includes electrical equipment and appliances, and other diversified manufacturing.

[2]Includes transportation and other diversified services.

Source: The Conference Board.

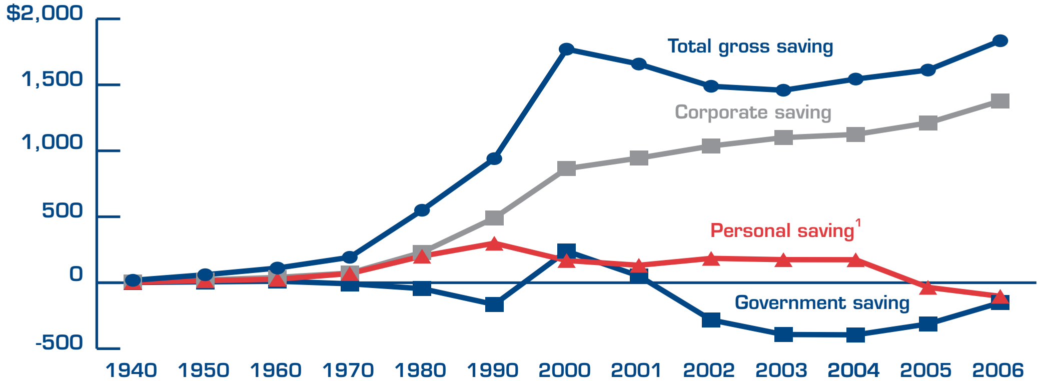
SAVINGS, INVESTMENT AND DEBT OWNERSHIP

Individuals and businesses seek to increase their assets through savings and investments. They also borrow to purchase assets or finance business opportunities. The financial services industry exists to manage these activities by bringing savers, investors and borrowers together, a process known as financial intermediation. The banking industry acts as an intermediary by taking deposits and lending funds to those who need credit. The securities industry acts as an intermediary by facilitating the process of buying and selling corporate debt and equity to investors. Finance companies provide credit to both individuals and businesses, funded in large part by issuing bonds, asset-backed securities and commercial paper. The insurance industry safeguards the assets of its policyholders, investing the premiums it collects in corporate and government securities.

NATIONAL SAVINGS

Gross national savings is the excess of production over cost, or earnings over spending. Gross national savings grew in the late 1990s, fueled largely by increased saving on the part of federal, state and local governments, but fell in the three years, 2001 to 2003. Beginning in 2002, total government saving turned negative due to federal personal income tax refunds and rising expenditures at all levels of government. In 2006 governments spent \$151 billion more than they received, compared with \$313 billion in 2005. Personal saving is the excess of personal disposable income over spending. In 2005 personal savings turned negative as people spent more than they received in income. In 2006 individuals spent \$103 billion more than they earned, compared with \$35 billion the previous year.

GROSS NATIONAL SAVINGS, 1940-2006
($ billions)



[1]Includes individuals (including proprietors and partnerships), nonprofit institutions primarily serving individuals, life insurance carriers and miscellaneous entities.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

OWNERSHIP OF EQUITIES AND CORPORATE AND MUNICIPAL BONDS

Equity and debt markets offer individuals and institutional investors the opportunity to participate in the development and expansion of publicly traded companies and municipalities. Equity investments provide an ownership interest in a company through stocks. Debt securities, generally bonds, represent money a corporation or municipality has borrowed from investors and must repay at a specific time and usually at a specific interest rate. Municipal bonds may be tax-exempt.

HOLDINGS OF U.S. CORPORATE EQUITIES, 2002-2006[1]

($ billions, amounts outstanding end of year)

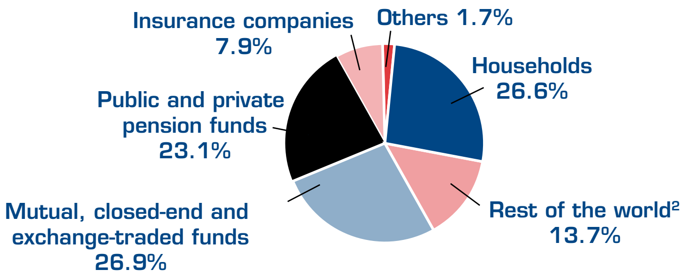
	2002	2003	2004	2005	2006	Percent change, 2002-2006
Total	**$11,900.5**	**$15,618.5**	**$17,389.3**	**$18,277.8**	**$20,603.3**	**73.1%**
Household sector	4,536.2	5,612.4	5,714.4	5,483.1	5,482.8	20.9
State and local governments	79.3	84.7	89.3	92.8	97.5	23.0
Rest of the world[2]	1,335.8	1,839.5	2,123.3	2,302.6	2,831.3	112.0
Commercial banking	3.5	15.1	20.3	24.0	35.2	905.7
Savings institutions	29.1	30.4	28.2	26.2	24.9	-14.4
Property/casualty insurance companies	152.3	182.7	201.8	205.3	232.5	52.7
Life insurance companies	708.9	919.3	1,053.9	1,161.8	1,405.2	98.2
Private pension funds	1,558.6	2,081.8	2,329.2	2,416.7	2,667.7	71.2
State and local govt retirement funds	1,056.8	1,421.5	1,607.0	1,729.0	1,958.4	85.3
Federal govt retirement funds	45.9	79.9	99.3	115.6	139.2	203.3
Mutual funds	2,187.4	3,051.3	3,693.6	4,175.7	5,018.4	129.4
Closed-end funds	33.7	53.0	82.3	105.6	121.8	261.4
Exchange-traded funds	98.2	146.3	217.7	281.0	402.0	309.4
Brokers and dealers	74.9	100.5	129.1	158.3	186.4	148.9

[1]Excludes mutual fund shares.

[2]Holdings of U.S. issues by foreign residents.

Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. CORPORATE EQUITIES, 2006[1]



[1]Market value, end of year; excludes open-end mutual fund shares. [2]Holdings of U.S. issues by foreign residents.

Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. CORPORATE AND FOREIGN BONDS, 2002-2006
($ billions, amounts outstanding end of year)

	2002	2003	2004	2005	2006	Percent change, 2002-2006
Total	**$6,120.7**	**$6,889.4**	**$7,673.4**	**$8,359.9**	**$9,298.0**	**51.9%**
Household sector	737.1	739.0	711.9	682.4	697.9	-5.3
State and local governments	104.2	111.3	117.3	122.0	127.3	22.2
Rest of the world[1]	1,539.4	1,722.4	2,061.5	2,314.1	2,737.9	77.9
Commercial banking	359.9	482.5	559.7	686.2	780.6	116.9
Savings institutions	79.9	71.1	58.9	80.0	89.1	11.5
Property/casualty insurance companies	198.9	218.9	245.3	262.8	278.6	40.1
Life insurance companies	1,449.3	1,620.2	1,768.0	1,840.7	1,881.8	29.8
Private pension funds	253.9	274.8	267.1	276.1	284.8	12.2
State and local govt retirement funds	217.3	193.2	203.4	203.0	211.0	-2.9
Federal govt retirement funds	2.8	3.2	3.0	3.0	2.9	3.6
Money market mutual funds	228.1	258.7	261.0	263.2	368.3	61.5
Mutual funds	470.9	548.3	622.8	699.2	813.7	72.8
Closed-end funds	27.1	58.8	67.6	68.7	75.5	178.6
Exchange-traded funds	1.8	2.4	3.3	5.3	7.6	322.2
Government-sponsored enterprises	189.3	225.8	336.6	384.6	406.0	114.5
REITs	12.6	19.2	36.8	63.6	77.4	514.3
Brokers and dealers	192.0	228.3	252.2	337.7	397.2	106.9
Funding corporations	56.4	111.3	96.8	67.5	60.4	7.1

[1]Holdings of U.S. issues by foreign residents. Source: Board of Governors of the Federal Reserve System.

HOLDINGS OF U.S. MUNICIPAL SECURITIES AND LOANS, 2002-2006

($ billions, amounts outstanding end of year)

	2002	2003	2004	2005	2006	Percent change, 2002-2006
Total	**$1,762.9**	**$1,900.5**	**$2,031.0**	**$2,225.8**	**$2,403.7**	**36.3%**
Household sector	678.7	707.7	743.0	817.0	860.6	26.8
Nonfinancial corporate business	32.1	35.4	31.8	30.7	34.2	6.5
Nonfarm noncorporate business	3.4	2.7	4.3	5.0	5.5	61.8
State and local governments	4.1	4.4	4.6	4.8	5.1	24.4
Rest of the world	11.5	19.5	26.0	30.0	34.0	195.7
Commercial banking	121.7	132.5	140.8	157.7	180.2	48.1
Savings institutions	5.5	6.3	7.1	8.6	10.7	94.5
Property/casualty insurance companies	183.0	224.2	267.8	313.2	335.2	83.2
Life insurance companies	19.9	26.1	30.1	32.5	33.2	66.8
State and local govt retirement funds	0.9	1.0	1.7	1.7	2.2	144.4
Money market mutual funds	278.5	292.1	313.8	336.8	370.3	33.0
Mutual funds	277.3	290.2	294.3	311.7	343.0	23.7
Closed-end funds	86.0	89.3	89.1	89.4	89.7	4.3
Government-sponsored enterprises	39.4	44.4	44.6	43.9	49.0	24.4
Brokers and dealers	21.0	24.9	32.0	42.9	50.9	142.4

Source: Board of Governors of the Federal Reserve System.

MUTUAL FUND INVESTMENTS

The household sector holds the largest share of the $7.1 trillion mutual fund industry, according to the Federal Reserve. Mutual funds represent a substantial part of individuals' financial holdings, according to the Investment Company Institute. In 2006, 47 percent of median household financial assets were in mutual funds. (See pages 44 and 141 for further information on the mutual fund sector.)

MUTUAL FUNDS BY HOLDER, 2002 AND 2006[1]

($ billions)

	2002		2006	
	Amount	Percent of total	Amount	Percent of total
Household sector	$2,420.5	66.5%	$4,962.8	70.0%
Private pension funds	831.9	22.9	1,507.1	21.2
State and local govt retirement funds	167.4	4.6	265.5	3.7
Nonfinancial corporate business	94.6	2.6	182.0	2.6
Life insurance companies	76.6	2.1	119.6	1.7
State and local government	24.3	0.7	29.8	0.4
Commercial banking	19.6	0.5	24.5	0.3
Credit unions	3.5	0.1	2.1	[2]
Total	**$3,638.4**	**100.0%**	**$7,093.4**	**100.0%**

[1]Open-end investment companies. Excludes money market mutual funds, exchange-traded funds and variable annuity funding vehicles.
[2]Less than 0.1 percent.

Source: Board of Governors of the Federal Reserve System.

OWNERSHIP OF FEDERAL GOVERNMENT DEBT

The buying and selling of government securities is a crucial component of each of the financial sectors. Debt is issued and sold based on the changing needs of the federal government. The average daily trading volume in U.S. Treasury securities was $551 billion in the first quarter of 2007, according to the Securities Industry and Financial Markets Association.

ESTIMATED OWNERSHIP OF U.S. PUBLIC DEBT SECURITIES, 1997-2006

($ billions, end of year)

		Percent of total								
Year	Total	Individuals	Mutual funds/ trusts[1]	Banking institu-tions[2]	Insurance companies	Pension funds[3]	U.S. monetary authorities	State and local govern-ments	Foreign and inter-national	Other[4]
1997	$3,778.3	21.3%	6.2%	7.8%	4.7%	9.6%	11.4%	6.3%	30.5%	2.2%
1998	3,723.7	19.9	6.9	6.8	3.8	9.3	12.1	7.5	31.3	2.3
1999	3,652.7	22.3	6.3	5.6	3.4	9.6	13.1	8.3	29.0	2.4
2000	3,357.8	17.4	6.7	5.9	3.3	9.7	15.2	9.2	30.4	2.1
2001	3,352.7	13.4	7.8	5.7	3.2	8.9	16.5	9.8	32.7	2.2
2002	3,609.8	8.0	7.8	6.1	3.9	8.6	17.4	9.8	35.6	2.8
2003	4,008.2	11.0	7.1	4.8	3.4	7.9	16.6	9.1	37.8	2.3
2004	4,370.7	12.9	5.9	1.9	3.4	6.9	16.4	8.9	41.3	2.4
2005	4,678.0	12.1	5.6	1.1	3.4	6.6	15.9	9.8	42.6	2.9
2006	4,861.7	10.0	5.4	1.0	3.4	6.7	16.0	10.0	43.9	3.6

[1]Includes mutual funds, money market funds, closed-end funds and exchange-traded funds.

[2]Includes commercial banks, savings institutions, credit unions and brokers and dealers.

[3]Includes state and local government, federal government and private pension funds.

[4]Includes nonfinancial corporate institutions, nonfarm noncorporate institutions, government-sponsored enterprises and ABS issuers.

Source: Board of Governors of the Federal Reserve System.

ASSETS OF HOUSEHOLDS

Where people save their money, how much they save and where they look for investment returns is influenced by many factors, including people's appetite for risk, the state of the economy, the investment products available and incentives to save, such as tax advantages and matching funds provided by employers who offer retirement plans.

ASSETS AND LIABILITIES OF THE PERSONAL SECTOR, 1986-2006[1]

($ billions, end of year)

	Value			Percent of total		
	1986	1996	2006	1986	1996	2006
Total financial assets	**$8,800.9**	**$20,807.9**	**$37,402.8**	**100.0%**	**100.0%**	**100.0%**
Foreign deposits	8.8	35.5	70.1	0.1	0.2	0.2
Checkable deposits and currency	498.9	596.3	540.6	5.7	2.9	1.4
Time and savings deposits	2,114.5	2,526.1	5,704.6	24.0	12.1	15.3
Money market fund shares	246.7	553.0	1,187.5	2.8	2.7	3.2
Securities	2,782.8	9,065.9	13,377.8	31.6	43.6	35.8
Open market paper	56.1	75.8	187.7	0.6	0.4	0.5
U.S. savings bonds	93.3	187.0	202.4	1.1	0.9	0.5
Other Treasury securities	191.9	735.7	347.2	2.2	3.5	0.9
Agency- and GSE[2]-backed securities	27.0	300.1	630.9	0.3	1.4	1.7
Municipal securities	410.9	495.6	866.1	4.7	2.4	2.3
Corporate and foreign bonds	130.8	472.3	697.9	1.5	2.3	1.9
Corporate equities[3]	1,494.0	5,154.6	5,482.8	17.0	24.8	14.7
Mutual fund shares	378.7	1,644.8	4,962.8	4.3	7.9	13.3
Private life insurance reserves	263.7	580.1	1,074.9	3.0	2.8	2.9
Private insured pension reserves	327.9	974.0	2,437.5	3.7	4.7	6.5
Private noninsured pension reserves	1,316.6	3,268.5	5,595.9	15.0	15.7	15.0
Government insurance and pension reserves	701.2	2,165.5	4,202.5	8.0	10.4	11.2
Miscellaneous and other assets	539.8	1,043.0	3,211.4	6.1	5.0	8.6

(table continues)

ASSETS AND LIABILITIES OF THE PERSONAL SECTOR, 1986-2006[1] (Cont'd)

($ billions, end of year)

	Value			Percent of total		
	1986	1996	2006	1986	1996	2006
Total liabilities	**$3,890.1**	**$7,099.0**	**$17,808.5**	**100.0%**	**100.0%**	**100.0%**
Mortgage debt on nonfarm homes	1,714.6	3,666.4	10,154.0	44.1	51.6	57.0
Other mortgage debt[4]	757.1	890.8	2,257.2	19.5	12.5	12.7
Consumer credit	666.4	1,273.8	2,437.7	17.1	17.9	13.7
Policy loans	55.4	101.4	111.5	1.4	1.4	0.6
Security credit	57.4	94.4	292.1	1.5	1.3	1.6
Other liabilities[4]	639.3	1,072.1	2,556.0	16.4	15.1	14.4

[1]Combined statement for household sector, nonfarm noncorporate business and farm business.

[2]GSE=Government-sponsored enterprise.

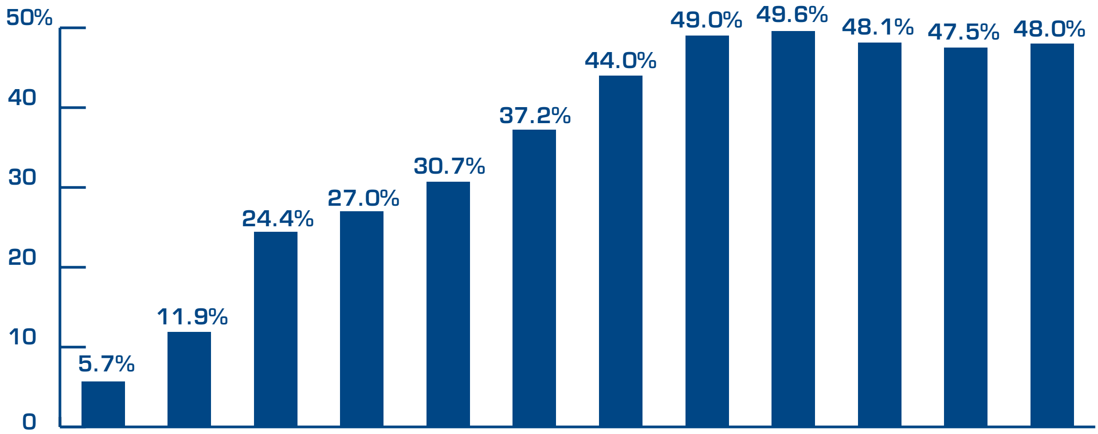
[3]Only those directly held and those in closed-end and exchange-traded funds. Other equities are included in mutual funds, life insurance and pension reserves, and bank personal trusts.

[4]Includes corporate farms.

Source: Board of Governors of the Federal Reserve System.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980-2006

(Percent of all U.S. households)



Year	1980	1984	1988	1992	1994	1996	1998	2000	2002	2004	2005	2006
Millions of U.S. households	4.6	10.1	22.2	25.8	29.8	37.1	45.1	52.2	54.2	53.9	53.8	54.9

Source: Investment Company Institute.

The following two charts are based on the Survey of Consumer Finances, undertaken every three years by the Federal Reserve. The 2007 survey is currently being conducted.

NONFINANCIAL ASSETS HELD BY FAMILIES BY TYPE OF ASSET, 1998-2004

Percent of families owning asset[1]	Vehicles	Primary residence	Other residential property	Equity in non-residential property	Business equity	Other	Any non-financial asset	Any asset
1998	82.8%	66.2%	12.8%	8.6%	11.5%	8.5%	89.9%	96.8%
2001	84.8	67.7	11.3	8.2	11.9	7.5	90.7	96.7
2004	86.3	69.1	12.5	8.3	11.5	7.8	92.5	97.9
By age of family head, 2004								
Under 35 years old	82.9	41.6	5.1	3.3	6.9	5.5	88.6	96.5
35 to 44 years old	89.4	68.3	9.4	6.4	13.9	6.0	93.0	97.7
45 to 54 years old	88.8	77.3	16.3	11.4	15.7	9.7	94.7	98.3
55 to 64 years old	88.6	79.1	19.5	12.8	15.8	9.2	92.6	97.5
65 to 74 years old	89.1	81.3	19.9	10.6	8.0	9.0	95.6	99.5
75 years old and over	76.9	85.2	9.7	7.7	5.3	8.5	92.5	99.6
Percentiles of income, 2004[2]								
Less than 20	65.0	40.3	3.6	2.7	3.7	3.9	76.4	92.2
20 to 39.9	85.3	57.0	6.9	3.8	6.7	4.4	92.0	97.8
40 to 59.9	91.6	71.5	10.0	7.6	9.5	7.5	96.7	99.8
60 to 79.9	95.3	83.1	14.0	10.6	12.0	10.4	98.4	100.0
80 to 89.9	95.9	91.8	19.3	12.8	16.0	8.3	99.1	99.8
90 to 100	93.1	94.7	37.2	20.8	34.7	16.7	99.3	100.0

[1]Families include one-person units.

[2]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile, half of the families in the ranking fall above this income level and half fall below.

Note: Latest data available. Based on surveys conducted every three years.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

HOUSEHOLD ASSETS

FINANCIAL ASSETS HELD BY FAMILIES BY TYPE OF ASSET, 1998-2004

Percent of families owning asset[1]	Transaction accounts[2]	Certificates of deposit	Savings bonds	Bonds[3]	Stocks[3]	Mutual funds[4]	Retirement accounts[5]	Life insurance[6]	Other assets[7]	Any financial asset[8]
1998	90.5%	15.3%	19.3%	3.0%	19.2%	16.5%	48.9%	29.6%	15.3%	92.9%
2001	91.4	15.7	16.7	3.0	21.3	17.7	52.2	28.0	16.0	93.4
2004	91.3	12.7	17.6	1.8	20.7	15.0	49.7	24.2	17.3	93.8
By age of family head, 2004										
Under 35 years old	86.4	5.6	15.3	[9]	13.3	8.3	40.2	11.0	14.5	90.1
35 to 44 years old	90.8	6.7	23.3	0.6	18.5	12.3	55.9	20.1	13.7	93.6
45 to 54 years old	91.8	11.9	21.0	1.8	23.2	18.2	57.7	26.0	18.3	93.6
55 to 64 years old	93.2	18.1	15.2	3.3	29.1	20.6	62.9	32.1	16.6	95.2
65 to 74 years old	93.9	19.9	14.9	4.3	25.4	18.6	43.2	34.8	20.9	96.5
75 years old and over	96.4	25.7	11.0	3.0	18.4	16.6	29.2	34.0	24.8	97.6
Percentiles of income, 2004[10]										
Less than 20	75.5	5.0	6.2	[9]	5.1	3.6	10.1	14.0	10.2	80.1
20 to 39.9	87.3	12.7	8.8	[9]	8.2	7.6	30.0	19.2	14.8	91.5
40 to 59.9	95.9	11.8	15.4	[9]	16.3	12.7	53.4	24.2	17.2	98.5
60 to 79.9	98.4	14.9	26.6	2.2	28.2	18.6	69.7	29.8	19.0	99.1
80 to 89.9	99.1	16.3	32.3	2.8	35.8	26.2	81.9	29.5	23.5	99.8
90 to 100	100.0	21.5	29.9	8.8	55.0	39.1	88.5	38.1	26.4	100.0
Percent distribution of amount of financial assets of all families										
1998	11.4	4.3	0.7	4.3	22.7	12.4	27.6	6.4	10.3	100.0
2001	11.5	3.1	0.7	4.6	21.7	12.2	28.4	5.3	12.6	100.0
2004	13.2	3.7	0.5	5.3	17.6	14.7	32.0	3.0	10.1	100.0

[1]Families include one-person units. [2]Includes checking, savings and money market deposit accounts; money market mutual funds; and call accounts at brokerages. [3]Covers only those stocks and bonds that are directly held by families outside mutual funds, retirement accounts and other managed assets. [4]Excludes money market mutual funds and funds held through retirement accounts or other managed assets. [5]Covers IRAs, Keogh accounts and employer-provided pension plans. Employer-sponsored accounts are those from current jobs (restricted to those in which loans or withdrawals can be made, such as 401(k) accounts) held by the family head and that person's spouse or partner as well as those from past jobs held by either or both of them. Accounts from past jobs are restricted to those from which the family expects to receive the account balance in the future. [6]Cash value. [7]Includes personal annuities and trusts with an equity interest, managed investment accounts and miscellaneous assets. [8]Includes other types of financial assets, not shown separately. [9]Ten or fewer observations. [10]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile half of the families in the ranking fall above this income level, and half fall below. Note: Latest data available. Based on surveys conducted every three years.

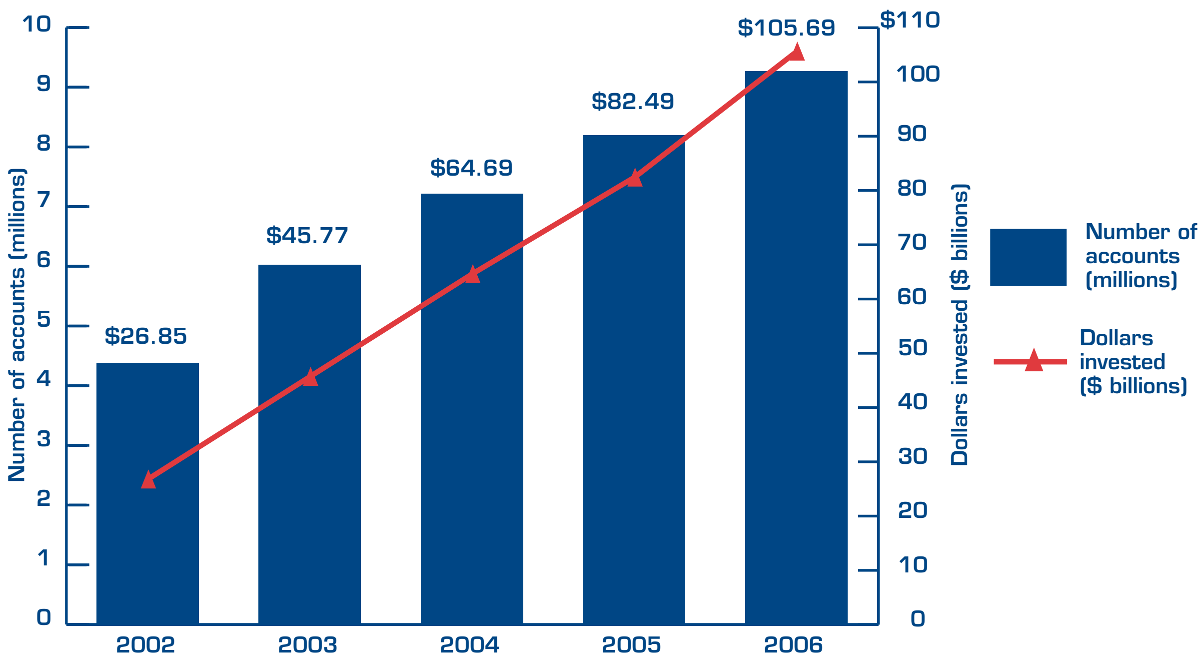
Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

EDUCATIONAL SAVINGS PLANS AND LOANS

To encourage households to save for college education, states have developed Section 529 college savings plans, named after a part of the Internal Revenue tax code that allows earnings to accumulate free of federal income tax and to be withdrawn tax-free to pay for college costs. Slow to gain acceptance initially, these plans are now growing fast. By the end of 2002, all states had such plans in operation. There are two types of plans: savings and prepaid tuition. Plan assets are managed either by the state's treasurer or an outside investment company. Most offer a range of investment options.

- **There were 9.3 million 529 plan accounts in 2006, compared with 4.4 million in 2002, according to the National Association of State Treasurers.**

DOLLARS INVESTED IN AND NUMBERS OF 529 PLAN ACCOUNTS, 2002-2006



Source: National Association of State Treasurers.

EDUCATIONAL PLANS AND LOANS

- The top 10 providers accounted for more than 72 percent of 529 plan assets in 2006, according to the National Association of State Treasurers.

TOP TEN 529 SAVINGS PLAN PROVIDERS BY ASSETS, 2006

($ billions, end of year)

Rank	Provider	Assets
1	American Funds	$20.1
2	Vanguard	13.7
3	Fidelity	11.7
4	Alliance	7.6
5	Merrill Lynch	4.5
6	Putnam	4.3
7	Oppenheimer	3.9
8	TIAA-CREF	3.9
9	T. Rowe Price	3.9
10	Legg Mason	2.5
	Top 10 Providers	**$76.1**

Source: National Association of State Treasurers.

FEDERAL STUDENT LOANS

The U.S. Department of Education administers the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Both the FFEL and Direct Loan programs consist of Stafford Loans (made to students) and PLUS Loans (made to students' parents). The Stafford Loan Program is the most significant source of federal educational loans, accounting for over 15 million student loans in 2006 and $68.3 billion in student aid. Schools generally participate in either the FFEL or the Direct Loan program but sometimes participate in both. Under the Direct Loan Program, the funds for student loans come directly from the federal government. Funds for FFEL student loans are guaranteed by the federal goverment, but are made by banks, credit unions or other private lenders participating in the program. Eligibility rules and loan amounts are identical under both programs, but repayment plans differ somewhat. Private lenders currently dominate the federal student loan market. In 2006, $55 billion in FFEL Stafford Loans were originated by private lenders. This contrasts with $13.2 billion in Stafford Loans originated under the federal government's Direct Loan Program.

TOP 20 LENDERS OF FEDERAL STUDENT LOANS, 2006[1]

		Fiscal year 2006	
Rank	Lender name	Number of loans	Amount of loans
1	Direct loans[2]	2,855,325	$13,245,608,055
2	Sallie Mae	1,755,695	7,913,077,454
3	Citibank-Student Loan Corp.	939,868	4,308,916,596
4	JPMorgan Chase Bank	1,048,740	4,229,011,036
5	Bank of America	735,652	3,178,164,720
6	Wells Fargo EFS	645,491	2,882,816,985
7	Wachovia Education Finance	646,163	2,801,697,431
8	College Loan Corporation	359,243	1,606,883,274
9	Access Group	126,014	1,276,719,487
10	U.S. Bank	332,107	1,246,093,169
11	Edamerica	254,658	1,159,434,854
12	U.S. Bank ELT Northstar Capital Market Services	90,891	979,384,227
13	Student Loan Xpress	206,815	941,619,786
14	Suntrust Bank	254,457	917,931,268
15	PNA Bank	206,002	894,909,350
16	Regions Bank	181,854	705,798,288
17	Citizens Bank	154,876	704,255,391
18	College Foundation Inc.	148,748	672,390,630
19	AES/PHEAA	167,015	637,130,714
20	Nelnet	132,648	546,191,978

[1]Includes Stafford (FFEL and Direct) and PLUS (FFEL and Direct) Loans.

[2]Direct Loans are originated directly through the U.S. Department of Education, with the U.S. government acting as the lender.

Source: U.S. Department of Education, National Student Loan Data System.

CONSUMER AND BUSINESS DEBT

- Household debt rose 8.6 percent from 2005 to 2006, compared with 8.2 percent for business debt. Over the 10 years 1997-2006, household debt rose 133.6 percent, compared with a rise of 68.3 percent for business debt.

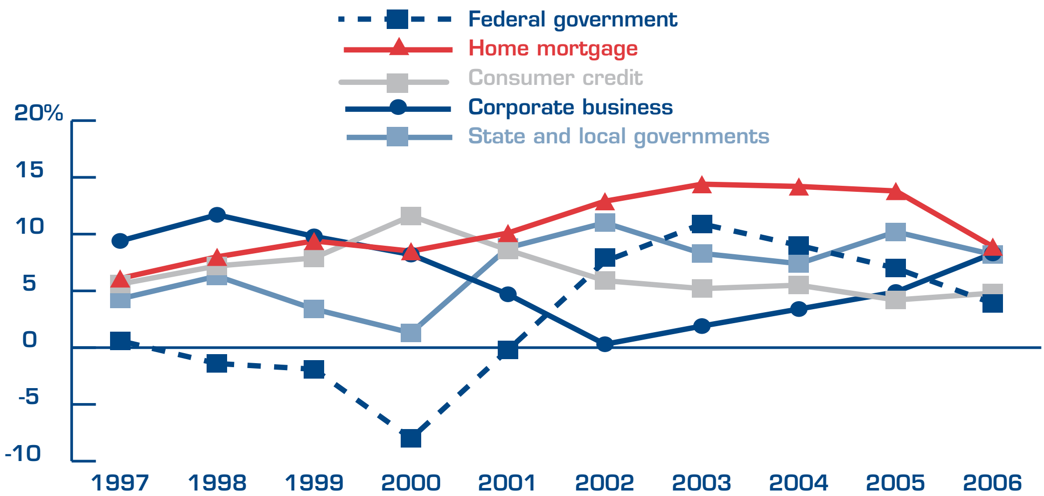
CREDIT MARKET DEBT OUTSTANDING, OWED BY SECTOR, 1997-2006[1]
($ billions)

Year	Household sector	Nonfinancial corporate business
1997	$5,485.8	$3,384.7
1998	5,911.8	3,781.6
1999	6,408.4	4,189.0
2000	6,999.5	4,530.8
2001	7,649.4	4,729.1
2002	8,460.0	4,742.0
2003	9,450.3	4,852.7
2004	10,565.1	5,018.0
2005	11,803.9	5,263.0
2006	12,815.9	5,696.6

[1]Excludes corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

DEBT GROWTH BY SECTOR, 1997-2006
(Percent change from prior year)



Source: Board of Governors of the Federal Reserve System.

The following two charts are based on the Survey of Consumer Finances, undertaken every three years by the Federal Reserve. The 2007 survey is currently being conducted.

DEBT HELD BY FAMILIES BY TYPE OF DEBT, 1998-2004

Percentage of families holding debt[1]	Home-secured	Other residential property	Installment loans	Credit card balances	Other lines of credit	Other	Any debt
1998	43.1%	5.1%	43.7%	44.1%	2.3%	8.8%	74.1%
2001	44.6	4.6	45.2	44.4	1.5	7.2	75.1
2004	47.9	4.0	46.0	46.2	1.6	7.6	76.4
By age of family head, 2004							
Under 35 years old	37.7	2.1	59.4	47.5	2.2	6.2	79.8
35 to 44 years old	62.8	4.0	55.7	58.8	1.5	11.3	88.6
45 to 54 years old	64.6	6.3	50.2	54.0	2.9	9.4	88.4
55 to 64 years old	51.0	5.9	42.8	42.1	0.7	8.4	76.3
65 to 74 years old	32.1	3.2	27.5	31.9	0.4	4.0	58.8
75 years old and over	18.7	1.5	13.9	23.6	[2]	2.5	40.3
Percentiles of income, 2004[3]							
Less than 20	15.9	[2]	26.9	28.8	[2]	4.6	52.6
20 to 39.9	29.5	1.5	39.9	42.9	1.5	5.8	69.8
40 to 59.9	51.7	2.6	52.4	55.1	1.8	8.0	84.0
60 to 79.9	65.8	4.1	57.8	56.0	1.8	8.3	86.6
80 to 89.9	76.8	7.5	60.0	57.6	2.6	12.3	92.0
90 to 100	76.2	15.4	45.7	38.5	2.5	10.6	86.3

[1]Families include one-person units.

[2]Ten or fewer observations.

[3]Ranges listed below represent percentiles rather than income levels. A percentile is a statistical ranking point. The 50th percentile represents the midpoint of all values. For example, at the 50th percentile half of the families in the ranking fall above this income level and half fall below.

Note: Latest data available. Based on surveys conducted every three years.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

CONSUMER DEBT

DEBT HELD BY FAMILIES BY TYPE OF DEBT AND LENDING INSTITUTION, 1998-2004

Type of debt	1998	2001	2004
Total	**100.0%**	**100.0%**	**100.0%**
Home-secured debt	71.4	75.2	75.2
Installment loans	13.1	12.3	11.0
Other residential property	7.5	6.2	8.5
Credit card balances	3.9	3.4	3.0
Other debt	3.7	2.3	1.6
Other lines of credit	0.3	0.5	0.7
Purpose of debt			
Total	**100.0%**	**100.0%**	**100.0%**
Home purchase	67.9	70.9	70.2
Other residential property	7.8	6.5	9.5
Vehicles	7.6	7.8	6.7
Goods and services	6.3	5.8	6.0
Education	3.5	3.1	3.0
Investment, excluding real estate	3.3	2.8	2.2
Home improvement	2.1	2.0	1.9
Unclassifiable loans against pension accounts	[1]	[1]	[1]
Other	1.5	1.1	0.6
Type of lending institution			
Total	**100.0%**	**100.0%**	**100.0%**
Mortgage or real estate lender	35.6	38.0	39.4
Commercial bank	32.8	34.1	35.1
Thrift institution[2]	9.7	6.1	7.3
Credit union	4.3	5.5	3.6
Finance or loan company	4.1	4.3	4.1
Credit and store cards	3.9	3.7	3.0
Brokerage	3.8	3.1	2.5
Individual lender	3.3	2.0	1.7
Other nonfinancial	1.3	1.4	2.0
Government	0.6	1.1	0.7
Pension account	0.4	0.3	0.3
Other loans	0.3	0.5	0.2

[1]Less than 0.05 percent. [2]Savings and loan association or savings bank.

Note: Latest data available. Based on surveys conducted every three years.

Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

CONSUMER CREDIT FINANCE RATES BY INSTITUTION AND TYPE OF LOAN, 1997-2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Commercial banks										
New automobiles (48 months)	9.02%	8.73%	8.44%	9.34%	8.50%	7.62%	6.93%	6.60%	7.08%	7.72%
Personal (24 months)	13.90	13.76	13.39	13.90	13.22	12.54	11.95	11.89	12.05	12.41
Credit card plans	15.77	15.71	15.21	15.78	14.87	13.40	12.30	12.71	12.51	13.21
Finance companies										
New automobiles	7.12	6.30	6.66	6.61	5.65	4.29	3.40	4.36	5.46	4.96
Used automobiles	13.27	12.64	12.60	13.55	12.18	10.74	9.72	8.96	9.03	9.67

Source: Board of Governors of the Federal Reserve System.

HOUSEHOLD DEBT-SERVICE PAYMENTS AND FINANCIAL OBLIGATIONS AS A PERCENTAGE OF DISPOSABLE INCOME, 1980-2006[1]

		Financial obligations ratio[2]		
Year	Household debt service ratio[3]	Total	Renter	Homeowner
1980	10.58	15.37	23.60	13.33
1990	11.97	17.35	24.71	15.48
2000	12.88	18.24	30.55	15.76
2002	13.56	18.83	29.10	16.73
2003	13.50	18.53	26.79	16.85
2004	13.56	18.42	25.84	16.98
2005	14.29	19.15	25.46	17.90
2006	14.53	19.40	25.56	18.20

[1]All values are for the fourth quarter.

[2]The ratio of household debt payments described in footnote 3 plus the ratio of automobile lease payments, rental payments on tenant-occupied property, homeowners insurance and property taxes to disposable personal income.

[3]The ratio of debt payments (estimated required payments on outstanding mortgage and consumer debt) to disposable personal income.

Source: Board of Governors of the Federal Reserve System.

CONSUMER DEBT

CREDIT CARDS

Bank cards, credit cards issued by banks, are the most widely held type of credit card, with 95.4 percent of cardholders having such cards in 2004. Balances on bank cards accounted for 84.9 percent of outstanding credit card balances in 2004, up from 82.1 percent in 2001, according to the Federal Reserve's latest Consumer Finance Survey. Store cards were also popular, with 58.4 percent of cardholders having such cards in 2004.

The following chart is based on the Survey of Consumer Finances, undertaken every three years by the Federal Reserve. The 2007 survey is currently being conducted.

FAMILIES WITH CREDIT CARDS, 2001-2004

	2001[1]	2004
All families		
Percent of all families with credit cards	76.2%	74.9%
Percent of all families with credit card balance	44.4	46.2
Median amount of credit card balance ($000)	$2.0	$2.2
Families with credit card balance		
By percentile of income		
Less than 20 percent	30.3%	28.8%
20 to 39.9 percent	44.5	42.9
40 to 59.9 percent	52.8	55.1
60 to 79.9 percent	52.6	56.0
80 to 89.9 percent	50.3	57.6
90 to 100 percent	33.1	38.5
Median amount of credit card balance ($000)		
By percentile of income		
Less than 20 percent	$1.1	$1.0
20 to 39.9 percent	1.3	1.9
40 to 59.9 percent	2.1	2.2
60 to 79.9 percent	2.4	3.0
80 to 89.9 percent	4.0	2.7
90 to 100 percent	3.0	4.0

[1]All 2001 dollars adjusted to 2004 dollars.

Source: Board of Governors of the Federal Reserve System.

UNDERGRADUATE STUDENT CREDIT CARD USAGE, 1998-2004

	1998	2000	2001	2004
Students with credit cards	67%	78%	83%	76%
Average number of credit cards	3.50	3.00	4.25	4.09
Average credit card debt	$1,879	$2,748	$2,327	$2,169

Source: Nellie Mae.

CREDIT CARD LOSS RATES, 1997-2006[1]

(Percent, end of year)

Year	Percent	Year	Percent
1997	5.34%	2002	5.44%
1998	5.10	2003	5.75
1999	4.38	2004	4.88
2000	4.68	2005	6.04
2001	6.42	2006	3.23

[1]Total loans and leases removed from balance sheet because of uncollectibility, less amounts recovered on loans and leases previously charged off, at FDIC-insured commercial institutions.

Source: Federal Deposit Insurance Corporation.

TOP TEN CREDIT CARD ISSUERS BY OUTSTANDINGS, 2005-2006[1]

($ millions, end of year)

Rank	Company	2005	2006
1	Bank of America	$60,790.3	$170,736.6
2	JPMorgan Chase & Co.	138,900.0	146,100.0
3	Citigroup Inc.	113,700.0	111,600.0
4	Capital One Financial Corp.	49,463.5	53,623.7
5	Discover Financial Services Inc.	46,936.0	47,384.7
6	American Express	34,159.0	37,368.0
7	Washington Mutual Bank	19,973.0	23,501.0
8	Wells Fargo Bank	17,393.0	20,870.9
9	HSBC Credit Card Services	26,200.0	18,260.0
10	USAA Federal Savings Bank	8,877.5	8,877.5

[1]Based on responses to CID survey. Includes all credit card debt outstanding.

Source: SourceMedia's *Card Industry Directory*.

BANKRUPTCY

There are three major types of bankruptcies: Chapter 7 is a liquidation, under which assets are distributed by a court-appointed trustee and, if there are no assets, the debt is discharged and creditors receive nothing. Chapter 11 is a reorganization, used mostly by businesses, under which debts are restructured and a payment schedule is worked out. Chapter 13 is a debt repayment plan, under which debts are repaid in part or in full over a period of time, normally three years, under the supervision of a trustee.

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCA), the most comprehensive revision of bankruptcy laws in 25 years, instituted a means test that requires people who earn above their state's median income and can repay at least $6,000 over five years to file for bankruptcy protection under Chapter 13, which mandates a repayment plan. (Under the previous law more debtors were eligible to file under Chapter 7, with its less stringent provisions). There was a surge in filings in the months prior to October 2005, when BAPCA went into effect, followed by a precipitous drop in filings in subsequent months. Bankrupty filings in 2006 were down 70 percent from the previous year.

BANKRUPCTY PETITIONS FILED BY TYPE, 2002-2006

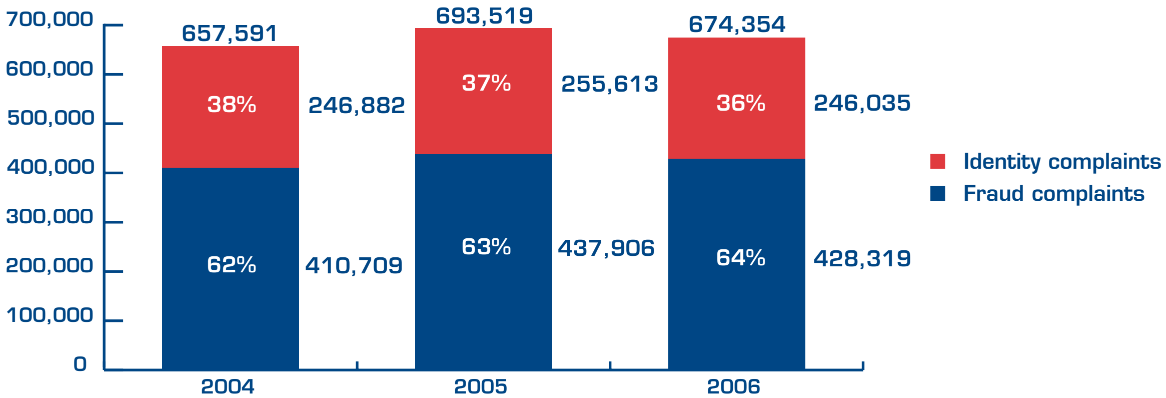
Year	Business	Percent change	Nonbusiness	Percent change	Total	Percent change
2002	38,540	-4%	1,539,111	6%	1,577,651	6%
2003	35,037	-9	1,625,208	6	1,660,245	5
2004	34,317	-2	1,563,145	-4	1,597,462	-4
2005	39,201	14	2,039,214	30	2,078,415	30
2006	19,695	-50	597,965	-71	617,660	-70

Source: Administrative Office of the U.S. Courts.

CONSUMER FRAUD AND IDENTITY THEFT

The Consumer Sentinel database, maintained by the Federal Trade Commission, contains over 3.5 million consumer fraud and identity theft complaints that have been filed with federal, state and local law enforcement agencies and private organizations.

IDENTITY THEFT AND FRAUD COMPLAINTS, 2004-2006[1]



[1]Percentages are based on the total number of identity theft and fraud complaints by calendar year. These figures exclude "Do Not Call" registry complaints.

Source: Federal Trade Commission.

HOW VICTIMS' INFORMATION IS MISUSED, 2006[1]

Type of identity theft fraud	Percent
Credit card fraud	25%
Other identity theft	24
Phone or utilities fraud	16
Bank fraud[2]	16
Employment-related fraud	14
Government documents or benefits fraud	10
Attempted identity theft	6
Loan fraud	5

[1]Percentages are based on the total number of complaints in the Federal Trade Commission's Identity Theft Data Clearinghouse (246,035 in 2006). Percentages total to more than 100 because some victims reported experiencing more than one type of identity theft (18% in 2006).

[2]Includes fraud involving checking and savings accounts and electronic fund transfer.

Source: Federal Trade Commission.

IDENTITY THEFT VICTIMS BY STATE, 2006

State	Victims per 100,000 population[1]	Number of victims	Rank[2]	State	Victims per 100,000 population[1]	Number of victims	Rank[2]
Alabama	60.3	2,774	27	Montana	45.9	434	41
Alaska	57.3	384	31	Nebraska	49.1	868	37
Arizona	147.8	9,113	1	Nevada	120.0	2,994	2
Arkansas	54.7	1,537	34	New Hampshire	46.1	606	40
California	113.5	41,396	3	New Jersey	73.3	6,394	14
Colorado	92.5	4,395	6	New Mexico	82.9	1,621	10
Connecticut	65.8	2,305	18	New York	85.2	16,452	8
Delaware	66.7	569	17	North Carolina	64.9	5,748	20
Florida	98.3	17,780	5	North Dakota	29.7	189	49
Georgia	86.3	8,084	7	Ohio	59.9	6,878	28
Hawaii	47.8	615	39	Oklahoma	63.0	2,254	23
Idaho	49.0	718	38	Oregon	76.1	2,815	13
Illinois	78.6	10,080	12	Pennsylvania	64.9	8,080	19
Indiana	62.2	3,928	24	Rhode Island	57.6	615	30
Iowa	34.9	1,041	47	South Carolina	55.7	2,408	32
Kansas	58.8	1,626	29	South Dakota	30.2	236	48
Kentucky	42.0	1,766	44	Tennessee	61.3	3,700	26
Louisiana	52.6	2,256	35	Texas	110.6	26,006	4
Maine	39.7	525	45	Utah	61.8	1,577	25
Maryland	82.9	4,656	11	Vermont	28.5	178	50
Massachusetts	63.7	4,102	22	Virginia	67.2	5,137	15
Michigan	67.2	6,784	16	Washington	83.4	5,336	9
Minnesota	55.6	2,872	33	West Virginia	39.3	715	46
Mississippi	51.3	1,494	36	Wisconsin	45.6	2,536	42
Missouri	64.2	3,753	21	Wyoming	42.3	218	43

[1]Population figures are based on the 2006 U.S. Census population estimates.

[2]The District of Columbia had 131.5 victims per 100,000 population and 765 victims.

Source: Federal Trade Commission.

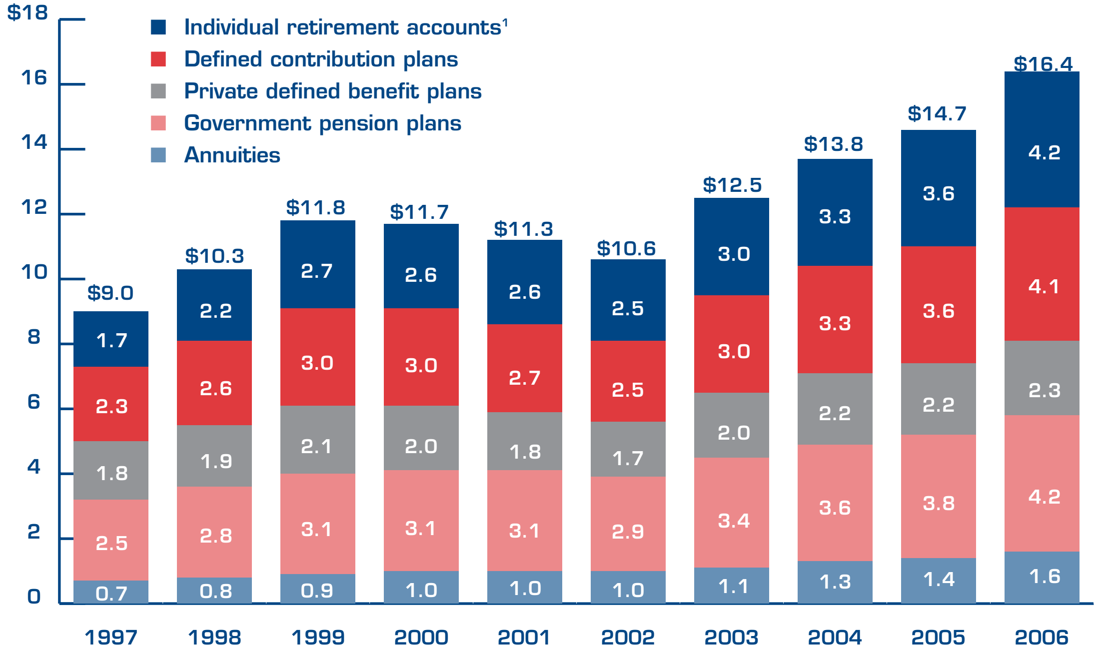
RETIREMENT FUNDS

Life spans in the United States have been increasing for over a hundred years. It is now common for people who reach retirement age to live 20 years or more in retirement, most of those years in good health. The U.S. Census predicts that by 2030 close to 1 out of 5 Americans—some 72 million people—will be 65 years or older, twice as as many as in 2006. These trends have helped fuel rapid growth in the assets that Americans accumulate for retirement. U.S. retirement assets increased by 11 percent from 2005 to $16.4 billion in 2006. These assets now account for nearly 40 percent of U.S. household financial assets, compared with 24 percent twenty years ago, according to the Investment Company Institute. About one quarter (25.6 percent) of such assets were in individual retirement accounts and 9.8 percent were in annuities. The remaining assets (64 percent) were in an employer-sponsored retirement plan (including government and private plans).

Retirement plans are generally administered by a bank, life insurance company, mutual fund, brokerage firm or pension fund manager. Because payouts are relatively predictable, pension funds invest primarily in long-term securities. They are among the largest investors in the stock market. Pension plan assets made up 17 percent of total financial services assets in 2006.

U.S. RETIREMENT ASSETS, BY TYPE, 1997-2006

($ trillions, end of year)



[1]Data for 2003, 2005 and 2006 are estimates. Data for 2004 is preliminary.

Source: Investment Company Institute.

ASSETS OF PRIVATE PENSION FUNDS BY TYPE OF ASSET, 2002-2006[1]

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$3,547.2**	**$4,475.7**	**$4,924.8**	**$5,120.3**	**$5,558.2**
Checkable deposits and currency	10.2	10.3	10.5	10.8	11.4
Time and savings deposits	57.4	60.4	55.8	62.0	63.2
Money market fund shares	84.5	84.3	84.9	86.7	90.2
Security repurchase agreements[2]	19.0	20.5	26.5	28.2	26.0
Credit market instruments	577.3	646.5	646.1	658.6	693.9
Open market paper	29.2	26.0	26.4	28.5	31.5
U.S. government securities	283.8	335.3	342.6	344.2	368.2
Treasury securities	100.6	113.9	109.8	112.8	116.5
Agency- and GSE[3]-backed securities	183.2	221.4	232.8	231.4	251.7
Corporate and foreign bonds	253.9	274.8	267.1	276.1	284.8
Mortgages	10.3	10.2	10.0	9.8	9.4
Corporate equities	1,558.6	2,081.8	2,329.2	2,416.7	2,667.7
Mutual fund shares	831.9	1,097.2	1,292.2	1,376.0	1,507.1
Miscellaneous assets	408.4	474.8	479.6	481.3	498.6
Unallocated insurance contracts[4]	249.6	317.0	328.4	338.4	369.2
Contributions receivable	49.9	49.8	46.6	44.8	42.2
Other	108.9	108.0	104.5	98.2	87.2
Pension fund reserves (liabilities)[5]	3,589.2	4,517.2	4,965.5	5,159.5	5,595.9

[1]Private defined benefit plans and defined contribution plans (including 401(k) type plans), and the Federal Employees Retirement System Thrift Savings Plan.

[2]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[3]Government-sponsored enterprise.

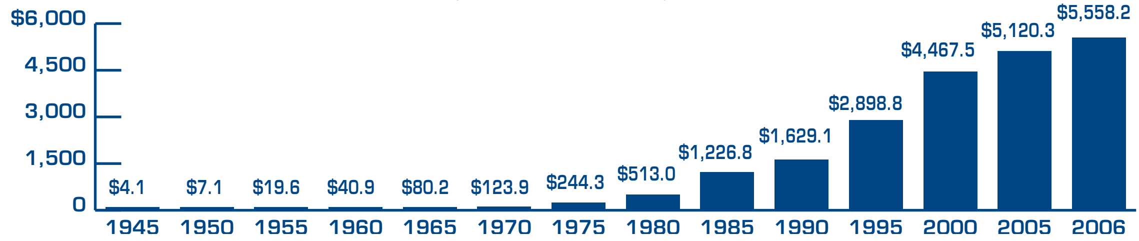
[4]Assets of private pension plans held at life insurance companies (e.g., variable annuities).

[5]Equal to the value of tangible and financial assets. These liabilities are assets of the household sector.

Source: Board of Governors of the Federal Reserve System.

ASSETS OF PRIVATE PENSION FUNDS, 1945-2006

($ billions, end of year)



Source: Board of Governors of the Federal Reserve System.

ASSETS OF STATE AND LOCAL GOVERNMENT EMPLOYEE RETIREMENT FUNDS BY TYPE OF ASSET, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$1,930.5**	**$2,344.0**	**$2,572.0**	**$2,701.5**	**$2,978.7**
Checkable deposits and currency	12.9	17.2	17.6	18.2	18.3
Time and savings deposits	1.7	1.4	1.8	1.6	2.0
Money market fund shares	15.5	12.6	9.6	9.8	10.2
Security repurchase agreements[1]	27.1	22.0	16.7	16.7	17.2
Credit market instruments	638.7	649.9	677.1	674.3	693.8
Open market paper	48.0	39.1	29.6	29.8	30.5
U.S. government securities	351.5	396.2	422.9	420.3	430.1
Treasury	158.9	147.9	130.4	129.4	132.9
Agency- and GSE[2]-backed securities	192.6	248.3	292.5	290.9	297.2
Municipal securities	0.9	1.0	1.7	1.7	2.2
Corporate and foreign bonds	217.3	193.2	203.4	203.0	211.0
Mortgages	21.1	20.4	19.5	19.4	20.0
Corporate equities	1,056.8	1,421.5	1,607.0	1,729.0	1,958.4
Mutual fund shares	167.4	208.0	230.5	238.3	265.5
Miscellaneous assets	10.4	11.3	11.8	13.7	13.4
Pension fund reserves (liabilities)[3]	1,980.0	2,393.9	2,620.0	2,745.3	3,016.1

[1]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[2]Government-sponsored enterprise.

[3]Equal to the value of tangible and financial assets. These liabilities are assets of the household sector.

Source: Board of Governors of the Federal Reserve System.

TYPES OF RETIREMENT PLANS

There are two basic types of pension funds: defined benefit and defined contribution plans. In a defined benefit plan, the income the employee receives in retirement is guaranteed, based on predetermined benefits formulas. Typically, benefits are based on a percentage of the participant's "terminal earnings," i.e., earnings at retirement. Several other options have also been developed (see Appendix page 195). In a defined contribution plan, a type of savings plan in which taxes on earnings are deferred until funds are withdrawn, the amount of retirement income depends on the contributions made and the earnings generated by the securities purchased. The employer generally matches the employee contribution up to a certain level and the employee selects investments from among the options the employer's plan offers. 401(k) plans fall into this category, as do 403(b) plans for nonprofit organizations.

Other types of retirement funds include profit sharing plans, in which employers contribute to accounts based on their profits, and Keogh plans for the self-employed and employees of small businesses. Some workers who do not fall into these categories may make limited contributions to an individual retirement account (IRA). IRAs allow individuals to save money without paying taxes until they withdraw it. With Roth IRAs, a plan created in 1998 for individuals earning below specified income levels, individuals pay taxes on the money before it is saved and withdraw funds without paying federal taxes. Beginning in 2010 people with traditional IRAs will be able to convert them to Roths. Roth 401(k)s were introduced in 2001 and made permanent by federal law in 2007. Unlike traditional 401(k) plans, Roth 401(k)s are funded with aftertax dollars.

DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS, 1990-2006[1]

(Percent)

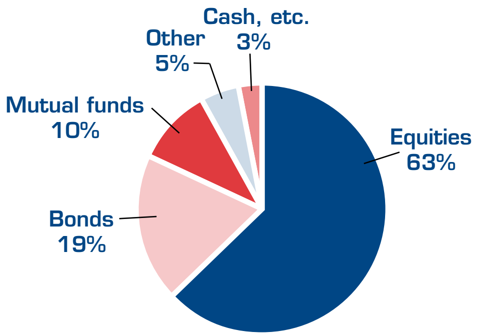
Percent of all workers participating	1990-1991	2000	2003	2004	2005	2006
Defined benefit pension plans	35%	19%	20%	21%	21%	20%
Defined contribution plans	34	36	40	42	42	43

[1]All private industry.

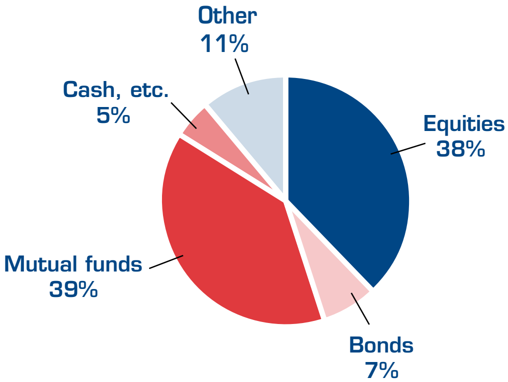
Source: U.S. Bureau of Labor Statistics.

RETIREMENT FUNDS ASSET MIX, 2006

Private Defined Benefit Plans



Private Defined Contribution Plans



Source: Securities Industry and Financial Markets Association.

- In defined benefit plans, the share of investments in equities rose from 61 percent in 2005 to 63 percent in 2006, while investments in bonds fell from 20 percent in 2005 to 19 percent in 2006.
- In defined contribution plans, the share of the investments in mutual funds rose from 37 percent in 2005 to 39 percent in 2006. Investments in other assets were essentially steady.

DISTRIBUTION OF PRIVATE PENSION FUND ASSETS, 1985-2006

		Percent of financial assets	
Year	Financial assets ($ billions)	Defined benefit	Defined contribution
1985	$1,226	64.9%	35.1%
1990	1,627	55.3	44.7
1995	2,899	50.6	49.4
2000	4,468	44.3	55.7
2005	5,120	42.0	58.0
2006	5,558	41.0	59.0

Source: Securities Industry and Financial Markets Association.

INVESTMENT MIX OF PRIVATE DEFINED BENEFIT PLAN ASSETS, 2001-2006
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2001	$1,061	$401	$181	$60	$107	$1,810
2002	888	366	164	52	114	1,585
2003	1,156	440	197	55	131	1,380
2004	1,290	430	234	50	124	2,128
2005	1,313	431	233	58	114	2,149
2006	1,429	436	235	59	121	2,280

Source: Securities Industry and Financial Markets Association.

INVESTMENT MIX OF PRIVATE DEFINED CONTRIBUTION PLAN ASSETS, 2001-2006
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2001	$848	$158	$782	$131	$320	$2,238
2002	671	182	668	148	294	1,963
2003	926	180	900	147	344	2,496
2004	1,039	190	1,059	154	356	2,797
2005	1,104	199	1,143	159	367	2,971
2006	1,239	227	1,272	164	378	3,279

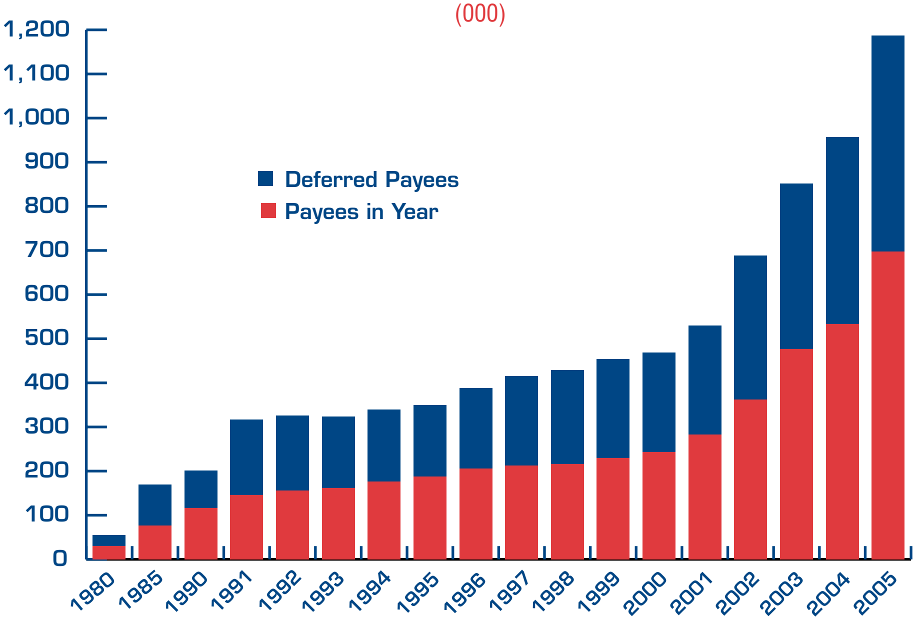
Source: Securities Industry and Financial Markets Association.

PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation (PBGC), a federal corporation created by the Employee Retirement Income Security Act of 1974, protects the pensions of over 44 million workers in about 31,000 private defined benefit plans through two separate insurance programs: a single-employer plan termination insurance program and a multi-employer plan. In 2005 Congress passed landmark pension reform legislation to close shortfalls in employers' funding of defined benefit pension plans. The act requires employers to fully fund their plans in seven years, but gives some airlines in bankruptcy proceedings an extra 10 years to meet their obligations. The law also removes legal barriers to some cash balance plans and is, together with a 2006 federal court ruling concerning IBM, expected to spur the growth of such plans. The August 2006 ruling held that IBM's cash balance plan did not discriminate against older workers.

PARTICIPANTS AND BENEFICIARIES RECEIVING PENSION BENEFIT GUARANTY CORPORATION PAYMENTS, SINGLE-EMPLOYER PROGRAM, 1980-2005

(000)



Source: Pension Benefit Guaranty Corporation.

- More than 80 percent of all claims against the PBGC have been recorded since 2000. Claims from the airlines and steel industries accounted for 75 percent of the claims received from 2000 to 2005.
- In 2005 the PBGC paid $3.7 billion in benefits to 698,000 defined benefit plan participants.

IRA MARKET SHARES BY HOLDER, 2002-2006

($ billions, end of year)

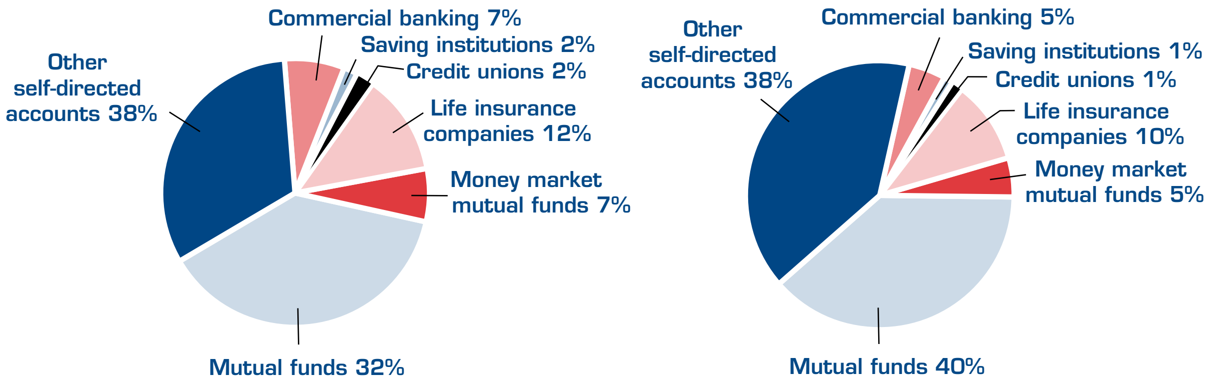
By holder	2002	2003	2004	2005	2006
Commercial banking	$165.6	$166.0	$168.0	$175.3	$202.0
Saving institutions	53.8	55.1	53.7	53.8	57.6
Credit unions	43.3	46.8	47.7	49.3	53.2
Life insurance companies	308.3	338.4	348.0	381.0	424.0
Money market mutual funds	181.0	164.0	149.0	158.0	187.0
Mutual funds	823.0	1,095.0	1,279.0	1,435.0	1,696.0
Other self-directed accounts	958.0	1,127.6	1,238.7	1,379.6	1,612.2
Total	**$2,533.0**	**$2,993.0**	**$3,284.0**	**$3,632.0**	**$4,232.0**

Source: Board of Governors of the Federal Reserve System.

- In 2006 most IRAs were held by mutual funds, followed closely by "other self-directed accounts," generally brokerage accounts in which the investor has considerable control over the direction of investments.

RETIREMENT FUNDS

IRA MARKET SHARES BY HOLDER, 2002 AND 2006

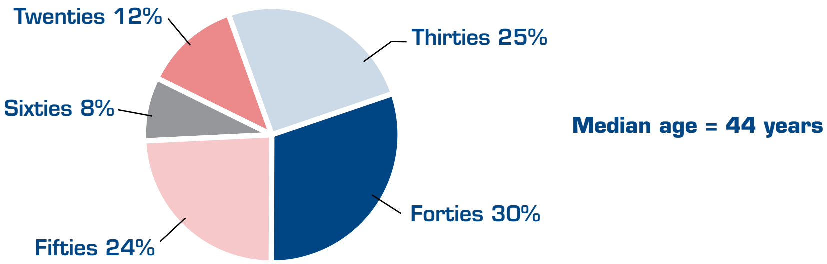


Source: Board of Governors of the Federal Reserve System.

401(K) PLAN PARTICIPANTS

Fifty-five percent of those who participate in 401(k) plans are in their thirties or forties, according to an analysis by the Employee Benefits Research Institute and the Investment Company Institute. The median age of the participants in 2006 was 44 years, the same as in 2005. Thirty-three percent of the participants had five or fewer years of tenure in their firms, while 6 percent were at their firms for over 30 years. The median tenure at the current employer was eight years in 2006, the same as in 2005.

401(K) PLAN PARTICIPANTS BY AGE, 2006[1]



[1]Does not add to total due to rounding.

Source: Investment Company Institute.

401(K) ASSETS

A new study by the National Bureau of Economic Research expects assets in 401(k) plans to grow dramatically in coming decades, even as aging baby boomers liquidate plan assets to fund their retirement. The plans, first introduced in the early 1980s, currently represent only a small portion of retirees' wealth. However, in recent years the plans have become available to a majority of workers, with the percentage of families with members eligible to participate jumping from less than 20 percent in 1984 to more than 50 percent in 2003. By the time younger workers retire, they will have had more time to contribute to their plans than baby boomers, further fueling the growth of 401(k)s.

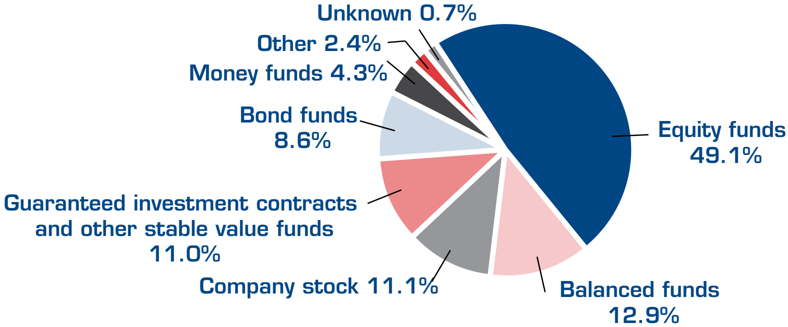
ASSETS IN 401(K) PLANS, 1997-2006
($ billions)

Year	Mutual fund 401(k) plan assets[1]	Other 401(k) plan assets	Total
1997	$478	$786	$1,264
1998	616	925	1,541
1999	813	977	1,790
2000	822	903	1,725
2001	801	881	1,682
2002	713	860	1,573
2003	926	996	1,922
2004	1,095	1,086[2]	2,181[2]
2005	1,242	1,094[2]	2,336[2]
2006	1,485	1,213[2]	2,698[2]

[1]Preliminary data. [2]Estimated by the Investment Company Institute. Note: Components may not add to totals due to rounding.

Source: Investment Company Institute.

AVERAGE ASSET ALLOCATION FOR ALL 401(K) PLAN BALANCES, 2006[1]



[1]Percentages are dollar weighted averages. Does not add to total due to rounding.

Source: Investment Company Institute.

SALES OF FIXED AND VARIABLE ANNUITIES

There are several types of annuities. Deferred annuities generally accumulate assets over a long period of time, with withdrawals usually as a single sum or as an income payment beginning at retirement. Immediate annuities allow purchasers to convert a lump sum payment into a stream of income that begins right away.

Deferred and immediate annuities can be either fixed or variable. Generally, interest credited and payments made from a fixed annuity are based on rates declared by the company, which can change only yearly. Fixed annuities are considered “general account” assets. In contrast, variable annuity account values and payments are based on the performance of a separate investment portfolio, thus their value may fluctuate daily. Variable annuities are considered “separate account” assets.

Annuities can also be classified by marketing channel—sold to groups or individuals (see the Premiums by Line table, page 91).

- **Variable annuity sales grew 16.7 percent in 2006, compared with 3.5 percent in 2005.**
- **Fixed annuity sales fell for the fourth consecutive year, down 4.2 percent in 2006 after falling 10.2 percent in 2005.**

INDIVIDUAL ANNUITY CONSIDERATIONS, 2002-2006[1]
($ billions)

			Total	
Year	Variable	Fixed	Amount	Percent change
2002	$116.6	$103.3	$219.9	18.7%
2003	129.4	89.4	218.8	-0.5
2004	132.9	87.9	220.8	0.9
2005	137.6	78.9	216.5	-1.9
2006	160.6	75.6	236.2	9.1

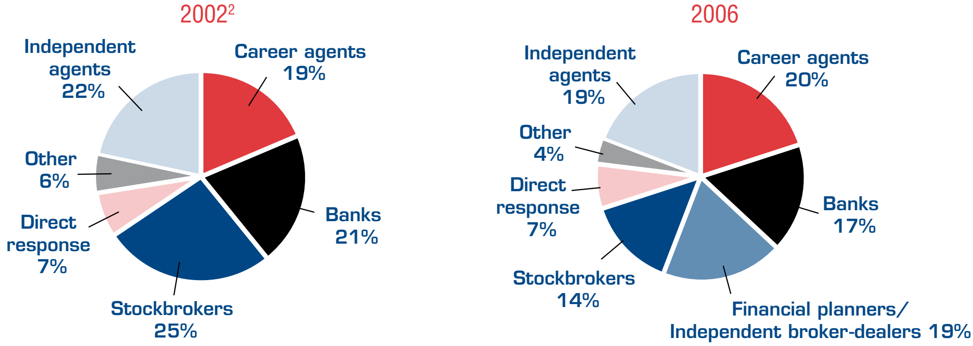
[1]Based on LIMRA’s estimates of the total annuity sales market. Includes some considerations (i.e., premiums) that though bought in group settings involve individual buying decisions.

Source: LIMRA International.

ANNUITY DISTRIBUTION SYSTEMS

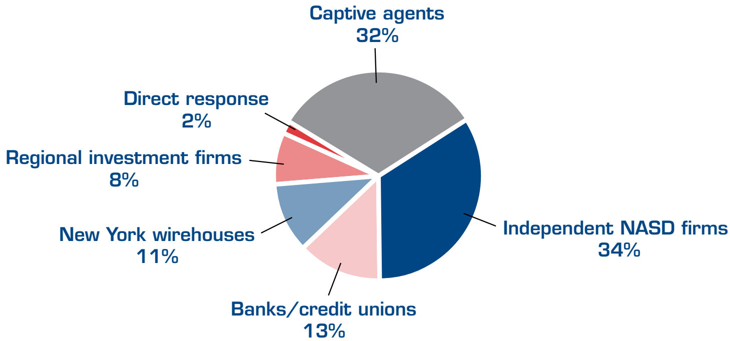
Insurance agents, including career agents, who sell the products of a single life insurance company, and independent agents, who represent several insurers, account for almost 40 percent of annuity sales. State and federal regulators require sellers of variable annuities, which are similar to stock market-based investments, to register with NASD and the Securities and Exchange Commission.

SALES OF INDIVIDUAL ANNUITIES BY DISTRIBUTION CHANNELS, 2002 AND 2006[1]



[1]Preliminary. [2]Financial planner sales included with stockbrokers prior to 2003. Source: LIMRA International.

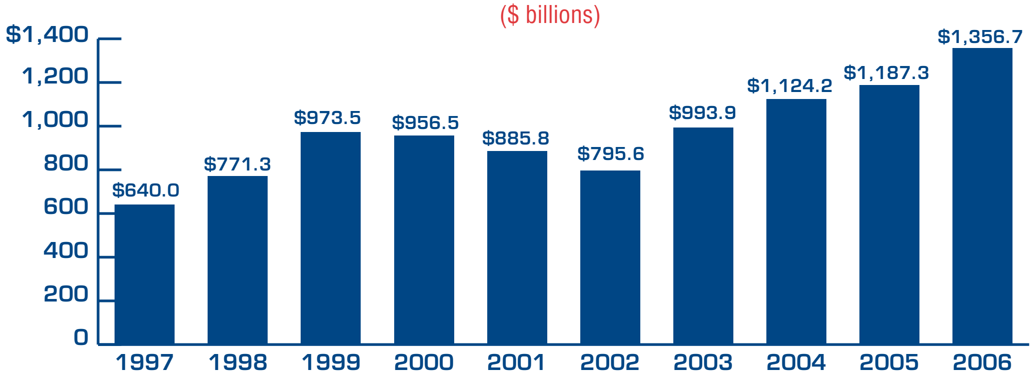
VARIABLE ANNUITY TOTAL SALES BY DISTRIBUTION CHANNEL, 2006



Source: NAVA and Morningstar, Inc.

NET ASSETS OF VARIABLE ANNUITIES, 1997-2006

($ billions)



Source: NAVA and Morningstar, Inc.

MUTUAL FUND RETIREMENT ASSETS, 1997-2006[1]

($ billions)

Year	Employer-sponsored accounts[2]	IRAs	Total retirement
1997	$774	$763	$1,537
1998	985	960	1,945
1999	1,287	1,257	2,544
2000	1,262	1,232	2,494
2001	1,194	1,168	2,363
2002	1,056	1,044	2,101
2003	1,366	1,312	2,678
2004	1,591	1,494	3,085
2005	1,785	1,666	3,451
2006	2,113	1,971	4,084

[1]Preliminary.

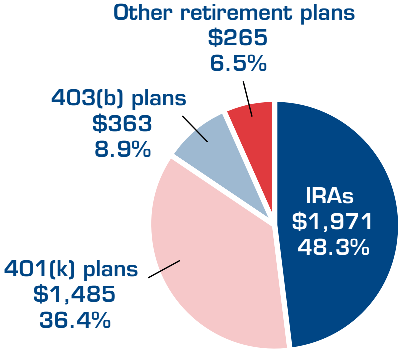
[2]Includes 401(k) plans, 403(b) plans, 457 plans, Keoghs and other defined contribution plans without 401(k) features; does not include defined benefit plan mutual fund assets.

Note: Components may not add to totals due to rounding.

Source: Investment Company Institute.

MUTUAL FUND RETIREMENT ASSETS BY TYPE OF PLAN, 2006[1]

($ billions)



- Of the total $4.1 trillion in mutual fund assets held in retirement plans, 70 percent were invested in equity funds, including 56 percent in domestic funds and 14 percent in foreign funds.

[1]Preliminary.

Source: Investment Company Institute.

OVERVIEW

Spurred by the passage of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (GLB), many leading financial services companies are now doing business across sectors. GLB permits banks, securities firms and insurance companies to affiliate with each other through the financial holding company (FHC) structure. FHCs can engage in activities other than banking as long as they are financial in nature. The most important of these are securities underwriting and dealing, insurance underwriting, insurance agency activities and merchant banking, a form of equity financing.

The first step in electing FHC status is to become a bank holding company (BHC), a company that owns one or more banks. BHCs must meet certain eligibility requirements in terms of capital, management and community investment to become an FHC. GLB allows existing BHCs that have opted for FHC status to acquire full service securities firms and insurance companies. GLB also permits insurers and securities firms to buy a bank and thus become a BHC eligible for FHC status. One example is MetLife, which purchased a bank and became an FHC.

GLB also allowed banks owned by BHCs to expand into financial services activities by creating financial subsidiaries. Income from these subsidiaries' activities flows up to the BHC parent, and is reported as income by the parent. But the activities permitted to these subsidiaries are not as broad as for FHCs. Financial subsidiaries of banks may not engage in insurance underwriting. In addition, they may not engage as a principal in providing or issuing annuities or in real estate development and investment, merchant banking or insurance investment activities. Before passage of GLB, BHCs could be involved in the securities business, but what they were permitted to do was strictly limited by law.

Industrial banks afford another route into banking for both financial services companies and nonfinancial businesses. These state-chartered institutions have broad banking powers and may be owned by automakers and department stores, as well as financial services businesses such as finance companies, credit card issuers and securities firms (see page 122).

NUMBER OF FINANCIAL HOLDING COMPANIES (FHCs), 2002-2006[1]

	2002	2003	2004	2005	2006
Number of domestic FHCs[2]	602	612	600	591	599
Number of foreign FHCs[3]	30	32	36	38	44
Total number of FHCs	**632**	**644**	**636**	**629**	**643**

[1]To avoid double-counting, only the top-tier bank holding company in a multitier organization is included.
[2]Bank holding company whose ultimate parent is incorporated in the United States.
[3]Bank holding company whose ultimate parent is a foreign bank or other organization chartered outside the United States.

Source: Board of Governors of the Federal Reserve System.

- **In 2006 the Federal Reserve approved requests from 48 domestic bank holding companies and seven foreign banks seeking financial holding company status.**

Each year Michael White-Symetra benchmarks and ranks the insurance, investment, and mutual fund and annuity fee income programs of banks and bank holding companies, based on data reported to the FDIC and the Federal Reserve. The charts on pages 46-51 show data from institutions with insurance and/or investment operations located within bank holding company (BHC) subsidiaries. The charts on pages 55-59 show data from banks that have generated, either directly or through bank subsidiaries, insurance and investment income and report the data at the bank level.

BANK HOLDING COMPANY INVESTMENT FEE INCOME, 2002-2006[1]

	Reporting investment fee income				
Year	Number	Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
2002	1,101	57.0%	$39.24	$35,644,486	$143,000
2003	1,196	57.3	41.96	35,074,606	139,500
2004	1,256	55.9	45.69	36,378,205	151,000
2005	1,278	56.6	48.93	38,282,635	158,000
2006[2]	690	72.4	56.44	81,802,288	372,500

[1]Income from investment banking, advisory, brokerage, and underwriting fees and commissions.

[2]Due to a 2006 redefinition of what constitutes a "small" bank, most BHCs with less than $500 million in consolidated assets were exempt from filing detailed noninterest fee income data. The change reduced the number of BHCs that file the data by 1,300. The lower number of these small BHCs drove national means and medians higher, mainly for insurance brokerage fee income.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

BANK HOLDING COMPANY MUTUAL FUND AND ANNUITY INCOME, 2002-2006

	Reporting mutual fund and annuity income				
Year	Number	Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
2002	986	51.0%	$13.96	$14,158,153	$137,000
2003	1,054	50.5	15.39	14,597,508	141,000
2004	1,103	49.1	17.22	15,614,549	153,000
2005	1,108	49.1	19.46	17,562,670	157,000
2006[1]	606	63.6	19.33	31,903,754	326,500

[1]Due to a 2006 redefinition of what constitutes a "small" bank, most BHCs with less than $500 million in consolidated assets were exempt from filing detailed noninterest fee income data. The change reduced the number of BHCs that file the data by 1,300. The lower number of these small BHCs drove national means and medians higher, mainly for insurance brokerage fee income.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

BANK HOLDING COMPANY INSURANCE BROKERAGE, UNDERWRITING AND TOTAL INSURANCE FEE INCOME, 2002-2006

Year	Insurance brokerage fee income[1]				
	Reporting insurance brokerage fee income		Insurance brokerage fee income ($ billions)	Mean insurance brokerage fee income ($ millions)	Median insurance brokerage fee income
	Number	Percent			
2002	1,235	63.9%	$5.86	$4.7	$65,000
2003	1,319	63.2	8.37	6.3	65,000
2004	1,408	62.7	9.63	6.8	65,000
2005	1,423	63.1	10.98	7.7	65,000
2006[2]	637	66.8	12.13	19.0	209,000
	Insurance underwriting fee income[3]				
	Reporting insurance underwriting fee income		Insurance underwriting fee income ($ billions)	Mean insurance underwriting fee income ($ millions)	Median insurance underwriting fee income
Year	Number	Percent			
2002	179	9.1%	$24.47	$136.7	$184,000
2003	109	5.1	25.13	230.5	484,000
2004	96	4.3	27.43	285.7	499,500
2005	94	4.2	33.08	351.9	467,500
2006[2]	82	8.6	31.35	382.3	504,000
	Total insurance fee income				
	Reporting total insurance fee income		Total insurance fee income ($ billions)	Mean total insurance fee income ($ millions)	Median total insurance fee income
Year	Number	Percent			
2002	1,299	65.8%	$30.34	$23.4	$72,000
2003	1,367	64.3	33.50	24.5	69,000
2004	1,422	63.3	37.06	26.1	67,000
2005	1,428	63.3	44.06	30.9	67,000
2006[2]	642	67.4	43.48	67.7	235,500

[1]Income from nonunderwriting activities, mostly from insurance product sales and referrals, service charges and commissions, and fees earned from insurance and annuity sales.

[2]Due to a 2006 redefinition of what constitutes a “small” bank, most BHCs with less than $500 million in consolidated assets were exempt from filing detailed noninterest fee income data. The change reduced the number of BHCs that file the data by 1,300. The lower number of these small BHCs drove national means and medians higher, mainly for insurance brokerage fee income.

[3]Income from underwriting activities.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

LEADING BANK HOLDING COMPANIES

- The top 10 BHCs or their parents all have FHC status, allowing them to engage in expanded financial services activities.
- To qualify for the Federal Reserve's ranking of top bank holding companies, the BHC must qualify by asset size, meet specified data filing requirements and be engaged in significant banking activities.

TOP TEN BANK HOLDING COMPANIES, 2006

($ millions)

Rank	Company	Assets
1	Citigroup Inc.	$1,884,318
2	Bank of America Corporation	1,463,685
3	JPMorgan Chase & Co.	1,351,520
4	Wachovia Corporation	707,121
5	Wells Fargo & Company	481,996
6	HSBC North America Holdings Inc.[1]	478,159
7	Taunus Corporation[2]	430,398
8	U.S. Bancorp	219,232
9	Suntrust Banks, Inc.	182,162
10	Citizens Financial Group, Inc.	160,901

[1]HSBC N.A. Holdings Inc.'s holder, HSBC Holding PLC, is an FHC.

[2]Taunus' holder, Deutsche Bank, is an FHC.

Source: Board of Governors of the Federal Reserve System.

TOP TEN BANK HOLDING COMPANIES IN TOTAL INSURANCE PREMIUMS UNDERWRITTEN, 2006

($000)

			Total insurance premiums			
Rank	Bank holding company	State	2005	2006	Percent change	2006 Assets
1	MetLife, Inc.	NY	$24,859,553	$26,412,139	6.25%	$527,714,953
2	Citigroup, Inc.	NY	1,841,000	1,479,000	-19.66	1,884,318,000
3	Countrywide Financial Corp.	CA	953,825	1,171,958	22.87	199,946,230
4	HSBC North America Holdings	IL	835,492	991,386	18.66	478,159,427
5	JPMorgan Chase & Co.	NY	442,000	399,000	-9.73	1,351,520,000
6	Wells Fargo & Company	CA	234,000	251,000	7.26	481,996,000
7	Bank of America Corporation	NC	59,524	201,852	239.11	1,463,685,485
8	National City Corporation	OH	76,589	103,705	35.40	140,203,110
9	Wachovia Corporation	NC	56,000	62,000	10.71	707,121,000
10	SunTrust Banks, Inc.	GA	33,202	37,114	11.78	182,161,609

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

TOP TEN BANK HOLDING COMPANIES IN INSURANCE UNDERWRITING NET INCOME, 2006

($000)

			Insurance underwriting net income		
Rank	Bank holding company	State	Total	As a percent of total bank holding company net income	2006 Assets
1	MetLife, Inc.	NY	$3,165,000	50.29%	$527,714,953
2	Wells Fargo & Company	CA	941,000	11.09	481,996,000
3	Citigroup, Inc.	NY	766,000	3.56	1,884,318,000
4	Countrywide Financial Corp.	CA	272,060	10.17	199,946,230
5	HSBC North America Holdings	IL	219,421	8.28	478,159,427
6	JPMorgan Chase & Co.	NY	185,000	1.28	1,351,520,000
7	Bank of America Corporation	NC	82,596	0.39	1,463,685,485
8	Wachovia Corporation	NC	60,000	0.77	707,121,000
9	Old National Bancorp	IN	58,728	73.99	8,150,323
10	ABN AMRO No. America Holding Co.	IL	33,640	4.00	156,293,592

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

TOP TEN BANK HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME, 2006[1]

($000)

			Insurance brokerage fee income				
Rank	Bank holding company	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	MetLife, Inc.	NY	$4,128,752	$5,084,652	23.15%	15.07%	$527,714,953
2	Citigroup, Inc.	NY	1,291,000	1,723,000	33.46	3.56	1,884,318,000
3	Wells Fargo & Company	CA	977,000	1,071,000	9.62	6.98	481,996,000
4	BB&T Corporation	NC	701,891	805,869	14.81	31.07	121,351,065
5	JPMorgan Chase & Co.	NY	432,000	401,000	-7.18	0.98	1,351,520,000
6	Wachovia Corporation	NC	331,000	386,000	16.62	2.68	707,121,000
7	Bank of America Corp.	NC	188,846	340,381	80.24	0.87	1,463,685,485
8	Greater Bay Bancorp	CA	154,502	165,460	7.09	74.36	7,377,006
9	Regions Financial Corp.	AL	73,923	83,406	12.83	4.21	143,370,472
10	Commerce Bancorp, Inc.	NJ	75,751	83,084	9.68	14.14	45,316,383

[1]Income from nonunderwriting activities, insurance product sales and referrals, service charges and commissions, and fees earned from insurance and annuity sales.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

LEADING BANK HOLDING COMPANIES

TOP TEN BANK HOLDING COMPANIES IN INVESTMENT FEE INCOME, 2006

($000)

			Investment fee income				
Rank	Bank holding company	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	Citigroup, Inc.	NY	$13,064,000	$14,309,000	9.53%	29.59%	$1,884,318,000
2	JPMorgan Chase & Co.	NY	6,272,000	8,455,000	34.81	20.58	1,351,520,000
3	Bank of America Corp.	NC	4,622,632	6,021,395	30.26	15.48	1,463,685,485
4	Franklin Resources, Inc.	CA	4,328,929	5,103,886	17.90	95.31	9,684,169
5	Wachovia Corporation	NC	4,220,000	4,622,000	9.53	32.07	707,121,000
6	Taunus Corporation	NY	2,253,000	2,781,000	23.44	37.04	430,398,000
7	Mellon Financial Corp.	PA	2,088,676	2,696,771	29.11	55.58	41,584,506
8	Charles Schwab Corp.	CA	2,418,289	2,673,259	10.54	93.15	48,992,466
9	Wells Fargo & Company	CA	1,515,000	1,723,000	13.73	11.23	481,996,000
10	PNC Financial Serv. Group	PA	1,373,650	1,437,717	4.66	21.84	101,854,178

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

TOP TEN BANK HOLDING COMPANIES IN MUTUAL FUND AND ANNUITY FEE INCOME, 2006

($000)

			Mutual fund and annuity fee income				
Rank	Bank holding company	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	MetLife, Inc.	NY	$2,179,018	$2,931,469	34.53%	8.69%	$527,714,953
2	Franklin Resources, Inc.	CA	2,726,595	2,325,129	-14.72	43.42	9,684,169
3	Wachovia Corporation	NC	1,786,000	1,858,000	4.03	12.89	707,121,000
4	Bank of America Corp.	NC	1,577,308	1,786,783	13.28	4.59	1,463,685,485
5	JPMorgan Chase & Co.	NY	1,809,000	1,746,000	-3.48	4.25	1,351,520,000
6	Citigroup, Inc.	NY	2,043,000	1,533,000	-24.96	3.17	1,884,318,000
7	Charles Schwab Corp.	CA	1,279,902	1,513,984	18.29	52.75	48,992,466
8	PNC Financial Serv. Group	PA	1,347,221	1,265,555	-6.06	19.23	101,854,178
9	Mellon Financial Corp.	PA	827,069	866,852	4.81	17.86	41,584,506
10	Taunus Corporation	NY	501,000	486,000	-2.99	6.47	430,398,000

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

TOP TEN BANK HOLDING COMPANIES IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2006

($000)

			Proprietary mutual fund and annuities assets under management			
Rank	Bank holding company	State	2005	2006	Percent change	2006 Assets
1	MetLife, Inc.	NY	$481,645,114	$527,733,795	9.57%	$527,714,953
2	Franklin Resources, Inc.	CA	354,954,729	396,509,433	11.71	9,684,169
3	Bank of America Corp.	NC	221,497,050	257,732,649	16.36	1,463,685,485
4	JPMorgan Chase & Co.	NY	213,583,000	248,178,000	16.20	1,351,520,000
5	Charles Schwab Corp.	CA	166,892,197	211,809,912	26.91	48,992,466
6	Mellon Financial Corp.	PA	179,488,000	204,001,000	13.66	41,584,506
7	Taunus Corporation	NY	121,506,000	127,855,000	5.23	430,398,000
8	Wells Fargo & Company	CA	112,492,000	126,140,000	12.13	481,996,000
9	Wachovia Corporation	NC	103,855,000	108,038,000	4.03	707,121,000
10	U.S. Bancorp	MN	55,134,000	72,937,000	32.29	219,232,000

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2007.

BANKS

BANK-PRODUCED INSURANCE PREMIUMS, 2000-2005[1]

($ billions)

	2000	2001	2002	2003	2005	Percent change, 2000-2005
Annuities	$31.0	$37.1	$47.7	$51.6	$41.9	35.2%
Commercial lines[2]	5.4	8.9	11.5	14.2	24.3	350.0
Personal property/casualty	3.7	4.1	5.0	6.3	7.7	108.1
Credit coverages	2.7	2.8	2.5	2.4	2.1	-22.2
Individual life/health[3]	2.1	2.3	2.8	3.6	4.1	95.2
Total	**$44.9**	**$55.2**	**$69.5**	**$78.1**	**$80.1**	**78.4%**
Annual growth	23.4%	22.9%	25.9%	12.4%	2.6%	NA

[1]Estimated. Data not available for 2004.

[2]Includes commercial property/casualty and group benefits premium.

[3]Excludes accidental death and dismemberment. No adjustment is made for nonrecurring premiums.

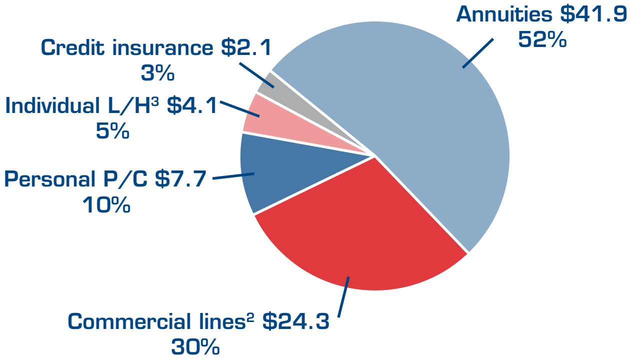
NA=Not applicable.

Source: American Bankers Insurance Association.

- In 2005 bank insurance premiums increased by 3 percent to an estimated $80.1 billion from $78.1 billion in 2003, according to the ABIA.
- In 2005 banks accounted for almost a quarter of total annuity sales, 7 percent of commercial lines insurance sales, and 3 percent of personal lines insurance sales.

BANK INSURANCE PREMIUMS BY TYPE OF COVERAGE, 2005[1]

($ billions)



[1]Total estimated at $80.1 billion.

[2]Commercial property/casualty and group benefits premiums.

[3]Excludes accidental death and dismemberment. No adjustment is made for nonrecurring premiums.

Source: American Bankers Insurance Association.

PRIMARY BANK INSURANCE DISTRIBUTION CHANNELS, 2005

(Percent)

	Property/casualty		Life/health		
	Personal	Commercial	Individual	Group benefits	Annuities
Acquired agency	46.9%	49.5%	19.0%	39.5%	7.4%
Alliance with carrier	3.5	1.8	3.0	1.8	3.5
De novo agency[1]	12.4	9.9	13.5	13.2	9.9
Joint venture[2]	14.2	16.2	17.0	23.7	20.8
Alliance with third-party marketer	4.4	4.5	11.0	4.4	13.9
Licensed bank employees	15.9	13.5	33.0	13.2	42.1
Other	2.7	4.5	3.5	4.4	2.5
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

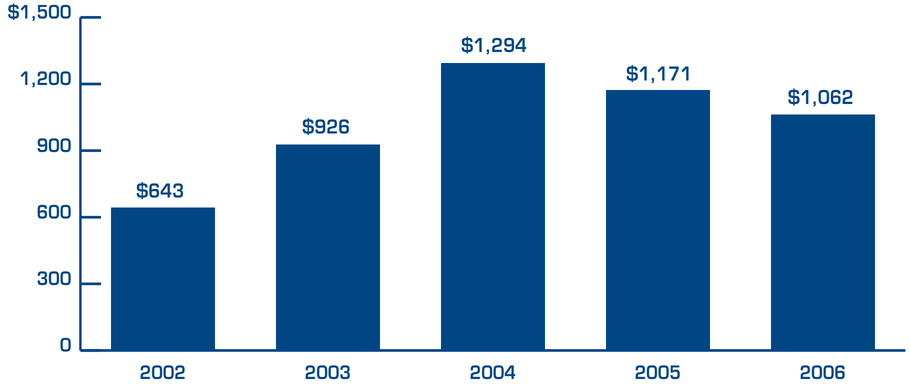
[1]Agency originated by the bank without acquisition of a platform agency.

[2]Joint venture or marketing alliance with an insurance agency.

Source: American Bankers Insurance Association.

BANK INDIVIDUAL LIFE INSURANCE SALES, 2002-2006

($ millions)



Source: Kehrer-LIMRA.

WEIGHTED BANK SALES OF INDIVIDUAL LIFE INSURANCE, 2002-2006[1]

Year	Sales ($ millions)	Share of industry annualized premium
2002	$207	1.8%
2003	242	2.1
2004	288	2.3
2005	274	2.2
2006	262	2.0

[1]The weighted premium method of calculating annual sales volume emphasizes recurring premiums, i.e., policies with periodic payments. It deducts 90 percent of single premium sales, i.e., policies with one-time payments.

Source: Kehrer-LIMRA.

- **Weighted bank sales of individual life insurance fell 4 percent in 2006.**
- **Universal life premiums, which account for almost half of bank individual life premiums, fell 4 percent in 2006.**

BANK SHARE OF FIXED AND VARIABLE ANNUITY PREMIUMS, 1997-2006

($ billions)

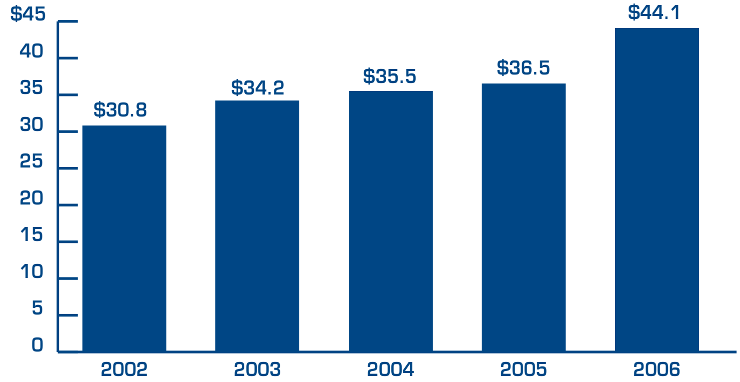
	Fixed annuity premiums			Variable annuity premiums		
Year	Total market	Banks	Bank share	Total market	Banks	Bank share
1997	$38.2	$10.0	26.2%	$87.9	$9.3	10.6%
1998	32.9	8.5	24.8	98.6	11.2	11.4
1999	42.1	12.5	30.0	114.4	13.9	12.2
2000	47.7	15.4	32.3	137.2	15.6	11.4
2001	68.3	27.4	40.1	111.0	10.9	9.8
2002	97.4	36.4	37.4	116.6	12.5	10.7
2003	83.4	32.0	38.4	129.4	18.1	14.0
2004	81.9	30.3	37.0	132.9	18.0	13.5
2005	73.6	21.8	29.6	136.9	17.7	12.9
2006	69.8	20.1	28.8	160.6	21.6	13.4

Source: Kehrer-LIMRA.

- **Bank sales of retail mutual funds totaled $44.1 billion in 2006. This marks a 20.8 percent increase from the previous year but a 4.8 percent drop from 1998, when sales reached a record $46.3 billion.**

BANK SALES OF RETAIL MUTUAL FUNDS, 2002-2006[1]

($ billions)



[1]Estimated.

Source: Kehrer-LIMRA.

BANK INSURANCE/INVESTMENT FEE INCOME

BANK INSURANCE BROKERAGE, UNDERWRITING AND TOTAL INSURANCE FEE INCOME, 2003-2006

	Insurance brokerage fee income[1]				
	Reporting brokerage fee income				
Year	Number	Percent	Insurance brokerage fee income ($ billions)	Mean insurance brokerage fee income	Median insurance brokerage fee income
2003	3,938	47.7%	$2.97	$754,099	$19,000
2004	3,879	48.0	3.63	935,263	20,000
2005	3,802	47.7	3.93	1,033,970	19,000
2006	3,648	46.5	4.08	1,117,370	20,000

	Insurance underwriting fee income[2]				
	Reporting insurance underwriting fee income				
Year	Number	Percent	Insurance underwriting fee income ($ millions)	Mean insurance underwriting fee income	Median insurance underwriting fee income
2003	334	4.0%	$628.5	$1,881,695	$12,000
2004	289	3.6	697.1	2,412,173	9,000
2005	242	3.0	653.2	2,699,335	8,000
2006	227	2.9	354.8	1,563,141	6,000

	Total insurance fee income				
	Reporting insurance fee income				
Year	Number	Percent	Total insurance fee income ($ billions)	Mean total insurance fee income	Median total insurance fee income
2003	4,140	50.2%	$3.60	$869,113	$19,000
2004	4,042	50.0	4.33	1,070,016	19,000
2005	3,926	49.3	4.58	1,167,700	18,000
2006	3,774	48.2	4.43	1,174,085	19,000

[1]Income from nonunderwriting activities, mostly from insurance product sales and referrals, service charges and commissions, and fees earned from insurance and annuity sales.

[2]Income from underwriting activities.

Source: Michael White-Symetra Bank Fee Income Report - 2007.

- From 2001 to 2006, banks bought an average of 54 securities firms each year. (See Chapter 7: Mergers and Acquisitions of U.S. Securities Firms.)

BANK INVESTMENT FEE INCOME, 2002-2006[1]

	Reporting investment fee income				
Year	Number	Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
2002	2,338	27.9%	$9.11	$3,895,962	$58,000
2003	2,331	28.2	10.16	4,357,725	61,000
2004	2,304	28.5	9.79	4,249,146	68,000
2005	2,245	28.2	9.97	4,440,339	77,000
2006	2,228	28.4	11.97	5,370,943	85,000

[1]Income from investment banking, advisory, brokerage and underwriting fees and commissions.

Source: Michael White-Symetra Bank Fee Income Report -2007.

BANK MUTUAL FUND AND ANNUITY INCOME, 2002-2006

	Reporting mutual fund and annuity income				
Year	Number	Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
2002	2,161	25.8%	$5.83	$2,699,706	$60,000
2003	2,105	25.5	5.53	2,626,858	65,000
2004	2,067	25.6	5.62	2,718,866	77,000
2005	1,958	24.6	5.02	2,564,926	87,000
2006	1,902	24.3	5.38	2,830,081	97,000

Source: Michael White-Symetra Bank Fee Income Report - 2007.

- The number of bank/agency deals rose 42 percent from 2005 to 2006, but the value of those deals decreased by 84 percent.

BANK PURCHASES OF INSURANCE AGENCIES, 2003-2006[1]

	2003	2004	2005	2006
Number of deals	66	61	43	61
Deal value[2] ($ millions)	$612.9	$113.4	$212.3	$33.5

[1]Does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

TOP TEN BANKS IN TOTAL INSURANCE FEE INCOME, 2006[1]

($000)

			Insurance fee income				
Rank	Bank	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	Citibank, N.A.	NV	$968,000	$974,000	0.62%	5.99%	$1,019,497,000
2	Branch Banking and Trust Co.	NC	700,498	804,207	14.81	35.62	117,134,085
3	Bank of America, N.A.	NC	225,269	225,935	0.30	1.02	1,196,123,794
4	FIA Card Services, N.A.	DE	256,015	190,069	-25.76	1.88	147,839,768
5	Chase Bank USA, N.A.	DE	140,416	135,679	-3.37	1.85	83,973,505
6	Wells Fargo Bank, N.A.	SD	92,000	90,000	-2.17	0.78	398,671,000
7	Commerce Bank/North	NJ	75,751	83,084	9.68	72.37	4,670,085
8	JPMorgan Chase Bank, N.A.	OH	74,000	81,000	9.46	0.28	1,179,390,000
9	Compass Bank	AL	73,295	75,366	2.83	10.51	34,180,648
10	Union Bank of California, N.A.	CA	80,258	73,234	-8.75	8.42	51,969,127

[1]Income from underwriting and brokerage activities.

Source: Michael White-Symetra Bank Fee Income Report - 2007.

TOP TEN BANKS IN INSURANCE UNDERWRITING INCOME, 2006

($000)

			Insurance underwriting income			
Rank	Bank	State	Total	Percent of total insurance income	Percent of noninterest income, 2006	2006 Assets
1	Wells Fargo Bank, N.A.	SD	$87,000	96.67%	0.75%	$398,671,000
2	JPMorgan Chase Bank, N.A.	OH	78,000	96.30	0.27	1,179,390,000
3	Bank of America, N.A.	NC	39,808	17.62	0.18	1,196,123,794
4	SunTrust Bank	GA	27,677	91.90	0.95	182,628,156
5	U.S. Bank, N.A.	OH	24,414	98.03	0.39	217,802,326
6	Wells Fargo Financial Bank	SD	23,180	100.00	32.88	4,106,389
7	Wachovia Bank, N.A.	NC	12,000	33.33	0.13	518,123,000
8	HSBC Bank USA, N.A.	DE	11,566	49.72	0.53	165,673,017
9	First Tennessee Bank, N.A.	TN	6,792	12.24	0.55	37,608,492
10	Branch Banking and Trust Co.	NC	4,822	0.60	0.21	117,134,085

Source: Michael White-Symetra Bank Fee Income Report - 2007.

TOP TEN BANKS IN INSURANCE BROKERAGE FEE INCOME, 2006

($000)

			Insurance brokerage fee income				
Rank	Bank	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	Citibank, N.A.	NV	$832,000	$973,000	16.95%	5.99%	$1,019,497,000
2	Branch Banking & Trust Co.	NC	695,437	799,385	14.95	35.41	117,134,085
3	FIA Card Services, N.A.	DE	256,015	190,069	-25.76	1.88	147,839,768
4	Bank of America, N.A.	NC	192,136	186,127	-3.13	0.84	1,196,123,794
5	Chase Bank USA, N.A.	DE	140,416	135,679	-3.37	1.85	83,973,505
6	Commerce Bank/North	NJ	75,751	83,084	9.68	72.37	4,670,085
7	Compass Bank	AL	73,295	75,366	2.83	10.51	34,180,648
8	Union Bank of California, N.A.	CA	80,258	73,234	-8.75	8.42	51,969,127
9	BancorpSouth Bank	MS	59,541	68,555	15.14	33.81	12,045,080
10	Fifth Third Bank	OH	67,029	66,000	-1.54	3.63	52,671,972

Source: Michael White-Symetra Bank Fee Income Report - 2007.

TOP TEN BANKS IN INVESTMENT FEE INCOME, 2006[1]

($000)

			Investment fee income				
Rank	Bank	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	JPMorgan Chase Bank, N.A.	OH	$3,543,000	$4,609,000	30.09%	15.68%	$1,179,390,000
2	Bank of America, N.A.	NC	2,321,200	2,913,251	25.51	13.13	1,196,123,794
3	Wachovia Bank, N.A.	NC	579,000	540,000	-6.74	5.67	518,123,000
4	Wells Fargo Bank, N.A.	SD	334,000	427,000	27.84	3.70	398,671,000
5	The Bank of New York	NY	413,000	395,000	-4.36	10.01	85,987,000
6	PNC Bank, N.A.	PA	72,464	239,621	230.68	11.98	90,142,449
7	First Tennessee Bank, N.A.	TN	162,427	225,798	39.02	18.39	37,608,492
8	U.S. Bank, N.A.	OH	273,298	171,697	-37.18	2.71	217,802,326
9	Fifth Third Bank	OH	154,455	158,021	2.31	7.88	52,671,972
10	Manufacturers and Traders Trust Co.	NY	111,983	117,185	4.65	11.95	56,382,388

[1]Income from investment banking, advisory, brokerage, and underwriting fees and commissions.

Source: Michael White-Symetra Bank Fee Income Report - 2007.

TOP TEN BANKS IN MUTUAL FUND AND ANNUITY INCOME, 2006

($000)

			Mutual fund and annuity income				
Rank	Bank	State	2005	2006	Percent change	Percent of noninterest income, 2006	2006 Assets
1	Bank of America, N.A.	NC	$1,577,308	$1,786,783	13.28%	8.05%	$1,196,123,794
2	Wachovia Bank, N.A.	NC	558,000	581,000	4.12	6.10	518,123,000
3	JPMorgan Chase Bank, N.A.	OH	430,000	526,000	22.33	1.79	1,179,390,000
4	Wells Fargo Bank, N.A.	SD	308,000	364,000	18.18	3.15	398,671,000
5	The Bank of New York	NY	210,000	245,000	16.67	6.21	85,987,000
6	U.S. Bank, N.A.	OH	273,298	171,697	-37.18	2.71	217,802,326
7	Fifth Third Bank	OH	149,060	143,160	-3.96	7.14	52,671,972
8	PNC Bank, N.A.	PA	105,323	111,341	5.71	5.57	90,142,449
9	Keybank, N.A.	OH	79,926	96,034	20.15	5.48	88,081,220
10	Branch Banking & Trust Co.	NC	61,353	66,844	8.95	2.96	117,134,085

Source: Michael White-Symetra Bank Fee Income Report - 2007.

TOP TEN BANKS IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2006

($000)

			Proprietary mutual fund and annuities assets under management			
Rank	Bank	State	2005	2006	Percent change	2006 Assets
1	Bank of America, N.A.	NC	$221,497,050	$257,732,649	16.36%	$1,196,123,794
2	JPMorgan Chase Bank, N.A.	OH	213,583,000	248,178,000	16.20	1,179,390,000
3	Wachovia Bank, N.A.	NC	103,855,000	104,900,000	1.01	518,123,000
4	U.S. Bank, N.A.	OH	55,134,266	72,937,340	32.29	217,802,326
5	The Northern Trust Co.	IL	54,197,517	68,379,068	26.17	52,312,832
6	State Street Bank & Trust Co.	MA	30,757,128	29,767,869	-3.22	96,295,548
7	United States Trust Co. of NY	NY	4,456,607	20,562,185	361.39	11,115,316
8	National City Bank	OH	NA	19,205,903	NA	134,344,792
9	The Bank of New York	NY	14,930,000	17,636,000	18.12	85,987,000
10	Mellon Bank, N.A.	PA	14,808,000	15,321,000	3.46	26,225,646

NA=Not applicable.

Source: Michael White-Symetra Bank Fee Income Report - 2007.

INSURANCE COMPANIES

A number of insurance companies have entered the banking arena by establishing thrifts, which are savings institutions chartered by the Office of Thrift Supervision (OTS). A small number of insurance companies, including MetLife, have obtained financial holding company status that allows them to engage in banking activities. Some insurers, such as USAA, own industrial banks. (See page 122.)

INSURANCE COMPANIES THAT OWN OTS-REGULATED THRIFTS BY ASSETS, 2007[1]
($000)

Insurance company	Thrift owned	State	Thrift assets
Stichting Cumulatief Preferente	ING Bank, FSB	DE	$74,203,225
United Services Automobile Assoc.	USAA Federal Savings Bank	TX	29,079,779
American Express Company	American Express Bank, FSB	UT	22,505,563
State Farm Mutual Auto Ins.	State Farm Bank, FSB	IL	13,710,395
Principal Financial Group	Principal Bank	IO	1,621,202
Acacia Life	Acacia Federal Savings Bank	VA	1,359,761
Prudential Financial Inc.	Prudential Bank & Trust, FSB	CT	1,299,820
American International Group	AIG Federal Savings Bank	DE	1,233,683
Nationwide Mutual Insurance	Nationwide Bank	OH	1,022,974
Alfa Mutual Insurance Company	MidCountry Bank	IL	998,566
First American Corporation	First American Trust, FSB	CA	824,864
The Allstate Corporation	Allstate Bank	IL	822,321
First Command Financial Plan	First Command Bank	TX	572,458
FB Bancorp	Farm Bureau Bank, FSB	NV	515,554
Thrivent Financial for Lutherans	Thrivent Financial Bank	WI	506,991
New Jersey Manuf. Insurance	N.J.M. Bank, FSB	NJ	330,946
Ohio Farmers Insurance Co.	Westfield Bank, FSB	OH	288,183
Illinois Mutual Life Insurance	Bankplus, FSB	IL	280,327
American Sterling Corporation	American Sterling Bank	MO	244,253
First Bancshares Inc.	First Home Savings Bank	MO	239,945
Polish National Alliance of the U.S.	Alliance, FSB	IL	190,619
Modern Woodmen of America	MWABank	IL	161,274
Shelter Mutual Insurance Co.	Shelter Financial Bank	MO	136,542
Curragh Capital Partners II LP	Forethought Federal Savings Bank	IN	118,560
WR Berkley Corporation	InsurBank	CT	113,359
Guard Financial Group	Guard Security Bank	PA	91,694

(table continues)

INSURANCE COMPANIES THAT OWN OTS-REGULATED THRIFTS BY ASSETS, 2007[1] (Cont'd)
($000)

Insurance company	Thrift owned	State	Thrift assets
Donegal Mutual Insurance Co.	Province Bank, FSB	PA	$83,340
Plans' Holding Company	Blue Healthcare Bank	UT	60,415
Western & Southern Fin. Group	Fort Washington Savings Company	OH	52,701
Kansas City Life Insurance Co.	Brooke Savings Bank	KS	47,050
The Northwestern Mutual Life	Northwestern Mutual Wealth Management	WI	34,773
Cuna Mutual Insurance Society	Members Trust Bank	FL	29,164
Illinois Agricultural Association	Country Trust Bank	IL	26,924
ACUITY A Mutual Insurance Co.	Acuity Bank	WI	21,587
TIAA Board of Overseers	TIAA-CREF Trust Company, FSB	MO	16,796
Massachusetts Mutual Life	The MassMutual Trust Company	CT	14,640
AXA Assurances Iard Mutuelle	Frontier Trust Company, FSB	ND	9,746
The Guardian Life Insurance	Guardian Trust Company, FSB	NY	7,670
The Auto Club Group	Auto Club Trust, FSB	MI	5,565
Mennonite Mutual Aid Assoc.	MMA Trust Company	IN	4,113
ACE Limited	INA Trust, FSB	DE	3,185

[1]As of June 30, 2007. Source: Office of Thrift Supervision, U.S. Department of the Treasury.

LEADING INSURANCE COMPANIES

TOP TEN UNDERWRITERS OF BANK LIFE PREMIUMS RANKED BY TOTAL NEW PREMIUM, 2006
($ millions)

		Premiums	
Rank	Company	2005	2006
1	Transamerica	$231.6	$178.2
2	Allstate	245.9	166.5
3	Liberty Life of Boston	151.4	131.4
4	Hartford	70.9	116.8
5	Lincoln National	49.4	62.1
6	OneAmerica	41.2	53.6
7	Aviva	51.7	52.6
8	Protective	35.0	49.5
9	Nationwide	33.1	28.4
10	John Hancock	13.0	15.5

Source: Kehrer-LIMRA.

LEADING INSURANCE COMPANIES

TOP TEN WRITERS OF FIXED ANNUITIES SOLD THROUGH BANKS, 2006
($ millions)

		Premiums	
Rank	Company	2005	2006
1	AIG Annuity	$6,632	$5,138
2	Allstate Financial	2,574	3,266
3	New York Life	2,468	2,518
4	Genworth Financial	1,513	1,165
5	AEGON/Transamerica	1,417	1,132
6	Principal Financial Group	649	857
7	Jackson National Life	1,209	798
8	Western-Southern Financial	632	615
9	John Hancock	662	483
10	Chase Insurance	537	459

Source: Kehrer-LIMRA.

TOP TEN WRITERS OF VARIABLE ANNUITIES SOLD THROUGH BANKS, 2006
($ millions)

		Premiums	
Rank	Company	2005	2006
1	Hartford Life	$4,480	$4,801
2	Pacific Life	2,821	3,334
3	AXA	1,791	2,014
4	Nationwide Financial	1,065	1,611
5	John Hancock	1,020	1,279
6	RiverSource	797	1,143
7	AIG/Sunamerica	682	1,003
8	ING	772	988
9	Prudential	511	734[1]
10	Lincoln Financial	393	729

[1]The Prudential figures include Allstate's variable annuity business, which Prudential purchased in June 2006.

Source: Kehrer-LIMRA.

OVERVIEW

The insurance industry safeguards the assets of its policyholders by transferring risk from an individual or business to an insurance company. Insurance companies act as financial intermediaries in that they invest the premiums they collect for providing this service. Insurance company size is usually measured by net premiums written, that is, premium revenues less amounts paid for reinsurance.

There are three main insurance sectors: property/casualty, life/health and health insurance. Property/casualty consists mainly of auto, home and commercial insurance. Life/health consists mainly of life insurance and annuity products. Health insurance is offered by private health insurance companies, as well as by some life/health and property/casualty insurers. In addition, there is significant government coverage of health care costs through government programs such as Medicare and Medicaid. A number of large insurers across all sectors are expanding into other financial sectors, including banking and mutual funds.

REGULATION

All types of insurance are regulated by the states, with each state having its own set of statutes and rules. The McCarran-Ferguson Act, passed by Congress in 1945, refers to continued state regulation of the insurance industry as being in the public interest, but there have been, and continue to be, challenges to state regulation, including proposals for a federal role in creating a more uniform system and allowing insurers the choice between a federal or state charter similar to the options available to banks.

State insurance departments oversee insurer solvency, market conduct and, to a greater or lesser degree, review and rule on requests for rate increases for coverage, among other things. The National Association of Insurance Commissioners develops model rules and regulations for the industry, many of which must be approved by state legislatures before they can be implemented.

ACCOUNTING

Insurers are required to use statutory accounting principles (SAP) when filing annual financial reports with state regulators and the Internal Revenue Service. The SAP system is more conservative than generally accepted accounting principles (GAAP), as defined by the Financial Accounting Standards Board. GAAP standards are widely used by most industries in the United States. (See Appendix, page 196 for a comparison of the two systems.)

DISTRIBUTION

Property/casualty and life insurance policies were once sold almost exclusively by agents—either by captive agents, representing one insurance company, or by independent agents, representing several companies. Insurance companies selling through captive agents and/or by mail, telephone or via the Internet are called "direct writers." However, the distinctions between direct writers and independent agency companies have been blurring since the 1990s, when insurers began to use multiple channels to reach potential customers. In addition, in the 1980s banks began to explore the possibility of selling insurance through independent agents, usually buying agencies for that purpose. (See Chapter 4: Convergence, page 45.) Other distribution channels include sales through professional organizations and through workplaces.

DIRECT MARKETING REVENUE

Each year the Direct Marketing Association (DMA) looks at revenue generated by a variety of direct marketing channels, including direct mail, telephone, the Internet, email, and direct response television, radio and newspaper advertisements. The latest study estimates that direct marketing strategies generated 10.4 percent of insurance sales in 2007, up from 10.2 percent in 2002. The DMA expects direct marketing-driven insurance sales—for the property/casualty and life/health sectors combined—to grow at a compound annual rate of 7.6 percent from 2007 to 2012.

DIRECT MARKETING ADVERTISING SALES IMPACT FOR INSURANCE CARRIERS AND AGENTS, 2002-2012[1]

($ billions)

						Compound annual growth (percent)	
	2002	2006	2007[2]	2008[2]	2012[2]	2002-2007	2007-2012
Total industry sales	$427.4	$518.0	$532.5	$578.5	$702.5	4.5%	5.7%
Direct marketing-driven sales	43.4	54.1	55.5	61.0	80.2	5.0	7.6
Direct marketing percent of total sales	10.2%	10.4%	10.4%	10.5%	11.4%	NA	NA
Direct marketing advertising expenditures	$5.4	$6.7	$6.8	$7.4	$9.3	4.6	6.4

[1]Includes insurance of all types including life/health and property/casualty.

[2]Estimated.

NA=Not applicable.

Source: Direct Marketing Association.

MERGERS AND ACQUISITIONS

THE TOP TEN INSURANCE-RELATED MERGERS AND ACQUISITIONS REPORTED IN 2006[1]

($ millions)

Rank	Buyer	Target	Deal value[2]
1	Aviva Plc	AmerUs Group Co.	$2,740.1
2	Protective Life Corp.	Chase Insurance Group	893.0
3	QBE Insurance Group Limited	Praetorian Financial Group Inc.	800.0
4	Principal Financial Group Inc.	WM Advisors Inc.	740.0
5	Onex Corp.	Aon Warranty Group Inc.	710.0
6	Investor group	Scottish Re Group Limited	600.0
7	Prudential Financial Inc.	Variable annuity business	580.5
8	Elara Holdings Inc.	Direct General Corp.	433.7
9	Genworth Financial Inc.	AssetMark Investment Services	340.0
10	Berkshire Hathaway Inc.	Applied Underwriters	339.7

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

- **The number of insurance mergers from 2002 to 2006 ranged from a high of 317 in 2006 to a low of 281 in 2002. During the same period, the value of deals fluctuated from a high of $60.0 billion in 2003 to a low of $9.2 billion in 2002.**
- **Insurance deal value fell from $49.8 billion in 2005 to $23.6 billion in 2006. However, the number of deals rose from 296 in 2005 to 317 in 2006.**

PROFITABILITY

ANNUAL RATE OF RETURN, GAAP ACCOUNTING, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1997-2006

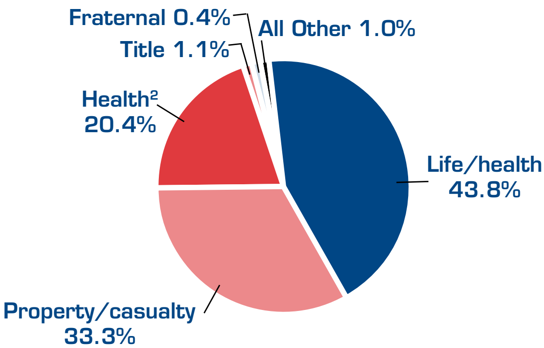
Year	Property/casualty[1]	Life/health[2]	Year	Property/casualty[1]	Life/health[2]
1997	11.6%	12.0%	2002	2.2%	1.0%
1998	8.5	11.0	2003	8.9	9.0
1999	6.0	13.0	2004	9.4	11.0
2000	5.9	10.0	2005	9.6	13.0
2001	-1.2	7.0	2006	12.2	12.0

[1]Return on average net worth, ISO.

[2]Combined stock and mutual companies from data reported by Fortune as calculated by the Insurance Information Institute.

Source: ISO; Fortune.

PREMIUMS BY TYPE OF INSURER, 2006[1]



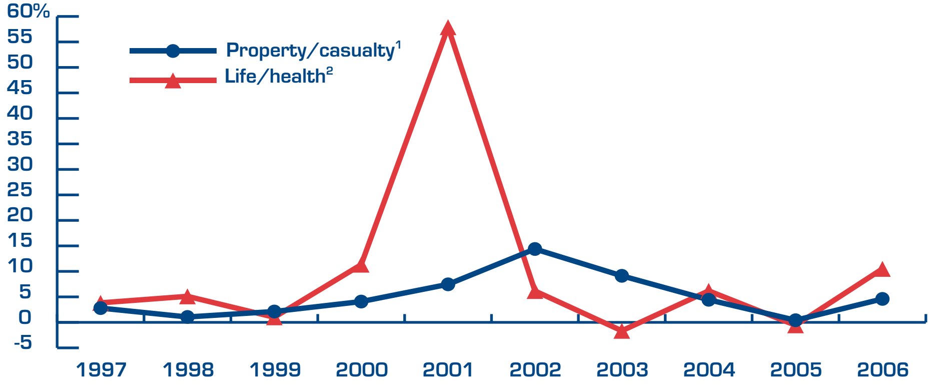
[1]Gross direct premiums. Total premiums for 2006 were $1,409 billion.

[2]Blue Cross/Blue Shield, HMOs and hospital, medical and dental indemnity.

Source: National Association of Insurance Commissioners. Reprinted with permission.

GROWTH IN U.S. PREMIUMS, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1997-2006

(Percent change from prior year)

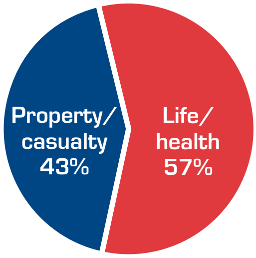


[1]Net premiums written, excluding state funds.

[2]Premiums and annuity considerations for life/health insurance companies. Includes deposit-type funds beginning in 2001.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information. No portion of this work may be copied or redistributed without the express written permission of Highline Data, LLC.

U.S. PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE PREMIUMS, 2006[1]



[1]Excluding state funds.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information. No portion of this work may be copied or redistributed without the express written permission of Highline Data, LLC.

EMPLOYMENT IN INSURANCE, 1997-2006
(000)

	Insurance companies[1]				
Year	Life, health and medical	Property/ casualty	Reinsurers	Insurance agencies, brokerages and related services[2]	Total industry
1997	797.4	566.9	35.1	744.1	2,143.6
1998	816.8	592.0	34.3	766.3	2,209.4
1999	815.3	603.9	33.5	783.4	2,236.1
2000	808.8	591.6	32.3	787.8	2,220.6
2001	807.7	591.3	31.4	803.2	2,233.7
2002	791.1	590.0	31.7	820.4	2,223.2
2003	789.0	608.6	31.0	837.4	2,266.0
2004	764.4	604.4	29.8	860.1	2,258.6
2005	761.9	595.0	28.8	873.6	2,259.3
2006	797.9	601.0	28.8	888.2	2,315.9

[1]Described by the Bureau of Labor Statistics as "direct insurers."

[2]Includes claims adjusters, third-party administrators of insurance funds and other service personnel such as advisory and insurance ratemaking services.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

- **Over the last 10 years, employment in the insurance industry (all sectors) has averaged 2.0 percent of the total U.S. employment in private industry.**

U.S. INSURANCE COMPANIES

An insurance company is said to be "domiciled" in the state that issued its primary license; it is "domestic" in that state. Once licensed in one state, it may seek licenses in other states as a "foreign" insurer. An insurer incorporated in a foreign country is called an "alien" insurer in the U.S. states in which it is licensed.

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, 2006

State	Life/health	Property/ casualty	Health[1]	Fraternal[2]	Title	Risk retention group	Other[3]
Alabama	13	23	5	1	1	1	3
Alaska	0	7	1	0	0	0	2
Arizona	211	45	19	0	0	19	65
Arkansas	35	11	9	0	2	0	13
California	23	120	NA	6	11	0	23
Colorado	10	16	21	2	4	2	6
Connecticut	29	67	7	1	1	0	0
Delaware	36	84	11	2	0	2	4
D.C.	3	7	7	1	0	35	35
Florida	37	85	66	0	1	17	363
Georgia	16	38	15	0	0	23	39
Hawaii	3	18	4	0	0	16	144
Idaho	2	9	5	0	0	0	1
Illinois	67	172	24	16	0	1	77
Indiana	42	72	18	3	3	9	37
Iowa	24	59	9	1	0	2	111
Kansas	13	25	8	0	2	0	1
Kentucky	9	7	12	0	0	2	28
Louisiana	49	37	10	2	3	0	30
Maine	2	21	5	0	0	0	0
Maryland	7	43	26	0	1	0	0
Massachusetts	19	53	14	2	3	0	0
Michigan	28	70	43	2	0	0	7
Minnesota	12	51	15	5	1	0	87
Mississippi	21	15	3	3	3	0	1
Missouri	31	52	27	1	4	0	104

(table continues)

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, 2006 (Cont'd)

State	Life/health	Property/ casualty	Health[1]	Fraternal[2]	Title	Risk retention group	Other[3]
Montana	3	5	4	0	1	8	34
Nebraska	27	33	4	1	3	1	31
Nevada	4	13	16	0	0	19	80
New Hampshire	3	30	8	1	0	0	0
New Jersey	6	81	4	4	2	0	12
New Mexico	3	9	9	0	0	0	0
New York	82	193	57	5	11	0	228
North Carolina	5	68	12	0	1	0	0
North Dakota	3	17	5	0	0	0	15
Ohio	38	136	28	11	10	0	41
Oklahoma	28	49	8	0	5	2	4
Oregon	4	13	23	0	3	0	5
Pennsylvania	37	196	39	24	4	0	0
Rhode Island	4	25	4	0	0	0	1
South Carolina	12	25	13	0	2	43	99
South Dakota	2	19	5	0	1	0	18
Tennessee	15	21	12	1	2	1	18
Texas	151	231	52	8	5	2	17
Utah	16	11	12	0	2	0	30
Vermont	2	16	4	0	0	79	484
Virginia	11	15	16	0	1	1	22
Washington	10	21	19	2	2	0	2
West Virginia	2	6	5	0	0	1	11
Wisconsin	31	183	39	8	0	0	123
Wyoming	0	2	2	0	1	0	0
United States[4]	**1,257**	**2,648**	**804**	**113**	**96**	**286**	**2,456**

[1]Blue Cross/Blue Shield, HMOs and hospital, medical and dental indemnity (HMDI) plans that provide stipulated payments to an insured person during hospital confinement for virtually all costs related to hospital stays; other medical expenses; and for dental services and supplies. [2]Fraternal groups provide insurance plans for their members. [3]Includes county mutuals, farm mutuals, auto services companies and specialty companies. [4]Includes territories and possessions. NA=Data not available.

Source: Insurance Department Resources Report, 2006, published by the National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

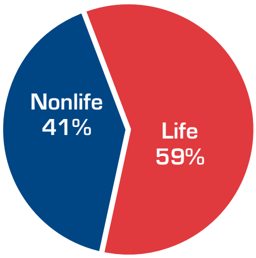
WORLD INSURANCE MARKET

Outside the United States, the insurance industry is usually classified as life and nonlife, or general insurance. The latter includes every form of insurance except life. Reinsurance, insurance for insurance companies, is purchased by both life and nonlife insurers.

In 2006 world insurance premium volume, including the life and nonlife sectors combined, totaled $3.7 trillion, up 8.1 percent from 2005, according to a survey of world insurance premiums conducted by Swiss Re. The United States, with $1.17 trillion in premiums, was the largest insurance market in 2006, followed by Japan and the United Kingdom with $460 billion and $418 billion in premiums, respectively.

From 2004 to 2006 total world insurance premiums grew 14.1 percent. Nonlife premiums grew 8.3 percent. Life business grew 18.4 percent.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2006



Source: Swiss Re, *sigma*, No. 4/2007.

- **The inflation-adjusted growth rate from 2005 to 2006 was 5.0 percent for the total world insurance market, compared with 2.5 percent from 2004 to 2005. These growth rates were calculated using local currencies.**

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2004-2006[1]

(Direct premiums written, U.S. $ millions)

Year	Nonlife[2]	Life	Total
2004	$1,397,522	$1,866,636	$3,264,158
2005	1,442,258	2,003,557	3,445,816
2006	1,514,094	2,209,317	3,723,412

[1]Before reinsurance transactions.

[2]Includes accident and health insurance.

Source: Swiss Re, *sigma* database.

PROPERTY/CASUALTY INSURANCE

Property/casualty insurance covers the property and liability losses of businesses and individuals. These losses range from damage and injuries resulting from car accidents to the cost of lawsuits stemming from faulty products and alleged professional misconduct. In terms of premiums written, private auto insurance is by far the largest single line, nearly four times greater than the next largest line, homeowners multiple peril. Property/casualty insurance companies tend to specialize in commercial or personal insurance, but some sell both, and a number of companies are expanding into other financial services sectors, including personal banking and mutual funds.

Property/casualty insurers invest largely in high-quality liquid securities, which can be sold quickly to pay for claims resulting from a major hurricane, earthquake or man-made disaster such as a terrorist attack.

PROPERTY/CASUALTY INSURER FINANCIAL ASSET DISTRIBUTION, 2002-2006

($ billions)

	2002	2003	2004	2005	2006
Total financial assets	**$939.8**	**$1,059.7**	**$1,160.9**	**$1,250.4**	**$1,365.4**
Checkable deposits and currency	25.9	34.6	25.9	21.0	44.3
Security RPs[1]	44.4	52.8	63.1	68.9	59.3
Credit market instruments	558.3	625.2	698.8	765.8	814.1
U.S. government securities	174.4	180.1	183.4	187.1	197.3
Treasury	61.2	64.7	71.3	69.2	72.5
Agency- and GSE[2]-backed securities	113.2	115.4	112.1	117.9	124.8
Municipal securities	183.0	224.2	267.8	313.2	335.2
Corporate and foreign bonds	198.9	218.9	245.3	262.8	278.6
Commercial mortgages	2.0	2.1	2.4	2.7	3.0
Corporate equities	152.3	182.7	201.8	205.3	232.5
Trade receivables	74.8	79.3	79.6	82.1	85.6
Miscellaneous assets	84.1	85.0	91.6	107.3	129.5

[1]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[2]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

CAPITAL AND SURPLUS

A property/casualty insurer must maintain a certain level of surplus to underwrite risks. This financial cushion is known as "capacity" or policyholders' surplus. When the industry is hit by high losses, such as a major hurricane, capacity is diminished. It can be restored by increases in net income, favorable investment returns, reinsuring more risk and/or raising additional capital. The industry's policyholders' surplus reached $499.4 billion at year-end 2006, according to Highline Data.

Property/casualty insurers rarely show an overall underwriting profit, i.e., a net gain from premiums after costs of sales, dividends to policyholders, loss payments and loss adjustment costs (which include litigation costs). When the combined ratio (costs as a percentage of premiums) is over 100, the difference is generally covered by investment income from a number of sources, including capital and surplus accounts, money set aside for loss reserves and unearned premium reserves, and capital gains. In 2006 the combined ratio was 92.5 after dividends, which means insurers paid out 92.5 cents for every dollar in earned premium. The 2006 combined ratio was the best since 1949 and stands tied for the fifth best result since 1920.

- **The U.S. property/casualty industry posted a $31.2 billion net gain on underwriting in 2006, driven by a sharp decline in catastrophe losses from hurricanes and other natural disasters that year. This contrasts with an underwriting loss of $5.6 billion the previous year.**

P/C INSURANCE INDUSTRY INCOME ANALYSIS, 2002-2006[1]

($ billions)

	2002	2003	2004	2005	2006
Net written premiums	$369.7	$404.4	$424.1	$425.7	$443.8
Percent change	14.3%	9.4%	4.9%	0.3%	4.3%
Earned premiums	$348.5	$386.3	$413.8	$417.7	$435.8
Losses incurred	238.8	238.7	247.8	256.3	231.1
Loss adjustment expenses incurred	44.8	50.0	53.1	55.1	52.6
Other underwriting expenses	93.8	100.7	106.8	109.8	117.5
Policyholder dividends	1.9	1.9	1.7	1.9	3.4
Underwriting gain/loss	-30.8	-4.9	4.3	-5.6	31.2
Investment income	37.2	38.6	40.0	49.7	52.3
Miscellaneous income/loss	-0.8	0.0	-0.3	1.0	1.0
Operating income/loss	5.6	33.8	44.0	45.1	84.6
Realized capital gains/losses	-1.2	6.6	9.1	9.7	3.4
Incurred federal income taxes/credit	1.3	10.3	14.6	10.7	24.2
Net income after taxes	3.0	30.0	38.5	44.2	63.7

[1]Data in this chart may not agree with similar data shown elsewhere due to different sources.

Source: ISO.

TOP TWENTY U.S. PROPERTY/CASUALTY COMPANIES BY REVENUES, 2006[1]

($ millions)

Rank	Group	Revenues	Assets
1	American International Group	$113,194	$979,414
2	Berkshire Hathaway	98,539	248,437
3	State Farm Insurance Cos.	60,528	170,249
4	Allstate	35,796	157,554
5	Hartford Financial Services	26,500	326,710
6	Travelers Cos.	25,090	113,761
7	Liberty Mutual Insurance Group	23,520	85,498
8	Nationwide	22,253	160,009
9	Loews (CNA)	17,228	76,881
10	Progressive	14,786	19,482
11	Chubb	14,003	50,277
12	USAA	13,416	60,269
13	Fidelity National Financial	9,436	7,260
14	First American Corp.	8,499	8,224
15	American Family Insurance Group	6,893	15,477
16	Safeco	6,290	14,199
17	W.R. Berkley	5,395	15,657
18	Auto-Owners Insurance	5,090	12,804
19	Erie Insurance Group	4,786	13,565
20	Cincinnati Financial	4,550	17,222

[1]Revenues for insurance companies include premium and annuity income, investment income and capital gains or losses but exclude deposits.

Source: Fortune.

DISTRIBUTION CHANNELS

Property/casualty (P/C) insurance companies can be grouped into two main categories based on their main distribution channel: agency writers—whose products are sold by independent agents or brokers, representing several companies; and direct writers—which sell their own products through captive agents, by mail, telephone, the Internet and other means. There is a degree of overlap as many insurers use multiple channels.

- In 2006 agency writers accounted for 52.3 percent of P/C insurance net premiums written, direct writers accounted for 47.4 percent and other types of writers accounted for 0.3 percent, according to A.M. Best.
- In the personal lines market, direct writers accounted for 66.9 percent of net premiums written in 2006, agency writers accounted for 33.0 percent and other types of writers accounted for 0.1 percent.
- The same year agency writers accounted for 70.3 percent of commercial P/C net premiums written, direct writers accounted for 29.3 percent and other types of writers accounted for 0.4 percent.

Traditionally, there has been a distinction between agents and brokers, with agents (whether captive or independent) representing the insurance company and brokers representing the client. Recently, the line between agencies and brokers has blurred, with intermediary firms operating as brokers and agents, depending on their jurisdiction and the type of risk.

TOP TEN COMMERCIAL INSURANCE BROKERS OF U.S. BUSINESS BY REVENUES, 2006[1]

($ millions)

Rank	Company	Brokerage revenues
1	Marsh & McLennan Cos. Inc.	$5,341.7[2]
2	Aon Corp.	2,750.7
3	Arthur J. Gallagher & Co.	1,250.9
4	Willis Group Holdings Ltd.	1,100.3
5	Wells Fargo Insurance Services Inc.	1,008.7
6	Brown & Brown Inc.	864.7
7	BB&T Insurance Services Inc.	842.3
8	Hilb Rogal & Hobbs Co.	682.8
9	USI Holdings Corp.	546.3
10	Lockton Cos. LLC	453.4[2]

[1]Companies that derive more than 20 percent of revenues, generated by U.S.-based clients, from commercial retail brokerage.

[2]Fiscal year ending April 30.

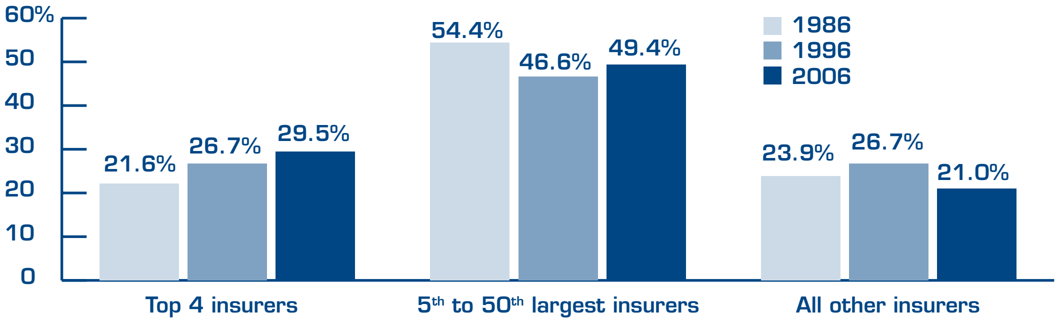
Source: Business Insurance, July 16, 2007.

PROPERTY/CASUALTY INSURANCE INDUSTRY CONCENTRATION

According to ISO, concentration in the property/casualty insurance sector increased from 229 in 1980 to 344 in 2006 on the Herfindahl scale, which is used to measure market concentration. The U.S. Department of Justice classifies any score under 1,000 as unconcentrated. A score over 1,800 means an industry is highly concentrated.

MARKET SHARE TRENDS BY SIZE OF INSURER, 1986-2006[1]

(Percent)



[1]Based on net premiums written. Source: ISO.

PREMIUMS BY LINE

In 2006 commercial lines net premiums written totaled $231.5 billion, or 51.7 percent, of P/C net premiums written. Personal lines totaled $216.3 billion, or 48.3 percent.

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2005-2006[1]

($000)

Lines of insurance	2005	2006	Percent change	Percent of total, 2006
Private passenger auto				
Liability	$94,652,534	$95,324,506	0.7%	21.3%
Collision and comprehensive	64,933,430	65,122,166	0.3	14.5
Total private passenger auto	159,585,964	160,446,672	0.5	35.8
Commercial auto				
Liability	19,846,866	19,702,725	-0.7	4.4
Collision and comprehensive	6,951,136	6,949,355	0.0	1.6
Total commercial auto	26,798,002	26,652,080	-0.5	6.0
Fire	7,937,200	9,362,560	18.0	2.1

(table continues)

PROPERTY/CASUALTY: PREMIUMS BY LINE

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2005-2006[1] (Cont'd)

($000)

Lines of insurance	2005	2006	Percent change	Percent of total, 2006
Allied lines	$5,945,718	$6,592,847	10.9%	1.5%
Multiple peril crop	2,234,630	2,824,769	26.4	0.6
Federal flood[3]	12,308	43,083	250.0	[2]
Farmowners multiple peril	2,266,920	2,310,688	1.9	0.5
Homeowners multiple peril	53,015,549	55,821,315	5.3	12.5
Commercial multiple peril	29,695,507	31,848,875	7.3	7.1
Mortgage guaranty	4,454,711	4,565,899	2.5	1.0
Ocean marine	2,948,349	3,133,418	6.3	0.7
Inland marine	8,251,432	9,215,704	11.7	2.1
Financial guaranty	2,014,467	2,163,324	7.4	0.5
Medical malpractice	9,734,772	10,365,836	6.5	2.3
Earthquake	1,106,378	1,315,494	18.9	0.3
Accident and health[4]	9,573,783	6,665,536	-30.4	1.5
Workers compensation	39,724,355	41,825,979	5.3	9.3
Products liability	3,561,223	3,623,796	1.8	0.8
Other liability[5]	39,363,222	42,220,462	7.3	9.4
Aircraft	1,985,858	1,990,593	0.2	0.4
Fidelity	1,216,793	1,240,822	2.0	0.3
Surety	3,820,810	4,433,266	16.0	1.0
Burglary and theft	120,133	143,054	19.1	[2]
Boiler and machinery	1,582,917	1,675,296	5.8	0.4
Credit	936,108	1,090,145	16.5	0.2
International	230,366	193,622	-16.0	[2]
Reinsurance[6]	6,589,801	12,862,594	95.2	2.9
Other lines[7]	2,918,125	3,134,240	7.4	0.7
Total, all lines	**$427,625,417**	**$447,761,985**	**4.7%**	**100.0%**

[1]After reinsurance transactions, excluding state funds. [2]Less than 0.1 percent. [3]WYO program. [4]Premiums from certain insurers that write health insurance but file financial statements with state regulators on a property/casualty. [5]Coverages protecting against legal liability resulting from negligence, carelessness or failure to act. Some examples are contingent liability, errors and omissions, environmental pollution and umbrella and liquor liability insurance. [6]Only includes nonproportional reinsurance, an arrangement in which a reinsurer makes payments to an insurer whose losses exceed a predetermined amount. [7]Includes miscellaneous coverages.

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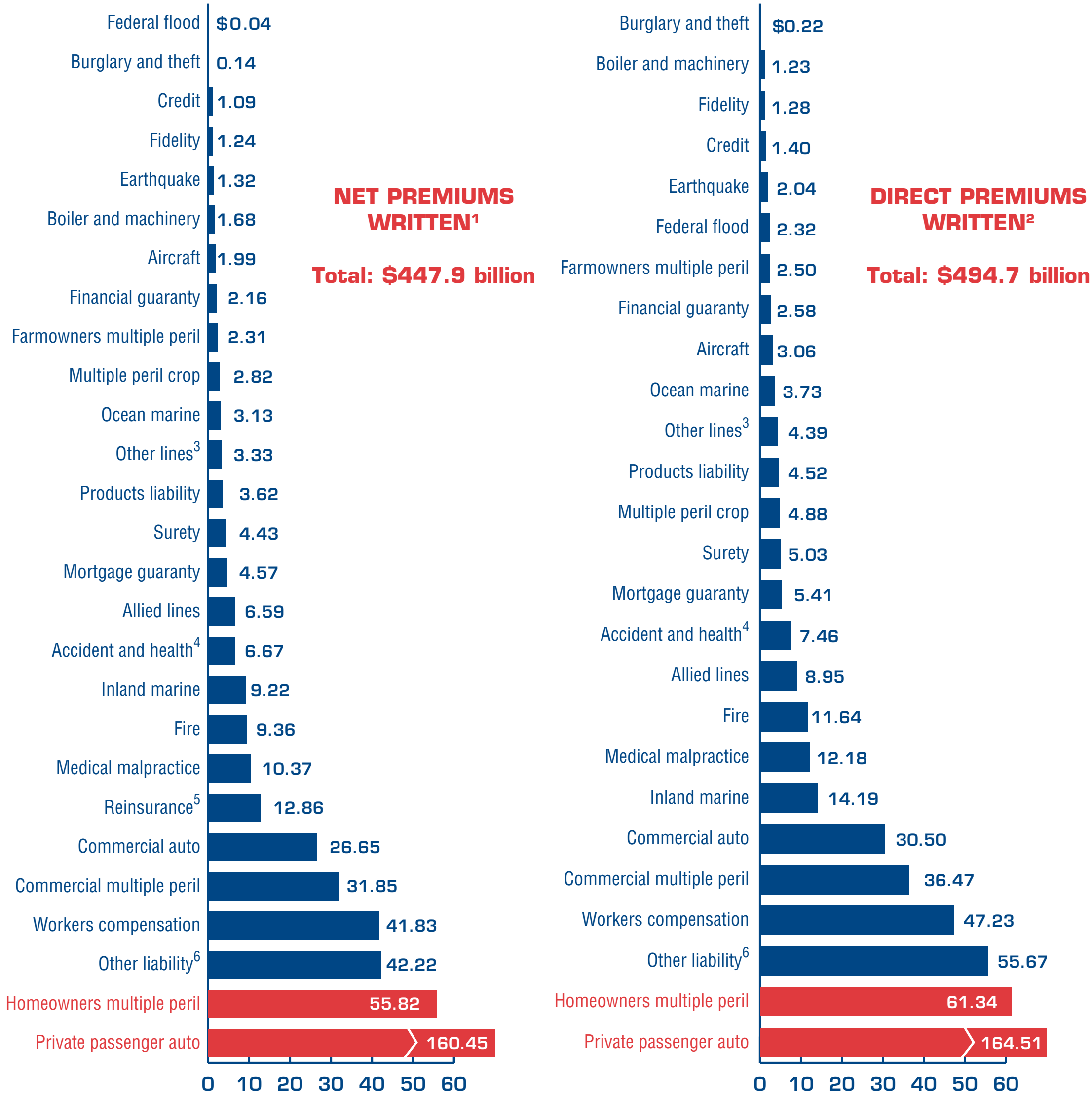
PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2006

($ billions)



[1]After reinsurance transactions, excluding state funds. [2]Before reinsurance transactions, excluding state funds. [3]Includes international and miscellaneous coverages. [4]Premiums from certain insurers that write health insurance but file financial statements with state regulators on a property/casualty basis. [5]Only includes nonproportional reinsurance, an arrangement in which a reinsurer makes payments to an insurer whose losses exceed a predetermined amount. [6]Coverages protecting against legal liability resulting from negligence, carelessness, or failure to act.

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MORTGAGE GUARANTY INSURANCE

Private mortgage insurance (PMI), known as mortgage guaranty insurance, guarantees that, in the event of a default, the insurer will pay the mortgage lender for any loss resulting from a property foreclosure up to a specific amount. PMI, which is purchased by the borrower but protects the lender, is sometimes confused with mortgage insurance, a life insurance product that pays off the mortgage if the borrower dies before the loan is repaid. Banks generally require PMI for all borrowers with down payments of less than 20 percent.

MORTGAGE GUARANTY INSURANCE, 2002-2006[1]

($000)

	2002	2003	2004	2005	2006
Net premiums written	$3,789,257	$3,482,519	$3,411,062	$3,480,174	$3,541,558
Net premiums earned	3,835,948	3,385,414	3,476,019	3,454,232	3,584,255
Losses	831,973	870,861	1,336,605	1,251,554	1,461,243
Expenses	899,493	787,649	820,268	842,483	858,599
Underwriting income	2,104,483	1,375,427	1,319,146	1,360,195	1,264,413
Loss ratio	21.69%	25.72%	38.45%	36.23%	40.77%
Expense ratio	23.74	22.62	24.05	24.21	24.24
Combined ratio	45.43	48.34	62.50	60.44	65.01

[1]As reported by members of the Mortgage Insurance Companies of America, representing seven private mortgage insurance companies in 2002 and six in 2003-2006. Data for 2003-2006 not strictly comparable with 2002 data.

Source: Mortgage Insurance Companies of America.

TOP TEN MORTGAGE GUARANTY INSURANCE COMPANIES BY DIRECT PREMIUMS WRITTEN, 2006[1]

Rank	Group	Direct premiums written	Market share
1	MGIC Group	$1,354,674,137	25.0%
2	Radian Group	920,422,508	17.0
3	American International Group	877,044,284	16.2
4	PMI Group of Companies	815,230,235	15.1
5	Genworth Financial Group	587,291,160	10.8
6	Old Republic Group	534,922,510	9.9
7	Collateral Mortgage Group	256,704,777	4.7
8	CUNA Mutual Group	67,135,471	1.2
9	Southern Pioneer Property & Casualty Insurance Co.	376,002	[2]
10	Aztec Insurance Company	29,183	[2]

[1]Before reinsurance transactions, excluding state funds. [2]Less than 0.1 percent.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information. No portion of this work may be copied or redistributed without the express written permission of Highline Data, LLC.

TITLE INSURANCE

Title insurance protects the owner of property or the holder of a mortgage against loss in the event of a property ownership dispute.

TITLE INSURANCE, 1997-2006

($000)

Year	Net premiums written	Annual percent change	Year	Net premiums written	Annual percent change
1997	$5,976,533	NA	2002	$13,008,588	30.6%
1998	8,203,238	37.3%	2003	17,037,304	31.0
1999	8,727,936	6.4	2004	16,802,053	-1.4
2000	7,817,315	-10.4	2005	18,304,819	8.9
2001	9,959,902	27.4	2006	17,988,241	-1.7

NA= Data not available. Source: American Land Title Association.

SURETY BONDS

Some kinds of insurance provide financial guarantees. The oldest type, a personal contract of suretyship, dates back to biblical times, when one person would guarantee the creditworthiness or the promise to perform of another. Surety bonds in modern times are primarily used to guarantee the performance of contractors.

A surety bond is a contract guaranteeing the performance of a specified obligation. Simply put, it is a three-party agreement under which one party, the surety company, answers to a second party, the owner, creditor or "obligee," for a third party's debts, default or nonperformance. Before it issues the bond, the insurer investigates the background and financial condition of the contractor to satisfy itself that the firm is capable of doing the job as set out in the contract. If the contractor fails to perform, the surety company is obligated to get the work completed or pay for the loss up to the bond "penalty." Surety bonds are generally required on large federal, state and local public works projects.

SURETY BONDS, 1997-2006

($000)

Year	Direct premiums written	Annual percent change	Year	Direct premiums written	Annual percent change
1997	$2,979,429	6.3%	2002	$3,858,824	7.4%
1998	3,256,713	9.3	2003	3,897,844	1.0
1999	3,570,043	9.6	2004	4,274,044	9.7
2000	3,506,666	-1.8	2005	4,497,713	5.2
2001	3,591,747	2.4	2006	5,032,563	11.9

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TOP TEN SURETY COMPANIES BY DIRECT PREMIUMS WRITTEN, 2006[1]

Rank	Group	Direct premiums written	Market share
1	Travelers Group	$940,806,308	18.6%
2	Zurich Insurance Group	429,530,172	8.5
3	CNA Insurance Group	417,820,848	8.3
4	Safeco Insurance Group	359,684,752	7.1
5	Chubb & Son Group	275,489,568	5.5
6	Liberty Mutual Insurance Group	260,424,654	5.2
7	Hartford Fire & Casualty Group	206,345,552	4.1
8	HCC Insurance Holdings Group	159,588,402	3.2
9	Arch Capital Group	142,176,734	2.8
10	American International Group	120,937,352	2.4

[1]Before reinsurance transactions, excluding state funds.

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FINANCIAL GUARANTY INSURANCE

Financial guaranty insurance helps expand the financial markets by increasing borrower and lender leverage. Starting in the 1970s, surety bonds began to be used to guarantee the principal and interest payments on municipal obligations. This made the bonds more attractive to investors and at the same time benefited bond issuers because having the insurance lowered their borrowing costs. This kind of surety bond became known as financial guaranty insurance. Initially, financial guaranty insurance was considered a special category of surety covering the risk involved in financial transactions. It became a separate line of insurance in 1986.

The companies that insure bonds are specialized, highly capitalized companies that traditionally have the highest rating. The insurer's high rating attaches to the bonds, lowering the riskiness of the bonds to investors. With their credit rating thus enhanced, municipalities can issue bonds that pay a lower interest rate, enabling them to borrow more for the same outlay of funds. Investors typically have to sacrifice some yield, generally about 2 to 3 percent, in exchange for the security that bond insurance provides.

The leading municipal bond insurers have diversified since their inception and now provide insurance and reinsurance for corporate bonds and other forms of credit as well as for foreign government and corporate borrowings. They have also become insurers of asset-backed securities, pools of credit default swaps, and other structured financial transactions.

- **In 2006 financial guaranty insurance companies insured $341.5 billion in asset-backed securities and $232.7 billion in public sector bonds, including $199.4 billion in municipal bonds and $33.2 billion in foreign bonds, for a total of $574 billion. This represents a 6 percent increase from 2005.**

FINANCIAL GUARANTY INSURANCE INCOME STATEMENT, 2002-2006[1]

($ millions)

	2002	2003	2004	2005	2006
Direct premiums written	$3,037	$3,995	$3,769	$3,758	$3,831
Net premiums earned	1,648	2,124	2,275	2,474	2,581
Net investment gain	1,282	1,301	1,420	1,411	1,676
Other income/loss	8	3	0	6	-17
Losses and loss expenses incurred	191	189	372	327	221
Other underwriting expenses	548	671	770	765	964
Net income before taxes	2,199	2,568	2,553	2,799	3,055
Income taxes	572	722	620	715	810
Net income	1,628	1,846	1,933	2,084	2,245

[1]Based on a survey of member firms of the Association of Financial Guaranty Insurers.

Source: Association of Financial Guaranty Insurers.

TOP TEN FINANCIAL GUARANTY INSURERS BY DIRECT PREMIUMS WRITTEN, 2006[1]

Rank	Group/Company	Direct premiums written	Market share
1	Ambac Assurance Group	$835,519,020	24.5%
2	MBIA Group	808,115,530	23.7
3	Financial Security Assurance Group	620,316,500	18.2
4	PMI Group of Companies	376,855,003	11.0
5	XL America Group	301,434,718	8.8
6	Radian Group	197,844,567	5.8
7	ACE Ltd. Group	99,833,562	2.9
8	Cifg Assurance North America Inc.	98,807,711	2.9
9	Aca Financial Guaranty Corp.	71,897,219	2.1
10	First Nonprofit Mutual Insurance Co.	2,229,621	0.1

[1]Before reinsurance transactions, excluding state funds.

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CREDIT INSURANCE FOR CUSTOMER DEFAULTS

Credit insurance protects merchants, exporters, manufacturers and other businesses that extend credit to their customers from losses or damages resulting from the nonpayment of debts owed them for goods and services provided in the normal course of business. Credit insurance facilitates financing, enabling insured companies to get better credit terms from banks.

CREDIT INSURANCE, 2002-2006[1]

($000)

Year	Direct premiums written	Annual percent change
2002	$731,798	17.9%
2003	869,543	18.8
2004	1,053,996	21.2
2005	1,206,020	14.4
2006	1,398,762	16.0

[1]Before reinsurance transactions, excluding state funds.

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TOP TEN CREDIT INSURANCE COMPANIES BY DIRECT PREMIUMS WRITTEN, 2006[1]

Rank	Group/Company	Direct premiums written	Market share
1	Allianz Insurance Group	$200,062,653	14.3%
2	Allstate Insurance Group	141,447,979	10.1
3	American National Financial Group	136,188,032	9.7
4	Old Republic Group	115,878,354	8.3
5	Aegon U.S. Holding Group	101,345,416	7.2
6	Swiss Reinsurance Group	87,969,206	6.3
7	American International Group	83,879,422	6.0
8	Protective Life Insurance Group	72,681,282	5.2
9	Coface North America Insurance Co.	58,235,764	4.2
10	Arch Capital Group	43,503,128	3.1

[1]Before reinsurance transactions, excluding state funds.

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REINSURANCE

Reinsurance is essentially insurance for insurance companies. It is a way for primary insurers to protect against unforeseen or extraordinary losses. Reinsurance also serves to limit liability on specific risks, to increase individual insurers' capacity to write business and to help insurers stabilize their business in the face of the wide swings in profit and loss margins that are inherent in the insurance business.

Reinsurance is an international business. According to the Reinsurance Association of America, 53.1 percent of the reinsurance purchased by U.S insurance companies was written by foreign reinsurance companies in 2006. If the domicile of the reinsurance company's parent is taken into account, foreign (or foreign-owned) reinsurance companies accounted for 84.5 percent of the market. This is because many U.S. reinsurance companies are owned by foreign firms.

TOP TEN U.S. PROPERTY/CASUALTY REINSURERS BY GROSS PREMIUMS WRITTEN, 2006
($000)

Rank	Company	Country of parent company	Gross premiums written
1	Swiss Reinsurance America[1]	Switzerland	$6,414,868
2	National Indemnity Company (Berkshire Hathaway)	U.S.	4,606,726
3	XL Reinsurance America Inc.	Bermuda	4,388,081
4	Munich Re America Corp.[2]	Germany	3,742,663
5	Transatlantic/Putnam Reinsurance Co.	U.S.	3,659,203
6	Everest Reinsurance Company	Bermuda	3,086,844
7	OdysseyAmerica Re/Odyssey Reinsurance Corp.[3]	Canada	2,136,771
8	Berkley Insurance Co.	U.S.	1,881,347
9	General Reinsurance Corp.[4]	U.S.	1,501,527
10	Axis Reinsurance Co.[5]	Bermuda	1,151,755
	Total, all reinsurers		**$41,311,166**

[1]Represents only part of Swiss Re Group's business, including the GE Insurance Solutions business acquired from General Electric Company in June 2006.

[2]Includes Munich Reinsurance America, Inc., American Alternative Insurance Corporation and The Princeton Excess and Surplus Lines Insurance Company.

[3]Includes Odyssey America Reinsurance Corporation, Clearwater Insurance Company, Hudson Insurance Company, Hudson Specialty Insurance Company and Clearwater Select Insurance Company.

[4]Excludes cessions to certain affiliated members of the Berkshire Hathaway Group.

[5]Excludes reinsurance business of Axis Capital Holdings Ltd., written in Bermuda.

Source: Reinsurance Association of America.

THE SECURITIZATION OF INSURANCE RISK: CATASTROPHE BONDS

Catastrophe (cat) bonds are one of a number of alternative risk transfer products that are emerging as an alternative to traditional insurance and reinsurance products. Insurers and reinsurers typically issue cat bonds through an issuer known as a special purpose vehicle, a company set up specifically for this purpose. Cat bonds pay high interest rates and diversify an investor's portfolio because natural disasters occur randomly and are not associated with economic factors. Depending on how the cat bond is structured, if losses reach the threshold specified in the bond offering, the investor may lose all or part of the principal or interest.

The devastating hurricanes of 2004 and 2005 heightened investors' interest in cat bonds. In 2006 cat bonds reached all time highs in terms of the number of issuances, the amount of risk capital issued and the number of perils securitized, according to a 2007 Guy Carpenter study. Annual issuance reached $4.69 billion, up 136 percent from $1.99 billion in 2005, and more than triple the $1.14 billion issued in 2004. Twenty transactions were completed, compared with 10 in 2005. In addition to the surge in transaction activity, there was an increase in the use of nonbond structures such as sidecars and loss warranties to manage catastrophe risk. As well as helping to finance the risk of natural disasters, cat bonds have been used to transfer mortality risk to the capital markets. Fears over the potential for avian flu to create a deadly worldwide pandemic have spurred interest in these so-called mortality bonds.

TOP TEN CATASTROPHE BOND TRANSACTIONS, 2006

($ millions)

Rank	Special purpose vehicle	Sponsor	Risk amount	Peril	Risk location
1	Successor Ltd.	Swiss Re	$1,191.9	Hurricane, windstorm, earthquake, multiple	U.S., Europe, Japan
2	Mystic Re Ltd.	Liberty Mutual	525.0	Hurricane	U.S.
3	Redwood Capital IX	Swiss Re	300.0	Earthquake	U.S.
4	Cascadia II Ltd.	FM Global	300.0	Earthquake	U.S.
5	Foundation Re II Ltd.	Hartford Fire Ins. Co.	247.5	Hurricane, multiple	U.S.
6	Shackleton Re Ltd.	Endurance Specialty	235.0	Earthquake, hurricane, multiple	U.S.
7	Redwood Capital VII/VIII Ltd.	Swiss Re	225.0	Earthquake	California
8	Bay Haven Limited	Catlin Ins. Co.	200.3	Multiple	U.S., Europe, Japan
9	Fhu-Jin Ltd.	Tokyo Marine & Fire[1]	200.0	Typhoon	Japan
10	Lakeside Re Ltd.	Zurich[2]	190.0	Earthquake	U.S.

[1]Sponsored through Swiss Re. [2]Sponsored through Munich Re.

Source: Guy Carpenter; MMC Securities Corp.

WEATHER-RELATED HEDGES

Weather-related derivatives and insurance allow such businesses as ski resorts, oil and propane gas distributors, and others that may experience large swings in annual sales due to weather conditions, to hedge their weather-related risk.

Developed initially by an energy company in the late 1990s and now being offered by insurers and reinsurers, weather derivatives typically are indexes derived from average temperatures, snowfall or rainfall. Weather derivatives come in the form of options or swaps. A weather option is a trade that pays an agreed upon amount at a specific time, based on the occurrence of certain weather conditions, such as summer temperatures more than five degrees below average. A weather swap is an exchange of funds between two entities likely to experience different conditions. Money changes hands for every point above or below a certain threshold. Contracts can be tailored to meet specific needs.

Companies can also buy a weather insurance policy. These policies generally have a dual trigger, one weather-related, such as "heating degree days," and the other based on reduced sales or some other economic indicator. These products are treated differently from derivatives in terms of accounting and taxation.

Weather-related hedge products are different from other kinds of weather insurance, such as policies that protect against specific events being canceled due to poor weather. They are also different from catastrophe bonds. (See the Securitization of Insurance Risk, page 84.)

PARTICIPANTS IN THE 2007 WEATHER RISK MANAGEMENT ASSOCIATION SURVEY[1]

Participation by main line of business		Participation by location of respondent	
Banking	2	Asia	2
Energy	3	Europe	6
Insurance	5	North America	5
Other	3		
Total	**13**	**Total**	**13**

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association; excludes Chicago Mercantile Exchange trades.

Source: PricewaterhouseCoopers.

- **Chicago Mercantile Exchange trades accounted for 90.3 percent of the notional value of weather risk contracts tracked by the Weather Risk Management Association (WRMA) in 2006-2007.**

GLOBAL WEATHER RISK PRODUCTS, NOTIONAL VALUE OF CONTRACTS, 2002-2007[1]

($ millions)

Year[2]	Over the counter	Chicago Mercantile Exchange	Total[3]
2002-2003	$3,501	$686	$4,188
2003-2004	2,753	1,868	4,621
2004-2005	4,169	5,527	9,696
2005-2006	2,347	42,897	45,244
2006-2007	1,869	17,324	19,193

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association, plus Chicago Mercantile Exchange trades.
[2]The surveys run from April to March.
[3]May not add due to rounding.

Source: PricewaterhouseCoopers.

- **The Chicago Merchantile Exchange accounted for 99.9 percent of weather contracts tracked by WRMA in 2006-2007.**

GLOBAL WEATHER RISK PRODUCTS, NUMBER OF CONTRACTS, 2002-2007[1]

Year[2]	Over the counter	Chicago Mercantile Exchange	Total
2002-2003	4,517	36,195	40,712
2003-2004	3,162	106,675	109,837
2004-2005	4,057	223,139	227,196
2005-2006	2,180	1,041,439	1,043,619
2006-2007	774	729,283	730,057

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association plus Chicago Mercantile Exchange trades.
[2]The surveys run from April to March.

Source: PricewaterhouseCoopers.

THE LIFE/HEALTH INSURANCE INDUSTRY

Whether measured by premium income or by assets, traditional life insurance is no longer the primary business of many companies in the life/health insurance industry. Today, the emphasis has shifted to the underwriting of annuities. Annuities are contracts that accumulate funds and/or pay out a fixed or variable income stream. An income stream can be for a fixed period of time or over the lifetimes of the contract holder and his or her beneficiaries.

Nevertheless, traditional life insurance products such as universal life and term life for individuals as well as group life remain an important part of the business, as do disability income and health insurance.

Life insurers invest primarily in corporate bonds but also significantly in corporate equities. Besides annuities and life insurance products, life insurers may offer other types of financial services such as asset management.

LIFE/HEALTH INSURER FINANCIAL ASSET DISTRIBUTION, 2002-2006

($ billions)

	2002	2003	2004	2005	2006
Total financial assets	**$3,335.0**	**$3,772.8**	**$4,130.3**	**$4,350.7**	**$4,708.8**
Checkable deposits and currency	35.3	47.3	53.3	47.7	46.3
Money market fund shares	159.8	151.4	120.7	113.6	162.3
Credit market instruments	2,307.8	2,488.3	2,661.4	2,765.4	2,850.1
Open market paper	74.0	55.9	48.2	40.2	49.5
U.S. government securities	409.4	420.7	435.6	459.7	470.5
Treasury	78.5	71.8	78.5	91.2	93.4
Agency- and GSE[1]-backed securities	330.9	348.9	357.1	368.5	377.1
Municipal securities	19.9	26.1	30.1	32.5	33.2
Corporate and foreign bonds	1,449.3	1,620.2	1,768.0	1,840.7	1,881.8
Policy loans	105.1	104.5	106.1	106.9	110.9
Mortgages	250.0	260.9	273.3	285.5	304.1
Corporate equities	708.9	919.3	1,053.9	1,161.8	1,405.2
Mutual fund shares	76.6	91.7	114.4	109.0	119.6
Miscellaneous assets	46.8	74.7	126.6	153.1	125.3

[1]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

CAPITAL AND SURPLUS

Capital, in a publicly owned life insurance company, is the shareholders' equity. In a mutual company, capital is retained earnings. Surplus in both cases is what is left when basic liabilities (unearned premiums and reserves for unpaid claims, etc.) are subtracted from assets (earned premiums, investments, reinsurance). The life/health insurance industry's net income fell 5.5 percent to $34.0 billion in 2006 from $35.9 billion in 2005.

LIFE/HEALTH INSURANCE INDUSTRY: SELECTED OPERATING DATA, 2004-2006

($ millions)

	2004	2005	2006
Net premiums and annuity considerations[1]	$531,160.3	$528,143.1	$583,572.6
Net investment income	145,544.8	154,600.0	158,116.7
Net gain from operations[2]	41,146.0	41,481.2	38,734.3
Federal and foreign income taxes[3]	10,002.6	8,660.0	11,298.2
Net realized capital gains/losses	1,039.8	3,115.1	6,529.9
Net income	32,183.3	35,936.3	33,966.0
Dividends to stockholders	17,019.8	15,939.5	16,450.2
Capital and surplus (end of year)	196,843.0	231,115.0	222,335.1

[1]Annuities, life and accident and health policies and contracts.

[2]After dividends to policyholders and before federal income taxes.

[3]Incurred (excluding tax on capital gain).

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TOP TWENTY U.S. LIFE/HEALTH INSURANCE GROUPS BY REVENUES, 2006[1]

($ millions)

Rank	Group	Revenues	Assets
1	MetLife	$53,275	$527,715
2	Prudential Financial	32,488	454,266
3	New York Life Insurance	28,365	165,665
4	TIAA-CREF	26,757	412,980
5	Massachusetts Mutual Life Insurance	24,863	154,071
6	Northwestern Mutual	20,726	145,102
7	AFLAC	14,616	59,805
8	Genworth Financial	11,029	110,871
9	Unum Group	10,719	52,823
10	Principal Financial	9,870	143,658
11	Guardian Life of America	9,694	39,488
12	Lincoln National	9,063	178,494
13	Assurant	8,071	25,165
14	Thrivent Financial for Lutherans	6,165	56,534
15	Pacific Life	5,202	99,347
16	Western & Southern Financial	4,838	30,320
17	Mutual of Omaha Insurance	4,498	17,128
18	Conseco	4,467	32,717
19	Torchmark	3,421	14,980
20	American National Insurance	3,114	17,932

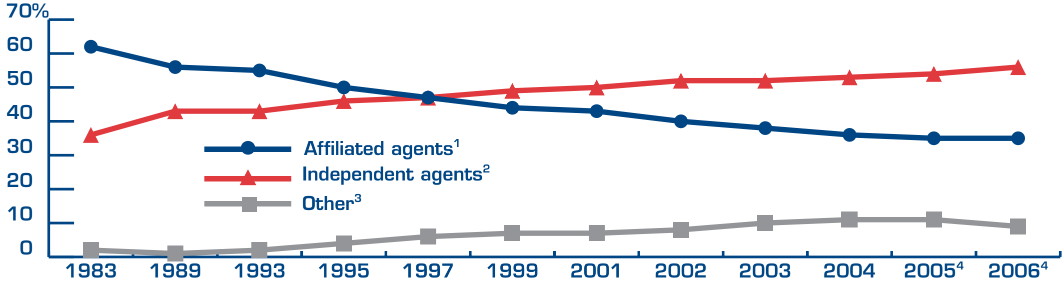
[1]Revenues for insurance companies include premium and annuity income, investment income and capital gains or losses but exclude deposits.

Source: Fortune.

DISTRIBUTION CHANNELS

Life insurance was once sold primarily by career life agents, captive agents that represent a single insurance company, and by independent agents, who represent several insurers. Now, life insurance is also sold directly to the public by mail, telephone and through the Internet. In addition, in the 1980s insurers began to market annuities and term life insurance through banks and financial advisors, professional groups and the workplace. A large portion of variable annuities and a small portion of fixed annuities are sold by stockbrokers. By 2006 affiliated (i.e., captive) agents held 35 percent of new individual life insurance sales, independent agents held 56 percent and others, including stockbrokers, accounted for the remaining 9 percent, according to LIMRA.

U.S. INDIVIDUAL LIFE MARKET SHARE BY CHANNEL, 1983-2006
(Based on U.S. first year collected premium)

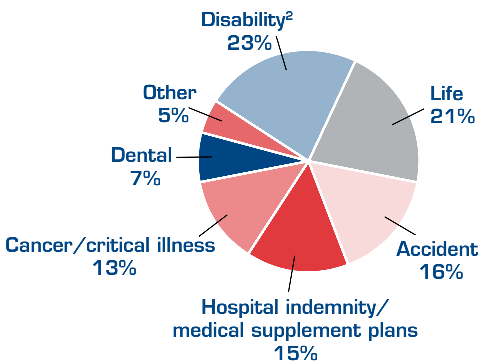


[1]Includes career, multiline exclusive agents and home service. [2]Includes brokers and personal producing general agents. [3]Includes stockbrokers, financial institutions and direct. [4]Estimate.

Source: LIMRA's Market Share by Distribution Channel Survey, LIMRA estimates.

- **Worksite sales of life and health insurance in 2006 were $4.7 billion, up 8 percent from $4.4 billion in 2005.**

WORKSITE LIFE INSURANCE COMPANY SALES BY LINE OF BUSINESS, 2006[1]



[1]Worksite marketing is the selling of voluntary (employee-paid) insurance and financial products at the worksite. The products may be on either an individual or group platform and are usually paid through periodic payroll deductions. [2]Short-term and long-term disability.

Source: East Bridge Consultants.

PREMIUMS BY LINE

Measured by premiums written, annuities are the largest life/health product line, followed by life insurance and health insurance (referred to in the industry as "accident and health"). Life insurance policies can be sold on an individual, or "ordinary," basis or to groups such as employees and associations. Accident and health insurance includes medical expense, disability income and long-term care. (Property/casualty insurers and health insurers also write some accident and health insurance.) Other lines include credit life, which repays the balance of a loan if the borrower dies or becomes disabled, and industrial life, small policies whose premiums are generally collected by an agent on a weekly basis.

LIFE/HEALTH INSURANCE INDUSTRY PREMIUM BY LINE, 2002-2006

($ millions)

	2002		2005		2006	
Lines of insurance	Direct premiums written[1]	Percent of total	Direct premiums written[1]	Percent of total	Direct premiums written[1]	Percent of total
Annuities						
Ordinary individual annuities	$176,627.7	33.1%	$177,602.1	31.4%	$193,432.6	31.2%
Group annuities	101,886.8	19.1	110,951.6	19.6	117,152.7	18.9
Total	**$278,514.5**	**52.1%**	**$288,553.6**	**51.0%**	**$310,585.2**	**50.1%**
Life						
Ordinary life	111,733.3	20.9	123,259.4	21.8	129,241.6	20.9
Group life	28,227.7	5.3	30,220.7	5.3	35,255.0	5.7
Credit life (group and individual)	1,778.3	0.3	1,597.7	0.3	1,555.7	0.3
Industrial life	306.0	0.1	250.2	[2]	239.6	[2]
Total	**$142,045.2**	**26.6%**	**$155,328.1**	**27.5%**	**$166,291.9**	**26.8%**
Accident and health						
Group	76,352.9	14.3	78,781.1	13.9	84,235.7	13.6
Other	35,315.2	6.6	40,084.6	7.1	57,169.3	9.2
Credit	1,869.5	0.3	1,495.2	0.3	1,430.7	0.2
Total	**$113,537.6**	**21.3%**	**$120,360.9**	**21.3%**	**$142,835.7**	**23.0%**
All other lines	91.5	[2]	1,325.0	0.2	0.1	[2]
Total, all lines	**$534,188.8**	**100.0%**	**$565,567.7**	**100.0%**	**$619,712.9**	**100.0%**

[1]Before reinsurance transactions.

[2]Less than 0.1 percent.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information. No portion of this work may be copied or redistributed without the express written permission of Highline Data, LLC.

CREDIT LIFE INSURANCE

Credit life insurance, a form of decreasing term insurance, protects creditors such as banks. The borrower pays the premium, generally as part of the credit transaction, to cover the outstanding loan in the event he or she dies. The face value of a policy decreases as the loan is paid off until both equal zero. When loans are paid off early, premiums for the remaining term are returned to the policyholder. Credit accident and health, a similar product, provides a monthly income in the event the borrower becomes disabled.

CREDIT LIFE, AND CREDIT ACCIDENT AND HEALTH INSURANCE DIRECT PREMIUMS WRITTEN, 1997-2006

($000)

Year	Credit life	Credit accident and health
1997	$1,969,079	$1,897,056
1998	1,998,488	1,798,194
1999	1,971,462	1,724,729
2000	1,849,655	1,675,327
2001	1,632,806	1,551,697
2002	1,251,275	1,331,639
2003	1,046,474	1,119,672
2004	1,150,182	1,156,540
2005	1,257,314	1,135,342
2006	1,091,659	1,012,255

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information. No portion of this work may be copied or redistributed without the express written permission of Highline Data, LLC.

TOP TEN WRITERS OF VARIABLE ANNUITIES CONTRACTS BY NEW SALES, 2006

($ millions)

Rank	Company	New sales
1	Teachers Insurance & Annuity Association	$13,671
2	John Hancock Life Insurance Company (USA)	5,452
3	Jackson National Life Insurance Company	4,414
4	Variable Annuity Life Insurance Company	4,398
5	Pacific Life Insurance Company (Innovations Select)	4,182
6	RiverSource Life Insurance Company	3,478
7	Pacific Life Insurance Company (Value)	3,038
8	Hartford Life Insurance Company (Leaders)	2,919
9	Hartford Life Insurance Company (Leaders Outlook)	2,752
10	AXA Equitable Life Insurance Company	2,609

Source: VARDS/Morningstar.

TOP TEN PRODUCERS OF EQUITY INDEX ANNUITIES BY TOTAL SALES, 2006
($ millions)

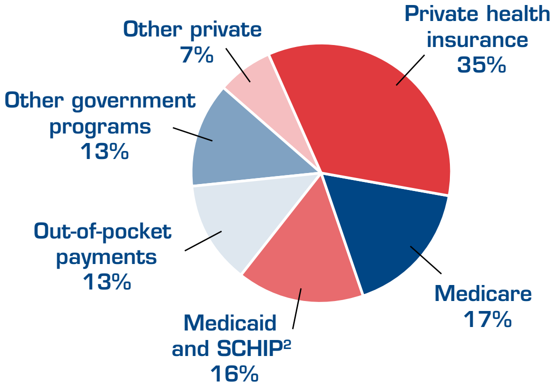
Rank	Company	Total sales	Market share
1	Allianz Life	$6,681.4	26.37%
2	AVIVA	2,537.5	10.01
3	ING	2,303.2	9.09
4	Old Mutual	2,079.6	8.21
5	Midland National Life	2,003.1	7.91
6	American Equity	1,787.3	7.05
7	Equitrust	1,001.4	3.95
8	Jackson National Life	947.9	3.74
9	Jefferson-Pilot	871.8	3.44
10	Sun Life	731.1	2.89

Source: The Advantage Compendium.

HEALTH INSURANCE

According to the U.S. Census Bureau's latest health insurance survey, 15.8 percent of the U.S. population lacked coverage in 2006, up from 15.3 percent in 2005.

THE NATION'S HEALTH CARE DOLLAR: 2005 WHERE IT COMES FROM[1]



[1]Does not add to 100 percent due to rounding.
[2]State Children's Health Insurance Program.

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

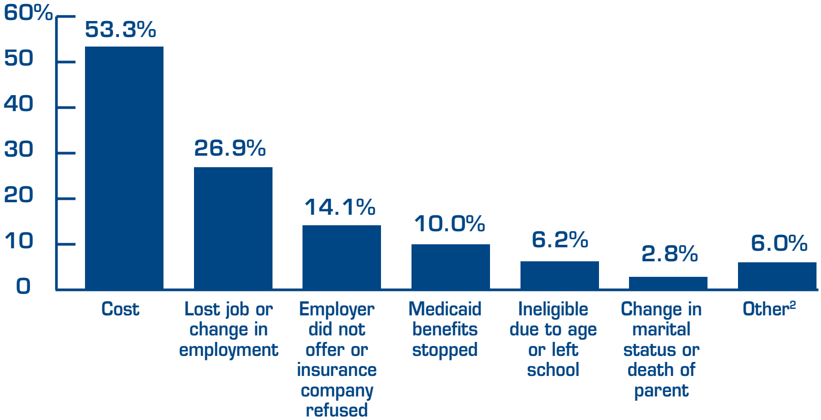
HEALTH INSURANCE COVERAGE STATUS AND TYPE OF COVERAGE BY SELECTED CHARACTERISTICS, 2006

(000)

				Covered by				
	Total	Not covered at any time during the year	Some type of health insurance during the year	Private insurance	Employ- ment based	Own employment based	Direct- purchase insurance	Government health plan
Total	**296,824**	**46,995**	**249,829**	**201,690**	**177,152**	**93,150**	**27,066**	**80,270**
By age								
Under 18	74,101	8,661	65,440	47,906	44,257	209	3,890	22,109
18 to 24	28,405	8,323	20,081	17,030	13,768	5,406	1,736	4,006
25 to 34	39,868	10,713	29,154	25,814	24,009	18,193	2,160	4,460
35 to 44	42,762	8,018	34,744	31,531	29,463	21,035	2,788	4,409
45 to 54	43,461	6,642	36,819	33,250	30,868	22,406	3,297	5,182
55 to 64	32,191	4,095	28,096	24,255	21,701	15,989	3,276	6,122
65 and over	36,035	541	35,494	21,904	13,086	9,912	9,918	33,982
By region								
Northeast	54,139	6,648	47,491	38,790	34,621	17,965	4,696	14,706
Midwest	65,491	7,458	58,034	48,742	42,787	21,860	6,361	17,100
South	108,030	20,486	87,544	69,209	60,912	32,753	9,267	30,100
West	69,163	12,403	56,760	44,949	38,832	20,572	6,741	18,364

Source: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.

REASONS FOR NO HEALTH INSURANCE COVERAGE AMONG UNINSURED PERSONS UNDER AGE 65, 2004[1]



[1]Persons might be counted in more than one category.

[2]Includes moved, self-employed, never had coverage, did not want or need coverage and other unspecified reasons.

Source: National Health Interview Survey, 2004, National Center for Health Statistics.

- The number of people without health insurance increased from 44.8 million in 2005 to 47 million in 2006, according to the U.S. Census.

HEALTH SAVINGS ACCOUNTS

Established in late 2003 by the Medicare Modernization Act, health savings accounts (HSAs) are designed to give consumers financial incentives to manage their own health expenses. An individual's HSA must be coupled with a high-deductible health plan (HDHP). HSA funds may be used to cover current and future health care costs.

HEALTH SAVINGS ACCOUNT ENROLLMENT (COVERED LIVES), 2005-2007[1]

	March 2005	January 2006	January 2007
Individual market	556,000	855,000	1,106,000
Small group market	147,000	510,000	1,057,000
Large group market	162,000	679,000	2,044,000
Other group[2]	88,000	247,000	291,000
Other[3]	77,000	878,000	34,000
Total	**1,031,000**	**3,168,000**	**4,532,000**

[1]Includes health savings accounts (HSAs) and high deductible health plans (HDHPs).

[2]Enrollment data for companies that did not break down their group membership into large and small group categories.

[3]Enrollment data for companies that did not provide a breakdown of enrollees by market category.

Source: America's Health Insurance Plans.

- The number of people covered by HSA/HDHP products reached 4.5 million in January 2007, up 1.3 million from January 2006, according to a survey by America's Health Insurance Plans.
- The vast majority of enrollees in HSAs/HDHPs were in preferred provider organizations (PPOs), accounting for over 85 percent of all markets.

- According to the National Association of Insurance Commissioners, 194 insurers wrote LTC insurance in 2005, including 11 property/casualty insurers, 23 health insurers, 6 fraternal insurers and 154 life, accident and health insurers. Earned LTC premiums increased by 6.8 percent from $8.8 billion in 2004 to $9.4 billion in 2005.

LONG-TERM CARE INSURANCE

Long-term care (LTC) insurance pays for services to help individuals who are unable to perform certain activities of daily living without assistance, or require supervision due to a cognitive impairment such as Alzheimer's disease.

PERCENT OF WORKERS WITH ACCESS TO LONG-TERM CARE INSURANCE, PRIVATE INDUSTRY, 1999-2006

Year	Percent
1999	6%
2000	7
2003	11
2004	11
2005	11
2006	12

Source: Employee Benefits Survey, U.S. Bureau of Labor Statistics.

TOP TEN LONG-TERM CARE INSURANCE COMPANIES BY DIRECT PREMIUMS EARNED, 2005

Rank	Company	State of domicile	Parent group	Direct premiums earned	Market share
1	John Hancock Life Insurance Co.	MA	John Hancock Group	$1,544,987,143	16.44%
2	Genworth Life Insurance Co.	DE	Genworth Financial Group	1,315,346,296	14.00
3	Metropolitan Life Insurance Co.	NY	Metropolitan Group	601,925,266	6.41
4	Continental Casualty Co.	IL	CNA Insurance Group	585,978,983	6.24
5	Bankers Life & Casualty Co.	IL	Conseco Group	520,143,941	5.54
6	Unum Life Insurance Co. Of America	ME	UnumProvident Corporation Group	388,402,208	4.13
7	Conseco Senior Health Insurance Co.	PA	Conseco Group	280,281,419	2.98
8	Penn Treaty Network America Ins. Co.	PA	Penn Treaty American Group	275,825,664	2.94
9	Metlife Insurance Co. of CT	CT	Metropolitan Group	253,897,635	2.70
10	IDS Life Insurance Co.	MN	Ameriprise Financial Group	219,371,830	2.33

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OVERVIEW

Banking, the largest sector within the financial services industry, includes all depository institutions, from commercial banks and thrifts (savings and loan associations and savings banks) to credit unions. In their role as financial intermediaries, banks use the funds they receive from depositors to make loans and mortgages to individuals and businesses, seeking to earn more on their lending activities than it costs them to attract depositors. However, in so doing they must manage many risk factors, including interest rates, which can result in a mismatch of assets and liabilities.

Over the past decade, many banks have diversified and expanded into new business lines such as credit cards, stock brokerage and investment management services. They are also moving into the insurance business, selling annuities and life insurance products in particular, often through the purchase of insurance agencies. (See Chapter 4: Convergence.) Banks can be federally or state chartered.

REGULATION

The Federal Reserve was established by Congress in 1913 to regulate the money supply according to the needs of the U.S. economy. The agency attempts to do this by changing bank reserve requirements and the discount rate that banks pay for loans from the Federal Reserve system and by increasing or decreasing its open-market operations, the buying and selling of federal securities. Because banks are sensitive to interest rates, Federal Reserve policy has a major impact on the banking sector.

The Federal Depository Insurance Corporation (FDIC) was created in 1933 to restore confidence in the banking system following the collapse of thousands of banks during the Great Depression. Under the program administered by the FDIC, which is an independent agency within the federal government, deposits in commercial banks and thrifts are insured for up to \$100,000. In addition, the FDIC is charged with liquidating failing banks or disposing of their insured liabilities by selling them to a solvent institution. The agency also provides separate coverage for retirement accounts, such as 401(k)s, individual retirement accounts (IRAs) and Keoghs. A 2006 law increased the coverage for retirement accounts from \$100,000 to \$250,000.

Since 1863, banks have had the choice of whether to be regulated by the federal government or the states. Under the National Bank Act, national banks are chartered and supervised by the Office of the Comptroller of the Currency (OCC), part of the U.S. Treasury. Thrift institutions, including savings and loans associations and savings banks, can be federally chartered and regulated by the Office of Thrift Supervision (OTS), another agency in the U.S. Treasury, or state chartered and subject to state regulation. The National Credit Union Administration supervises federal credit unions, while state regulators supervise state credit unions. State-chartered banks are subject to some federal regulation if they are members of the Federal Reserve System or insured by the FDIC.

TOP TEN BANK AND THRIFT DEALS ANNOUNCED IN 2006[1]

($ millions)

Rank	Buyer (Location)	Target (State)	Deal value[2]
1	Wachovia Corp. (NC)	Golden West Financial (CA)	$25,473.8
2	Bank of New York Co. (NY)	Mellon Financial Corp. (PA)	16,864.4
3	Capital One Financial Corp. (VA)	North Fork Bancorp. (NY)	14,567.9
4	Regions Financial Corp. (AL)	AmSouth Bancorp. (AL)	10,060.3
5	PNC Financial Services Group (PA)	Mercantile Bankshares Corp. (MD)	6,027.1
6	Huntington Bancshares Inc. (OH)	Sky Financial Group Inc. (OH)	3,592.1
7	Bank of America Corp. (NC)	U.S. Trust Corp. (NY)	3,300.0
8	TD Bank Financial Group (Canada)	TD Banknorth Inc. (ME)	3,200.6
9	JPMorgan Chase & Co. (NY)	BONY Retail Banking Business (NY)	3,100.0
10	Banco Bilbao Vizcaya Argentaria SA (Spain)	Texas Regional Bancshares Inc. (TX)	2,164.6

[1]Deals where the entire operation of the bank or thrift is acquired by the buyer, including all property, assets and charters. At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals. [2]At announcement.

Source: SNL Financial LC.

TOP TEN FEDERALLY CHARTERED AND STATE-CHARTERED BANKS BY ASSETS, 2006[1]

($000)

Rank	Federally chartered bank	Total assets	State-chartered bank	State	Total assets
1	Bank of America, National Association[2]	$1,196,123,794	SunTrust Bank	GA	$182,588,156
2	JPMorgan Chase Bank, National Association[2]	1,179,390,000	Regions Bank	AL	138,667,948
3	Citibank, National Association[2]	1,019,497,000	Branch Banking and Trust Company	NC	117,134,085
4	Wachovia Bank, National Association[2]	518,123,000	State Street Bank and Trust Company	MA	96,295,548
5	Wells Fargo Bank, National Association[2]	398,671,000	The Bank of New York	NY	85,952,000
6	Washington Mutual Bank[3]	345,610,758	Merrill Lynch Bank USA	UT	67,234,664
7	U.S. Bank, National Association[2]	217,802,326	Comerica Bank	MI	58,543,306
8	HSBC Bank USA, National Association[2]	165,673,017	North Fork Bank	NY	57,902,875
9	FIA Card Services, National Association[2]	147,839,768	Manufacturers and Traders Trust Co.	NY	56,382,388
10	World Savings Bank, FSB[3]	146,260,800	Bank of the West	CA	55,642,936

[1]As of December 2006. [2]Chartered by the Office of the Comptroller of the Currency. [3]Chartered by the Office of Thrift Supervision.

Source: Federal Deposit Insurance Corporation.

PROFITABILITY

In their efforts to maximize profits, commercial banks and other depository institutions must balance credit quality and future economic conditions with liquidity needs and regulatory mandates.

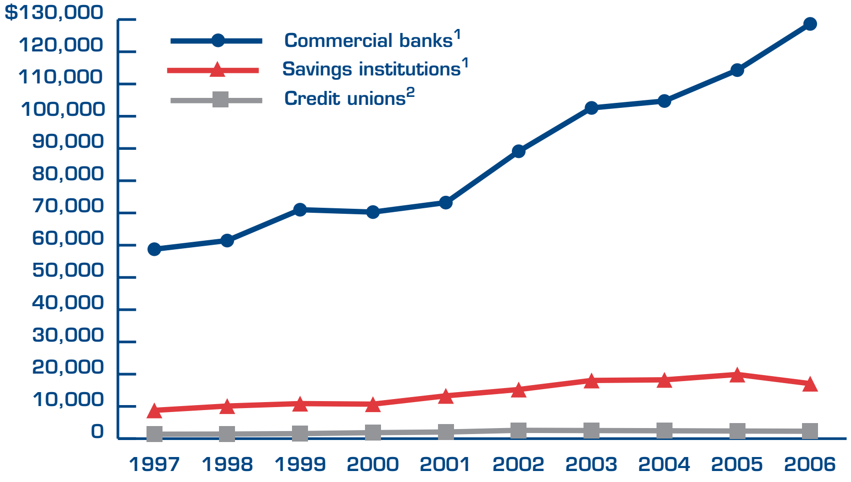
PROFITABILITY OF SAVINGS BANKS, COMMERCIAL BANKS AND CREDIT UNIONS, 2002-2006

	Return on equity		Return on average assets
Year	Savings banks	Commercial banks	Credit unions
2002	12.36%	14.46%	1.07%
2003	13.66	15.31	0.99
2004	10.87	13.74	0.92
2005	10.38	12.91	0.85
2006	8.70	13.06	0.82

Source: Office of Thrift Supervision; Federal Deposit Insurance Corporation; National Credit Union Administration.

NET INCOME OF SAVINGS INSTITUTIONS, COMMERCIAL BANKS AND CREDIT UNIONS, 1997-2006

($ millions)



- In 2006 net income for commercial banks rose 12.5 percent, following 9.2 percent growth the previous year. In contrast, net income of savings banks fell 14.2 percent, compared with 9.1 percent growth in 2005, and net income of credit unions fell 2.6 percent in 2006, following a 3.1 percent drop in 2005.

[1]FDIC-insured.

[2]Federally insured state-chartered credit unions.

Source: Federal Deposit Insurance Corporation; National Credit Union Administration.

ASSETS

- Assets of commercial banks grew 9.4 percent from 2005 to 2006. Credit unions assets grew 4.8 percent and savings institutions assets decreased 4.2 percent.

FINANCIAL ASSETS OF BANKING INSTITUTIONS, 1980-2006

($ billions, end of year)

Year	Commercial banking	Savings institutions	Credit unions
1980	$1,481.7	$792.4	$67.6
1990	3,337.2	1,323.0	217.2
2000	6,468.7	1,217.7	441.1
2003	7,843.3	1,465.4	617.2
2004	8,563.6	1,649.0	654.7
2005	9,323.9	1,789.4	685.7
2006	10,204.0	1,714.5	718.7

Source: Board of Governors of the Federal Reserve System.

CREDIT MARKETS

Until about 1950, commercial banks dominated the credit market. While depository institutions continue to be the leading holders of credit assets, asset shares of federal mortgage pools, government-sponsored corporations and asset-based securities issuers have risen gradually over the past two decades.

CREDIT MARKET ASSET HOLDINGS, 2002-2006[1]

($ billions, end of year)

	2002	2003	2004	2005	2006	Percent of total, 2006
Total credit market assets held	**$31,722.5**	**$34,606.6**	**$37,694.8**	**$41,000.1**	**$44,548.9**	**100.0%**
By financial sectors	**24,096.5**	**26,162.4**	**28,106.1**	**30,323.3**	**32,944.4**	**74.0**
Monetary authority	629.4	666.7	717.8	744.2	778.9	1.7
U.S.-chartered commercial banks	5,003.9	5,361.7	5,909.7	6,408.2	7,113.7	16.0
Foreign banking offices in the U.S.	516.9	485.8	506.1	648.3	754.9	1.7
Bank holding companies	27.8	36.4	36.4	32.2	35.6	0.1
Banks in U.S.-affiliated areas	66.3	76.9	90.8	101.0	97.2	0.2
Savings institutions	1,166.6	1,292.6	1,485.4	1,616.6	1,518.5	3.4
Credit unions	465.4	516.6	556.4	592.6	633.7	1.4
Life insurance companies	2,307.8	2,488.3	2,661.4	2,765.4	2,850.1	6.4
Nonlife insurance companies	558.3	625.2	698.8	765.8	814.1	1.8

(table continues)

CREDIT MARKET ASSET HOLDINGS, 2002-2006[1] (Cont'd)

($ billions, end of year)

	2002	2003	2004	2005	2006	Percent of total, 2006
Private pension funds	$577.3	$646.5	$646.1	$658.6	$693.9	1.6%
Public pension funds	696.3	713.5	745.3	750.3	778.2	1.7
Money market mutual funds	1,567.1	1,471.3	1,346.3	1,340.8	1,561.0	3.5
Mutual funds	1,368.4	1,506.4	1,623.0	1,747.1	1,927.2	4.3
Closed-end funds	117.1	152.6	163.6	165.1	172.5	0.4
Exchange-traded funds	3.7	4.5	8.2	15.0	20.7	0.0
Government-sponsored corporations	2,323.2	2,559.7	2,605.9	2,540.5	2,575.2	5.8
Agency- and GSE[2]- backed mortgage pools	3,158.6	3,489.1	3,542.2	3,677.0	3,965.1	8.9
ABS issuers	1,789.9	1,993.4	2,326.0	2,970.9	3,477.6	7.8
Finance companies	1,082.3	1,205.0	1,419.8	1,537.1	1,630.3	3.7
Real Estate Investment Trusts	71.7	97.5	200.1	267.0	317.9	0.7
Brokers and dealers	344.4	424.1	394.9	477.2	583.3	1.3
Funding corporations	254.1	348.8	421.8	502.6	644.7	1.4
By domestic nonfinancial sectors	**3,889.1**	**4,274.9**	**4,607.5**	**5,037.1**	**5,139.0**	**11.5**
By the federal government	**288.2**	**285.6**	**288.8**	**286.1**	**290.7**	**0.7**
By others, foreign	**3,736.8**	**4,169.3**	**4,981.1**	**5,639.7**	**6,465.4**	**14.5**

[1]Excluding corporate equities and mutual fund shares.

[2]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

EMPLOYMENT IN THE BANKING INDUSTRY, 2002-2006

(000)

Year	Commercial banks	Savings banks	Credit unions	Total
2002	1,278.1	239.6	215.3	1,733.0
2003	1,280.1	246.3	222.1	1,748.5
2004	1,280.8	243.2	227.5	1,751.5
2005	1,296.0	238.3	234.9	1,769.2
2006	1,319.3	240.3	243.7	1,803.2

Source: U.S. Department of Labor, Bureau of Labor Statistics.

- **Within the banking industry, employment at credit unions grew fastest in 2006, up 3.7 percent from 2005.**

BUSINESS LENDING BY LOAN SIZE AND SIZE OF BANK, 2007[1]

Size of loans ($000)	Value of loans ($ millions): Large banks[2]	Small banks
$1 to $99	$1,516	$1,452
$100 to $999	6,476	2,428
$1,000 to $9,999	11,246	1,691
$10,000 and over	18,226	NA

[1]Based on a sample of 348 domestically chartered commercial banks, as of May 7-11, 2007.

[2]As of March 31, 2003, assets of large banks were at least $3.7 billion.

NA=Data not available.

Source: Board of Governors of the Federal Reserve System.

COMMUNITY DEVELOPMENT LENDING

The Federal Community Reinvestment Act requires commercial banks and savings institutions with total assets of $1 billion to report data regarding their small business and small farm lending and community development lending. In 2006 a total of 1,028 lenders reported on their originations and purchases of small business and small farm loans. In 2006 these institutions originated or purchased about 12.6 million small business loans, totaling $306 billion, and almost 209,000 small farm loans, totaling almost $12.5 billion.

COMMUNITY DEVELOPMENT LENDING, 2006[1]

($ billions)

	Size of loans									
	$100,000 or less		$100,001 to $250,000		More than $250,000		All loans		Loans to firms with revenues of $1 million or less	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
Originations	$131.7	41.8%	$47.4	15.1%	$135.7	43.1%	$314.8	100.0%	$143.1	45.5%
Purchases	0.9	26.6	0.5	16.1	1.9	57.2	3.4	100.0	0.4	10.6
Total	**$132.6**	**41.7%**	**$47.9**	**15.1%**	**$137.6**	**43.2%**	**$318.1**	**100.0%**	**$143.5**	**45.1%**

[1]As per the Community Reinvestment Act, enacted in 1977 to encourage banks to help meet the needs of the communities in which they operate, including low and moderate income neighborhoods.

Source: Federal Financial Institutions Examination Council.

BANK BRANCHES

Consolidation has substantially reduced the number of commercial banks but has not reduced consumers' access to their deposits as banks continue to add branches and the number of ATMs continues to grow. However, there are fewer savings institutions than in 1990, both in terms of institutions and branches, and the number of credit unions dropped by 18 percent from 1990 to 2006.

BANKING OFFICES BY TYPE OF BANK, 1990-2006

	1990	2002	2003	2004	2005	2006
All banking offices	**94,115**	**97,321**	**97,959**	**99,528**	**101,105**	**102,966**
Commercial bank offices	62,346	73,773	74,675	76,696	78,845	81,329
Number of institutions	12,329	7,967	7,833	7,694	7,549	7,479
Number of branches	50,017	65,806	66,842	69,002	71,296	73,850
Savings institution offices	21,609	13,860	13,915	13,818	13,565	13,275
Number of institutions	2,815	1,499	1,435	1,385	1,319	1,299
Number of branches	18,794	12,361	12,480	12,433	12,246	11,976
Credit unions	10,160	9,688	9,369	9,014	8,695	8,362

Source: Federal Deposit Insurance Corporation; National Credit Union Administration.

ASSETS OF FOREIGN BANKING OFFICES IN THE UNITED STATES, 2002-2006[1]

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$801.1**	**$766.2**	**$637.0**	**$786.9**	**$790.0**
Reserves at Federal Reserve	1.2	0.9	0.7	0.9	0.6
Total bank credit	615.0	607.1	598.8	782.4	940.1
U.S. government securities	178.3	86.7	83.1	78.8	81.5
Treasury	116.7	34.2	30.0	27.9	27.1
Agency- and GSE[2]-backed securities	61.6	52.5	53.1	50.9	54.4
Corporate and foreign bonds	81.6	160.9	178.5	262.0	292.8
Total loans	355.2	359.6	337.1	441.6	565.9
Other bank loans	237.5	220.4	226.8	287.4	355.4
Mortgages	19.0	17.2	16.9	19.4	24.9
Security credit	98.7	121.9	93.4	134.8	185.6
Customers' liability on acceptances	0.6	0.6	0.7	0.8	0.4
Miscellaneous assets	184.2	157.6	36.8	2.9	-151.2

[1]Branches and agencies of foreign banks, Edge Act and Agreement corporations and American Express Bank.

[2]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

FINANCIAL LITERACY PROGRAMS

The Consumer Bankers Association periodically surveys U.S. banks on their programs aimed at improving the financial literacy of their clients and the American public at large. In 2005 there were 46 respondents, 56 percent of which had assets of over $20 billion.

- **The average financial literacy budget for banks was $5.4 million in 2004; the median budget was $31,500.**

FINANCIAL LITERACY PROGRAMS BY TYPE, 2003-2005[1]

(Percent)

Type of program	2003	2004	2005
General financial literacy	98%	100%	100%
Mortgage/homeownership financial literacy	96	96	96
Targeting predatory lending issues	72	78	70
College-based	26	50	36

[1]Based on respondents to annual surveys by the Consumer Bankers Association.

Source: Consumer Bankers Association.

COMMERCIAL BANKS

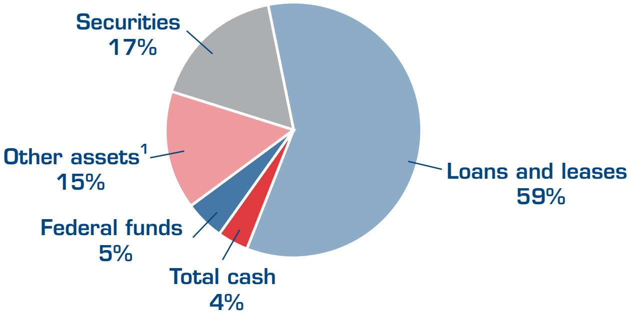
Commercial banks vary greatly in size from the "money center" banks located in the nation's financial centers that offer a broad array of traditional and nontraditional banking services, including international lending, to the smaller regional and local community banks engaged in more typical banking activities, such as consumer and business lending. Commercial banks receive revenue from many sources including check writing, trust account management fees, investments, loans and mortgages. A growing number of banks also receives revenue from consumer use of Internet banking services.

The number of small commercial banks continues to drop while the number of larger banks grows. There were 214 fewer commercial banks with assets of less than $100 million in 2006 than the previous year, 69 more in the $100 million to $1 billion asset size and 19 more in the $1 billion or more category.

ASSETS AND LIABILITIES

A bank's assets and liabilities are managed in order to maximize revenues and maintain liquidity. The lending sector's susceptibility to changes in interest rates, domestic and international economies, and credit quality can make revenue streams unpredictable. Banks hold substantial amounts of U.S. Treasury and government agency obligations, which are highly liquid, although the asset mix includes equity as well as other asset classes.

ASSETS OF FDIC-INSURED COMMERCIAL BANKS, 2006



[1]Includes assets held in trading accounts, bank premises and fixed assets, other real estate owned, intangible assets and all other assets.

Source: Federal Deposit Insurance Corporation.

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS GROUPED BY ASSET SIZE, 2006

($ millions, end of year)

	Total commercial banks	By asset size: Less than $100 million	$100 million to $1 billion	$1 billion or more	Foreign offices
Number of institutions	7,401	3,245	3,662	494	NA
Total assets	**$10,090,400**	**$170,353**	**$1,039,591**	**$8,880,455**	**$1,487,362**
Cash and funds due from depository institutions	432,033	8,491	37,579	385,963	192,713
Noninterest-bearing	278,749	5,890	30,363	242,495	NA
Interest-bearing	153,284	2,601	7,215	143,468	NA
Securities	1,665,765	38,572	199,546	1,427,648	NA
Federal funds sold and re-repos[1]	529,563	10,548	33,964	485,051	NA
Loans and leases, net	5,911,531	104,428	711,222	5,095,882	498,913
Plus: allowance for losses and allocated transfer risk reserve	69,103	1,462	8,939	58,703	NA
Loans and leases, total	5,980,635	105,889	720,161	5,154,585	499,020
Assets held in trading accounts[2]	620,016	1	231	619,784	300,650
Bank premises and fixed assets	96,807	3,356	20,023	73,428	NA

(table continues)

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS GROUPED BY ASSET SIZE, 2006 (Cont'd)

($ millions, end of year)

	Total commercial banks	By asset size: Less than $100 million	$100 million to $1 billion	$1 billion or more	Foreign offices
Other real estate owned	$5,467	$230	$1,158	$4,079	NA
Intangible assets	358,514	665	8,166	349,683	NA
All other assets	470,704	4,062	27,704	438,938	NA
Total liabilities, limited-life preferred stock and equity capital	**10,090,400**	**170,353**	**1,039,591**	**8,880,455**	**NA**
Total liabilities	**9,060,241**	**148,672**	**933,454**	**7,978,115**	**$1,876,468**
Deposits, total	6,731,368	140,970	847,454	5,742,944	1,343,007
Noninterest-bearing	1,216,711	24,271	132,506	1,059,934	58,946
Interest-bearing	5,514,657	116,699	714,948	4,683,010	1,284,061
Federal funds purchased and repos[1]	719,361	1,483	25,003	692,876	NA
Trading liabilities	266,349	1	0	266,348	NA
Other borrowed money	869,877	4,912	50,286	814,678	NA
Subordinated notes and debentures	149,795	4	721	149,070	NA
All other liabilities	323,492	1,303	9,990	312,199	NA
Total equity capital	**1,030,159**	**21,681**	**106,137**	**902,341**	**NA**
Perpetual preferred stock	5,122	22	162	4,939	NA
Common stock	33,925	3,730	9,737	20,458	NA
Surplus	625,441	9,322	45,324	570,796	NA
Undivided profits	365,671	8,608	50,915	306,148	NA

[1]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[2]The foreign office component of "assets held in trading accounts" is only available for institutions with $1 billion or more in total assets or $2 billion or more in off-balance sheet contracts.

NA=Data not available.

Source: Federal Deposit Insurance Corporation.

DEPOSITS

In the depository process, banks pay interest to depositors and gain income by lending and investing deposits at higher rates. Banks must balance the generation of revenue from these deposits with the maintenance of liquidity, according to FDIC guidelines. The impact of these guidelines on the banking industry is similar to that of statutory accounting practices on the insurance industry—both serve to promote solvency. (See Appendix, page 196.)

DEPOSITS, INCOME AND EXPENSES OF FDIC-INSURED COMMERCIAL BANKS, 2000-2004

($ millions, end of year)

	2000	2001	2002	2003	2004
Number of institutions	8,297	8,062	7,870	7,752	7,614
Total deposits (domestic and foreign) individuals, partnerships, corps.	**$3,704,679**	**$3,951,067**	**$4,186,619**	**$4,480,989**	**$5,010,268**
U.S. government	8,513	12,284	30,077	5,104	4,631
States and political subdivisions	160,217	172,725	197,000	227,377	235,243
All other	275,611	207,227	237,502	272,960	295,912
Total domestic and foreign deposits	**4,149,020**	**4,343,302**	**4,651,199**	**4,986,429**	**5,546,054**
Interest-bearing	3,397,412	3,476,414	3,716,908	4,034,942	4,501,120
Noninterest-bearing	751,608	866,888	934,290	951,488	1,044,934
Domestic office deposits					
Demand deposits	526,608	570,700	525,908	516,911	540,247
Savings deposits	1,559,684	1,869,985	2,197,372	2,497,488	2,772,510
Time deposits	1,356,315	1,273,353	1,270,343	1,231,382	1,367,959
Total domestic deposits	**3,442,607**	**3,714,038**	**3,993,623**	**4,245,781**	**4,680,716**
Transaction	672,058	737,691	701,302	715,974	745,080
Nontransaction	2,770,549	2,976,347	3,292,321	3,529,807	3,935,636
Income and expenses					
Total interest income	424,144	398,490	353,739	331,955	343,168
Total interest expense	222,258	185,702	119,119	94,228	96,049
Net interest income	201,886	212,788	234,620	237,727	247,119
Total noninterest income (fees, etc.)	153,805	157,720	171,873	185,878	183,374
Total noninterest expense	215,636	221,988	232,200	244,480	256,032
Provision for loan and lease losses	29,741	42,968	47,816	34,501	25,921
Pretax net operating income	110,313	105,552	126,478	144,624	148,541
Securities gains (losses)	-2,278	4,437	6,392	5,583	3,614
Income taxes	37,729	36,544	43,807	49,061	48,739
Net extraordinary items	-32	-240	-69	427	67
Net income	70,274	73,205	88,993	101,573	103,483

Source: Federal Deposit Insurance Corporation.

INVESTMENTS

SECURITIES OF FDIC-INSURED COMMERCIAL BANKS, GROUPED BY ASSET SIZE, 2006

($ millions, end of year)

	Total commercial banks	By asset size[1] Less than $100 million	$100 million to $1 billion	$1 billion or more
Securities (debt and equity)	**$1,665,765**	**$38,572**	**$199,546**	**$1,427,648**
Securities held-to-maturity (amortized cost)	114,675	6,296	25,352	83,027
Securities available-for-sale (fair value)	1,551,090	32,276	174,194	1,344,621
By security type:[2]				
U.S. Government securities	1,087,694	30,266	146,055	911,373
U.S. Treasury securities	42,768	1,438	5,222	36,108
U.S. Government obligations	1,044,926	28,828	140,833	875,265
Securities issued by states and political subdivisions	135,253	7,318	41,912	86,023
Asset-backed securities	88,725	9	668	88,048
Other domestic debt securities[3]	224,075	769	8,728	214,577
Foreign debt securities[3]	112,115	1	92	112,022
Equity securities	17,903	208	2,091	15,604
Other items[2]				
Pledged securities	884,475	15,833	97,578	771,064
Mortgage-backed securities	972,273	7,316	62,399	902,558
Certificates of participation in pools of residential mortgages	663,413	5,716	40,036	617,660
Issued or guaranteed by the U.S.	637,434	5,694	39,933	591,807
Privately issued	25,979	23	104	25,853
Collateralized mortgage obligations and REMICs[4]	308,861	1,600	22,363	284,898
Issued by FNMA and FHLMC[5]	146,575	1,448	18,539	126,589
Privately issued by GNMA	162,285	152	3,824	158,310

[1]Grouped by asset size and insurance fund membership.

[2]Includes held-to-maturity securities at amortized cost and available-for-sale securities at fair value.

[3]Institutions with less than $100 million in total assets include “foreign debt securities” in “other domestic debt securities.”

[4]Real estate mortgage investment conduits.

[5]Fannie Mae and Freddie Mac. Includes REMICs.

Source: Federal Deposit Insurance Corporation.

CONCENTRATION

As a result of consolidation over the past two decades, small banks are dropping in number and in percentage of assets and deposits held. A large share of the nation's banking business is held by a relatively small number of big banks.

COMMERCIAL BANK CONCENTRATION, NUMBERS AND ASSETS, 2002 AND 2006

($ billions, end of year)

	By asset size								
	Less than $100 million	Percent of total	$100 million to $1 billion	Percent of total	$1 billion to $10 billion	Percent of total	Greater than $10 billion	Percent of total	Total banks
2002									
Number of banks	4,168	52.8%	3,314	42.0%	325	4.1%	80	1.0%	7,887
Total assets	$211.3	3.0	$869.5	12.3	$936.7	13.2	$5,057.7	71.5	$7,075.2
Total deposits	178.3	3.8	707.1	15.1	639.6	13.6	3,164.5	67.5	4,689.5
Return on assets	1.02	NA	1.26	NA	1.53	NA	1.32	NA	1.33
Return on equity	9.08	NA	12.85	NA	14.88	NA	15.06	NA	14.53
2006									
Number of banks	3,246	43.9%	3,662	49.5%	406	5.5%	88	1.2%	8,681
Total assets	$170.4	1.7	$1,039.6	10.3	$1,076.3	10.7	$7,804.3	77.3	$10,090.6
Total deposits	141.0	2.1	847.5	12.6	767.6	11.4	4,975.3	73.9	6,731.4
Return on assets	0.95	NA	1.24	NA	1.35	NA	1.35	NA	1.33
Return on equity	7.38	NA	12.20	NA	12.65	NA	13.40	NA	13.08

NA=Not applicable.

Source: Federal Deposit Insurance Corporation.

TOP 25 U.S. COMMERCIAL BANKS BY REVENUES, 2006
($ millions)

Rank	Company	Revenues
1	Citigroup	$146,777
2	Bank of America Corp.	117,017
3	JPMorgan Chase & Co.	99,973
4	Wells Fargo	47,979
5	Wachovia Corp.	46,810
6	U.S. Bancorp	19,109
7	Capital One Financial	15,191
8	SunTrust Banks	13,260
9	National City Corp.	12,953
10	Bank of New York Co.	11,891
11	PNC Financial Services Group	10,939
12	State St. Corp.	9,525
13	BB&T Corp.	9,415
14	Fifth Third Bancorp	8,108
15	Regions Financial	7,756
16	KeyCorp	7,507
17	Mellon Financial Corp.	6,395
18	Marshall & Ilsley Corp.	5,128
19	Comerica	4,539
20	Northern Trust Corp.	4,473
21	M&T Bank Corp.	4,360
22	Synovus Financial Corp.	4,150
23	Popular	3,874
24	First Horizon National Corp.	3,496
25	Zions Bancorp	3,369

Source: Fortune.

TOP 25 U.S. COMMERCIAL BANKS BY ASSETS, 2006
($ millions)

Rank	Company	City, State	Assets
1	Bank of America, National Association	Charlotte, NC	$1,196,124
2	JPMorgan Chase Bank, National Association	Columbus, OH	1,179,390
3	Citibank, National Association	Las Vegas, NV	1,019,497
4	Wachovia Bank, National Association	Charlotte, NC	518,123
5	Wells Fargo Bank, National Association	Sioux Falls, SD	398,671
6	U.S. Bank, National Association	Cincinnati, OH	217,802
7	Suntrust Bank	Atlanta, GA	182,628
8	HSBC Bank USA, National Association	Wilmington, DE	165,673
9	FIA Card Services, National Association	Wilmington, DE	147,840
10	Regions Bank	Birmingham, AL	138,668
11	National City Bank	Cleveland, OH	134,345
12	Branch Banking and Trust Company (BB&T)	Winston-Salem, NC	117,134
13	State Street Bank & Trust Company	Boston, MA	96,296
14	Countrywide Bank, National Association	Alexandria, VA	92,837
15	PNC Bank, National Association	Pittsburgh, PA	90,142
16	Keybank, National Association	Cleveland, OH	88,081
17	Bank of New York	New York, NY	85,952
18	Chase Bank USA, National Association	Newark, DE	83,974
19	Citibank South Dakota, National Association	Sioux Falls, SD	79,761
20	LaSalle Bank, National Association	Chicago, IL	72,967
21	Comerica Bank	Detroit, MI	58,543
22	North Fork Bank	Mattituck, NY	57,903
23	Manufacturers and Traders Trust Company	Buffalo, NY	56,382
24	Bank of the West	San Francisco, CA	55,643
25	Fifth Third Bank	Cincinnati, OH	52,672

Source: Board of Governors of the Federal Reserve System.

THRIFT INSTITUTIONS

Savings and loan associations and savings banks fall into the category of thrift institutions. Thrifts were originally established to promote personal savings through savings accounts and home ownership through mortgage lending, but now provide a range of services similar to many commercial banks. Savings banks tend to be small and are located mostly in the northeastern states.

Like other banking institutions with a significant portion of mortgages on their books, thrifts may belong to the Federal Home Loan (FHL) Bank System. In exchange for holding a certain percentage of their assets in mortgage-backed securities and residential mortgages, these financial institutions may borrow funds from the FHL Bank System at favorable rates.

Thrifts are declining in number. At their peak in the late 1960s, there were more than 4,800. But a combination of factors has reduced their ranks significantly. These include sharp increases in interest rates in the late 1970s, which immediately raised the cost of funds without a similar rise in earnings from thrifts' principal assets, long-term fixed-rate mortgages. In addition, the recession of the early 1980s increased loan defaults. By year-end 2006, due mostly to acquisitions by, or conversions to, commercial banks or other savings banks, the number of thrifts had fallen to 1,299 (see page 103).

SELECTED INDICATORS, FDIC-INSURED SAVINGS INSTITUTIONS, 2002-2006

	2002	2003	2004	2005	2006
Return on assets (%)	1.16	1.28	1.17	1.15	1.00
Return on equity (%)	12.36	13.66	10.87	10.38	8.70
Core capital (leverage) ratio (%)	8.06	8.05	9.53	9.86	10.29
Noncurrent assets plus other real estate owned to assets (%)	0.69	0.62	0.45	0.57	0.63
Net charge-offs to loans (%)	0.29	0.30	0.27	0.25	0.29
Asset growth rate (%)	3.20	8.47	14.77	8.64	-3.72
Net interest margin (%)	3.35	3.27	3.16	3.08	2.87
Net operating income growth (%)	5.61	23.05	8.13	8.03	-9.67
Number of institutions reporting	1,466	1,411	1,345	1,307	1,279
Percentage of unprofitable institutions (%)	6.82	5.81	6.47	5.66	9.77
Number of problem institutions	17	10	8	8	6
Assets of problem institutions ($ billions)	3	1	1	2	4
Number of failed/assisted institutions	1	0	1	0	0

Source: Federal Deposit Insurance Corporation.

OTS-REGULATED THRIFT INDUSTRY INCOME STATEMENT DETAIL, 2002-2006

($ millions, end of year)

	2002	2003	2004	2005	2006
Interest income	$55,456	$51,479	$55,872	$72,290	$90,808
Interest expense	25,468	20,659	21,301	33,473	49,870
Net interest income before provisions for losses	29,988	30,820	34,572	38,817	40,938
Provisions for losses for interest bearing assets[1]	2,854	2,190	2,601	2,954	3,758
Net interest income after provisions for losses	27,134	28,629	31,970	35,863	37,180
Noninterest income[2]	14,132	18,516	20,106	23,922	25,685
Noninterest expense	22,999	25,766	30,500	34,317	38,655
Net income before taxes and extraordinary items	18,266	21,379	21,576	25,469	24,210
Taxes	6,437	7,634	7,631	9,068	8,289
Other[3]	8	-3	19	-1	-26
Net income	11,837	13,742	13,963	16,400	15,895
Other items					
Preferred and common stock cash dividends	6,660	10,843	NA	NA	NA
Reinvested earnings[4]	5,177	2,903	NA	NA	NA
Gross profits of profitable thrifts	12,570	14,020	14,312	16,610	16,354
Gross profits of unprofitable thrifts	-733	-278	-348	-209	-460

[1]Loss provisions for noninterest-bearing assets are included in noninterest expense.

[2]Net gain (loss) on sale of assets is reported in noninterest income.

[3]Defined as extraordinary items, net of tax effect and of cumulative effect of changes in accounting principles. Extraordinary items are material events and transactions that are unusual and infrequent.

[4]Reinvested earnings is the portion of a corporation's earnings distributed back into the business. It is calculated by subtracting preferred and common stock cash dividends from net income.

NA=Data not available.

Source: U.S. Department of the Treasury, Office of Thrift Supervision (OTS).

BALANCE SHEET OF THE FEDERALLY INSURED THRIFT INDUSTRY, 2002-2006

($ millions, end of year)

	2002	2003	2004	2005	2006
Number of thrifts	1,466	1,411	1,345	1,307	1,279
Assets					
Cash and invested securities	$156,662	$167,839	$129,432	$133,882	$159,242
Mortgage-backed securities	209,660	206,454	234,309	242,692	223,439
1 to 4 family loans	608,993	678,486	845,363	919,208	828,613
Multifamily development	63,065	71,991	81,041	90,175	86,708
Construction and land loans	37,437	40,695	46,887	57,252	66,390
Nonresidential loans	71,884	79,711	85,121	87,340	93,852
Consumer loans	68,704	77,850	91,279	111,054	97,383
Commercial loans	42,228	52,087	60,035	66,197	75,376
Real estate owned	1,516	1,500	1,285	1,137	1,680
Other assets	98,812	97,495	117,011	128,991	136,919
Total assets	**$1,358,961**	**$1,474,109**	**$1,691,764**	**$1,837,927**	**$1,769,602**
Liabilities and equity					
Deposits	878,655	925,294	991,387	1,067,845	1,093,738
FHLB advances	216,445	234,329	291,938	325,647	268,325
Other borrowings	107,542	153,646	190,712	205,921	152,052
Other liabilities	27,707	22,110	28,668	31,622	37,663
Total liabilities	1,230,349	1,335,379	1,502,706	1,631,034	1,551,777
Equity capital	128,612	138,730	189,058	206,367	217,825
Total liabilities and equity	**$1,358,961**	**$1,474,109**	**$1,691,764**	**$1,837,401**	**$1,769,602**

Source: U.S. Department of the Treasury, Office of Thrift Supervision (OTS).

INVESTMENT SECURITIES OF FDIC-INSURED SAVINGS INSTITUTIONS, 1996-2005

($ millions, end of year)

	U.S. Treasury, agencies and corporations				
Year	U.S. Treasury	U.S. agencies and corporations	Total[1]	States and political subdivisions	Other debt securities
1996	$34,350.6	$202,507.5	$212,744.0	$2,066.6	$39,410.1
1997	32,506.9	174,199.3	206,706.2	2,095.9	31,430.9
1998	24,199.7	197,912.0	222,111.7	3,171.0	35,217.8
1999	27,035.2	208,750.3	235,785.5	3,599.2	42,954.2
2000	24,368.5	201,349.8	225,718.3	3,831.6	42,697.3
2001	45,077.4	189,370.4	234,447.8	4,486.6	45,500.3
2002	35,411.0	207,856.0	243,267.0	5,716.0	39,778.8
2003	52,090.5	208,869.3	260,959.8	6,534.7	37,603.6
2004	34,399.8	201,036.6	235,436.4	7,159.2	64,485.5
2005	41,140.5	188,871.0	230,011.5	8,871.7	85,874.4

Year	Equity securities	Less: contra accounts[2]	Less: trading accounts	Total investment securities[3]	Memo[4] mortgage-backed securities
1996	$8,647.9	$-357.3	$946.6	$262,279.3	$193,021.1
1997	9,380.7	27.1	914.6	248,672.0	180,645.4
1998	10,974.2	23.0	1,956.5	269,495.3	207,287.4
1999	10,077.8	1.2	1,028.1	291,387.4	221,713.2
2000	10,484.8	1.4	758.6	281,972.1	212,652.7
2001	10,166.3	1.7	1,816.7	292,782.6	203,372.0
2002	11,427.6	0.9	1,581.0	298,607.5	209,660.5
2003	10,678.1	0.4	1,276.5	314,499.1	206,453.8
2004	10,372.1	0.0	8,772.1	308,681.1	234,309.2
2005	9,439.3	0.1	13,293.0	320,903.7	242,690.8

[1]Components may not add to total.

[2]Balance in account that offsets another account. Reserves for loan losses, for example, offset the loan account.

[3]Book value.

[4]Represents mortgage-backed securities, inlcuded in other columns, on a consolidated basis.

Source: Federal Deposit Insurance Corporation.

THRIFT INDUSTRY MORTGAGE LENDING ACTIVITY, 2002-2006

($ millions, end of year)

Year	Mortgage refinancing[1]	Mortgage loans outstanding	Mortgage-backed securities outstanding	Total mortgage portfolio	Mortgage portfolio as a percent of total assets
2002	$218,585	$599,747	$90,232	$689,979	68.69%
2003	368,546	787,734	91,891	879,625	80.51
2004	240,807	878,715	157,125	1,035,841	79.27
2005	250,181	980,207	172,595	1,152,802	78.74
2006	210,790	909,522	167,346	1,076,868	76.35

[1]Full year.

Source: U.S. Department of the Treasury, Office of Thrift Supervision (OTS).

TOP TEN U.S. THRIFT COMPANIES BY ASSETS, 2006

($ millions)

Rank	Company	Assets
1	Washington Mutual, Inc.	$346,288.0
2	Countrywide Financial Corporation	199,946.2
3	Sovereign Bancorp, Inc.	89,641.8
4	ING Bank, FSB	62,692.9
5	E*TRADE Bank	41,577.4
6	Hudson City Bancorp, Inc.	35,506.6
7	IndyMac Bancorp, Inc.	29,495.3
8	New York Community Bancorp, Inc.	28,482.4
9	USAA Federal Savings Bank	26,048.4
10	Astoria Financial Corporation	21,554.5

Source: SNL Financial LC.

TOP FOUR U.S. SAVINGS INSTITUTIONS BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues
1	Washington Mutual	$26,561
2	Sovereign Bancorp	4,612
3	Indymac Bancorp	2,591
4	Hudson City Bancorp	1,621

[1]Based on an analysis of companies in the Fortune 500.

Source: Fortune.

REMITTANCES

The flow of money from immigrants to their families back home usually takes the form of money transfers, commonly referred to as remittances. They include money orders, hand delivered cash, wire transfers and unlicensed informal means. About 73 percent of remittances to Latin America came from the United States in 2006.

REMITTANCES TO LATIN AMERICA, 2005-2006

($ millions)

Country	2005	2006	Percent change
Mexico	$20,034	$23,053	15.1%
Brazil	6,411	7,373	15.0
Colombia	4,126	4,200	1.8
Guatemala	2,993	3,610	20.6
El Salvador	2,830	3,316	17.2
Dominican Republic	2,682	2,900	8.1
Ecuador	2,005	2,900	44.6
Peru	2,495	2,869	15.0
Honduras	1,763	2,359	33.8
Jamaica	1,651	1,770	7.2
Other	6,610	7,950	20.3
Total	**$53,600**	**$62,300**	**16.2%**

Source: Inter-American Development Bank/MIF.

TOP TEN STATES BY REMITTANCES TO LATIN AMERICA, 2006

($ millions)

Rank	State	Total amount	Percent increase from 2004	Percent that send money regularly
1	California	$13,191	37%	63%
2	Texas	5,222	64	47
3	New York	3,714	4	77
4	Florida	3,083	26	70
5	Illinois	2,583	69	73
6	New Jersey	1,869	36	79
7	Georgia	1,736	83	85
8	Arizona	1,378	127	57
9	North Carolina	1,221	47	84
10	Virginia	1,110	89	88
	Total 48 states and D.C.[1]	**$45,276**	**51%**	**73%**

[1]Excludes Montana and West Virginia.

Source: Inter-American Development Bank/MIF.

CREDIT UNIONS

Credit unions, generally set up by groups of individuals with a common link, such as membership in a labor union, are not-for-profit financial cooperatives that offer personal loans and other consumer banking services. Originating in Europe, the first credit union in this country was formed in Manchester, New Hampshire in 1909. Credit unions now serve more than 80 million people in the United States.

In 1934 President Roosevelt signed the Federal Credit Union Act into law, authorizing the establishment of federally chartered credit unions in all states. The purpose of the federal law was "to make more available to people of small means credit for provident [provisions for the future] purposes through a national system of cooperative credit..." In 1970 the National Credit Union Administration, which charters and supervises credit unions, was created along with the National Credit Union Share Insurance Fund, which insures members' deposits. Individual credit unions are served by 30 federally insured corporate credit unions, which provide investment, liquidity and payment services for their members.

FEDERAL CREDIT UNIONS AND FEDERALLY INSURED STATE-CHARTERED CREDIT UNIONS, 1980-2006

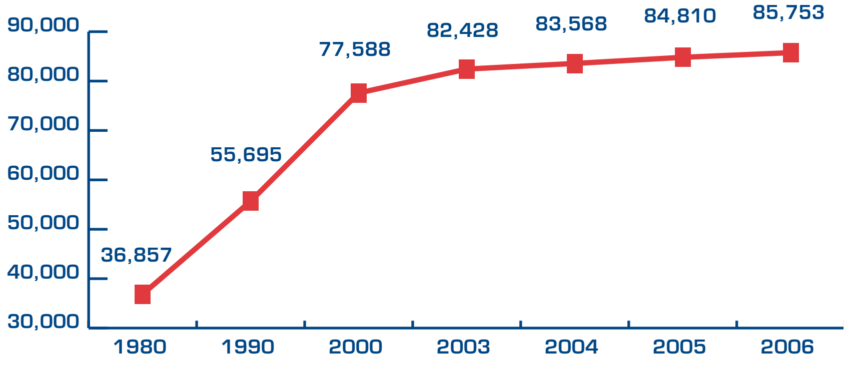
(end of year)

	1980	1990	2000	2004	2005	2006
Operating credit unions						
Federal	12,440	8,511	6,336	5,572	5,393	5,189
State	4,910	4,349	3,980	3,442	3,302	3,173
Number of failed institutions	239	164	29	21	15	16
Members (000)						
Federal	24,519	36,241	43,883	46,858	47,914	48,254
State	12,338	19,454	33,705	36,710	36,896	37,499
Assets ($ millions)						
Federal	$40,092	$130,073	$242,881	$358,704	$377,826	$394,130
State	20,870	68,133	195,363	288,296	300,871	315,817
Loans outstanding ($ millions)						
Federal	26,350	83,029	163,851	223,878	249,521	270,418
State	14,852	44,102	137,485	190,377	208,734	223,917
Shares ($ millions)						
Federal	36,263	117,892	210,188	308,318	321,831	333,914
State	18,469	62,082	169,053	247,804	255,588	267,274

Source: National Credit Union Administration.

CREDIT UNION MEMBERS, 1980-2006

(000)



Source: National Credit Union Administration.

- **From 1980 to 2006 federal and federally insured state credit union assets grew from $61 billion to $710 billion. In 2006 assets increased by $31 billion, or 4.6 percent, from 2005.**
- **There are currently fewer than 500 nonfederally insured state-chartered credit unions.**

ASSETS AND LIABILITIES OF CREDIT UNIONS, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$564.0**	**$617.2**	**$654.7**	**$685.7**	**$718.7**
Checkable deposits and currency	38.4	41.5	40.2	38.1	44.5
Time and savings deposits	24.6	27.1	26.4	21.9	17.7
Federal funds and security repos[1]	1.7	1.6	4.1	6.7	5.1
Credit market instruments	465.4	516.6	556.4	592.6	633.7
Open market paper	3.6	1.6	1.9	1.3	2.3
U.S. government securities	106.6	126.5	125.9	117.1	115.8
Treasury	7.8	9.1	9.0	7.8	8.8
Agency- and GSE[2]-backed securities	98.8	117.4	116.9	109.3	107.0
Home mortgages	159.4	182.6	213.2	245.6	279.3
Consumer credit	195.7	205.9	215.4	228.6	236.3
Mutual fund shares	3.5	4.1	3.1	2.2	2.1
Miscellaneous assets	30.4	26.3	24.5	24.2	15.6
Total liabilities	**$512.3**	**$561.5**	**$595.2**	**$622.7**	**$651.0**
Shares/deposits	499.7	545.0	574.5	596.1	623.0
Checkable	60.5	66.5	74.1	81.1	76.0
Small time and savings	396.4	424.9	440.4	452.5	481.3
Large time	42.8	53.6	60.0	62.5	65.7
Other loans and advances	6.9	9.1	11.4	14.7	18.9
Miscellaneous liabilities	5.7	7.4	9.3	11.9	9.1

[1]Security repurchase agreements; short-term agreements to sell and repurchase government securities at a specified date and at a set price.

[2]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System.

CREDIT UNION DISTRIBUTION BY ASSET SIZE, 2006[1]

(End of year)

Asset size ($ millions)	Number of credit unions	Percent change from Dec. 2005	Assets ($ millions)	Percent change from Dec. 2005
$0 to $0.2	158	-11.7%	$18	-11.0%
$0.2 to $0.5	299	-4.2	104	-4.0
$0.5 to $1	409	-4.4	307	-3.1
$1 to $2	604	-6.1	890	-6.6
$2 to $5	1,184	-3.5	4,021	-2.9
$5 to $10	1,266	-6.7	9,208	-6.7
$10 to $20	1,249	-4.2	17,994	-3.7
$20 to $50	1,456	-4.7	46,857	-4.5
$50 to $100	789	-1.3	55,215	-1.5
$100 to $200	533	-0.7	75,448	-0.5
$200 to $500	423	-0.7	131,028	-0.7
$500 to $1,000	176	7.3	119,660	7.5
More than $1,000	116	8.4	271,748	12.3
Total	**8,662**	**-3.9%**	**$732,498**	**4.6%**

[1]From Credit Union Call Reports.

Source: Credit Union National Association.

TOP TEN U.S. CREDIT UNIONS BY ASSETS, 2006[1]

($ millions)

Rank	Company	Assets
1	Navy	$27,121.9
2	State Employees’	13,957.8
3	Pentagon	9,339.7
4	Boeing Employees	7,186.3
5	Orange County Teachers	6,815.1
6	The Golden 1	6,179.2
7	Suncoast Schools	5,464.1
8	Alliant	4,441.5
9	American Airlines	4,142.7
10	Security Service	3,992.7

[1]Federally insured credit unions.

Source: National Credit Union Administration.

INDUSTRIAL BANKS

Industrial banks, also known as state-chartered industrial loan companies (ILCs), were first formed in the early part of the 20th century to make consumer loans and offer deposit accounts, as part of a move to secure credit for low and moderate income workers. Their growth was spurred by a 1987 federal banking law modification that gave nonbanking companies a way to own FDIC-insured industrial banks. Assets of ILCs increased from $3.8 billion in 1987 to over $217 billion in 2006. There were 60 FDIC-insured ILCs as of March 2007, with 47 chartered in Utah and California. Four other states—Colorado, Minnesota, Hawaii and Nevada—account for the rest. ILCs have broad banking powers and may be owned by firms in other financial services businesses, such as finance companies, credit card issuers and securities firms, as well as by nonfinancial businesses such as automakers and department stores. Some regulators oppose the access to the financial services industry that ILCs provide to nonbanks. BMW, Pitney Bowes and Target all own ILCs. In 2003 California and Colorado passed laws that prohibit nonfinancial firms from owning ILCs.

- **Nine of the top 10 industrial loan companies (ILCs) are owned by firms that are outside the banking sector.**

TOP TEN FDIC-INSURED INDUSTRIAL BANKS BY ASSETS, 2007[1]
($ millions)

Rank	Bank	State	Total assets
1	Merrill Lynch Bank USA	UT	$61,365.8
2	Morgan Stanley Bank	UT	25,080.0
3	UBS Bank USA	UT	23,370.6
4	GMAC Bank	UT	20,729.5
5	American Express Centurion Bank	UT	20,103.5
6	Goldman Sachs Bank USA	UT	14,971.5
7	Fremont Investment & Loan	CA	13,492.7
8	USAA Savings Bank	NV	5,540.4
9	Capmark Bank	UT	4,739.5
10	CIT Bank	UT	3,557.6

[1]As of March 31, 2007.

Source: Federal Deposit Insurance Corporation.

OVERVIEW

The securities industry consists of securities brokers and dealers, investment banks and advisers, and stock exchanges. Together, these entities facilitate the flow of funds from investors to companies and institutions seeking to finance expansions or other projects. Firms that make up the securities sector may specialize in one segment of the business or engage in a wide range of activities that includes brokerage, asset management and advisory services, as well as investment banking. As part of their asset management activities, some firms sell their own and others' annuities.

Investment banking involves the underwriting of new debt securities (bonds) and equity securities (stocks) issued by private or government entities to finance new projects. Investment banks buy the new issues and, acting essentially as wholesalers, sell them, primarily to institutional investors such as banks, mutual funds and pension funds. Investment banks are sometimes referred to as securities dealers or broker/dealers because many also participate in the financial market as retailers, selling to individual investors. The primary difference between a broker and dealer is that dealers buy and sell securities for their own account, whereas brokers act as intermediaries for investors who wish to purchase or sell securities. Dealers make money by selling at a slightly higher price than they paid. Like underwriters and wholesalers, they face the risk that the securities in their inventory will drop in price before they can resell them.

REGULATION

Securities and Exchange Commission: The Securities and Exchange Commission (SEC), established by Congress in 1934, regulates the U.S. securities markets. Its mission is to protect investors and maintain the markets' integrity by enacting new regulations and interpreting and enforcing existing laws.

A component of the Securities Act of 1933 is the requirement that publicly held companies disclose their financial information to provide transparency, ensuring that potential investors have access to key information needed for investment decisions. The Sarbanes-Oxley Act enacted in 2002 further increases the accountability of the boards of publicly held companies to their shareholders.

NASD: Originally known as the National Association of Securities Dealers, NASD is a self-regulatory body created by amendments to the Securities Exchange Act of 1934. The organization serves as the primary private-sector regulator of America's securities industry. Nearly all brokerage firms doing business in the United States are required by law to be members.

MERGERS AND ACQUISITIONS

The value of the top 10 mergers and acquisitions deals in the securities industry grew by $27 biiion in 2006, following a $9 billion increase in 2005.

TOP TEN SECURITIES AND INVESTMENT FIRMS MERGERS AND ACQUISITIONS, 2006[1]

($ millions)

Rank	Buyer	Industry	Target	Industry	Deal value[2]
1	Chicago Mercantile Exchange	Broker/dealer	CBOT Holdings Inc.	Broker/dealer	$11,054.8
2	NYSE Euronext	Broker/dealer	Euronext N.V.	Broker/dealer	9,769.2
3	BlackRock, Inc.	Asset manager	Merrill Lynch Investment Managers	Asset manager	9,487.4
4	Bank of New York Co.	Bank	Corporate trust business	Trust company	2,800.0
5	Terra Firma Capital Partners	Asset manager	AWAS Aviation Holdings LLC	Specialty lender	2,500.0
6	Merrill Lynch & Co.	Broker/dealer	First Franklin and affiliates	Specialty lender	1,310.0
7	Nomura Holdings Inc.	Not classified	Instinet Holdings Inc.	Broker/dealer	1,200.0
8	IntercontinentalExchange Inc.	Broker/dealer	New York Board of Trade	Broker/dealer	1,066.4
9	UBS AG	Bank	Private client services network	Broker/dealer	875.0
10	Principal Financial Group Inc.	Insurance	WM Advisors Inc.	Asset manager	740.0

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

- **Bank purchases of securities firms accounted for 32 percent of securities industry mergers and acquisitions from 2001 to 2006. (See also Chapter 4: Convergence.)**

MERGERS AND ACQUISITIONS OF U.S. SECURITIES FIRMS, 2001-2006[1]

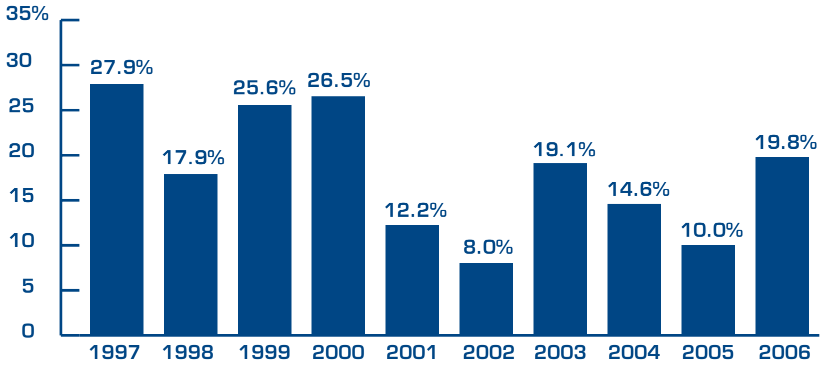
	2001	2002	2003	2004	2005	2006
Number of deals	230	174	136	137	159	179
Purchased by banks	64	63	49	52	44	50

[1]List does not include terminated deals.

Source: SNL Financial LC.

PROFITABILITY

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY, 1997-2006[1]



[1]New York Stock Exchange members doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

- The securities industry's return on equity was 19.8 percent in 2006.
- Revenues of the securities industry rose 44.2 percent from 2005 to $331.3 billion in 2006, breaking the previous record of $245.2 billion in revenues in 2000.

SECURITIES INDUSTRY PRETAX PROFITS, 1997-2006[1]

($ billions)

[1]New York Stock Exchange members doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

- Pretax profits rose to $20.9 billion in 2006, double the $9.4 billion reported in 2005 and slightly below the record $21 billion profits of 2000.

BROKER/DEALERS

The Securities Industry and Financial Markets Association (SIFMA) groups broker/dealers into four categories. The first and largest catagory, "major firms," consists of national full line companies, which are full service broker/dealers with an extensive national and international branch network system. This category also includes large investment banks and the largest U.S. broker/dealer subsidiaries of global financial holding companies. The major firms provide a broad array of financial services and products to households and institutions.

The second category is regional brokers. Operating on a somewhat smaller scale than the major firms, they offer a range of investment services based on their size and business specialty. Because of their regional expertise, these brokers participate in underwriting securities for businesses that are centered in their region.

New York City (NYC) area regionals, the third category, are mostly broker/dealer subsidiaries of U.S. and foreign banks and securities organizations, excluding those that fall into other listed categories, and are generally institutionally oriented. The fourth category is discounters, broker/dealers primarily engaged in the discount brokerage business.

Only a small percentage of the companies in these four categories are included in the "total firms" column of the chart below. "Total firms" consists of all New York Stock exchange broker/dealers doing public business. It is used by SIFMA as a proxy for the total industry as it accounts for approximately 60 to 80 percent of revenues, capital and assets of all brokers/dealers in the U.S.

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY BY FIRM CATEGORY, 1997-2006

(Percent)

Year	Major firms	Regionals	NYC area regionals	Discounters	Total firms[1]
1997	27.8%	32.8%	12.8%	37.4%	27.9%
1998	21.1	13.7	-1.0	29.7	17.9
1999	30.3	21.2	4.7	46.3	25.6
2000	28.6	24.9	10.7	48.6	26.5
2001	16.4	9.5	4.1	2.5	12.2
2002	11.0	2.6	4.3	-0.9	8.0
2003	23.0	13.0	0.8	14.5	19.1
2004	16.6	12.9	2.3	4.2	14.6
2005	8.3	1.5	1.6	0.4	10.0
2006	19.3	20.2	0.1	14.5	19.8

[1]New York Stock Exchange member firms doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

SECURITIES INDUSTRY INCOME STATEMENT, 2006[1]

($ millions)

Revenue	
Commissions	$26,665.0
Trading gain (loss)	34,522.5
Investment account gain (loss)	3,306.6
Underwriting revenue	20,884.4
Margin interest	20,777.4
Mutual fund sale revenue	7,843.5
Fees, asset management	18,195.1
Research revenue	206.2
Commodities revenue	54.8
Other revenue related to the securities business	175,354.4
Other revenue	23,525.6
Total revenue	**$331,335.7**

Expenses	
Total compensation	$71,104.2
Registered representative compensation	26,873.6
Clerical employee compensation	41,664.3
Total floor costs	6,444.4
Communications expense	4,918.5
Data processing costs	2,926.4
Occupancy and equipment costs	5,211.4
Promotional costs	1,541.3
Interest expense	198,804.2
Losses from error accounts and bad debts	276.8
Regulatory fees and expenses	1,266.2
Nonrecurring charges	118.0
Other expenses	17,831.1
Total expenses	**$310,442.2**
Pretax net income	**$20,893.6**

[1]New York Stock Exchange members doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

- **Total assets of securities broker/dealers increased 28.9 percent from $2.1 trillion in 2005 to $2.7 trillion in 2006.**

ASSETS AND LIABILITIES OF SECURITIES BROKER/DEALERS, 2002-2006

($ billions)

	2002	2003	2004	2005	2006
Total financial assets	**$1,335.4**	**$1,613.0**	**$1,844.9**	**$2,127.1**	**$2,741.7**
Checkable deposits and currency	44.2	47.2	62.9	56.5	80.5
Credit market instruments	344.4	424.1	394.9	477.2	583.3
Open market paper	43.5	49.4	48.0	60.2	64.3
U.S. government securities	87.9	121.5	62.7	36.4	71.0
Treasury	-3.9	37.8	-44.6	-64.6	-67.0
Agency- and GSE[1]-backed securities	91.8	83.7	107.3	101.0	138.0
Municipal securities	21.0	24.9	32.0	42.9	50.9
Corporate and foreign bonds	192.0	228.3	252.2	337.7	397.2
Corporate equities	74.9	100.5	129.1	158.3	186.4
Security credit	148.2	182.5	264.0	232.4	292.1
Miscellaneous assets	723.7	858.8	994.0	1,202.6	1,599.5
Total liabilities	**1,315.9**	**1,589.9**	**1,822.4**	**2,096.6**	**2,702.9**
Security repos[2] (net)	344.2	477.9	527.1	733.8	1,071.8
Corporate bonds	40.6	47.0	62.2	62.4	68.8
Trade payables	37.4	28.2	36.0	43.1	48.3
Security credit	590.6	688.8	773.9	805.8	957.8
Customer credit balances	412.7	475.4	578.3	575.3	655.7
From banks	177.9	213.5	195.6	230.4	302.2
Taxes payable	1.3	1.8	2.2	2.1	2.8
Miscellaneous liabilities	301.7	346.3	420.9	449.5	553.4
Foreign direct investment in U.S.	78.6	87.3	94.1	93.9	94.8
Due to affiliates	703.5	757.7	819.5	994.5	1,136.9
Other	-480.3	-498.7	-492.7	-639.0	-678.4

[1]Government-sponsored enterprise.

[2]Security repurchase agreements: short-term agreements to sell and repurchase government securities at a specified date and at a set price.

Source: Board of Governors of the Federal Reserve System.

SECURITIES INDUSTRY EMPLOYMENT BY FUNCTION, 2002-2006
(000)

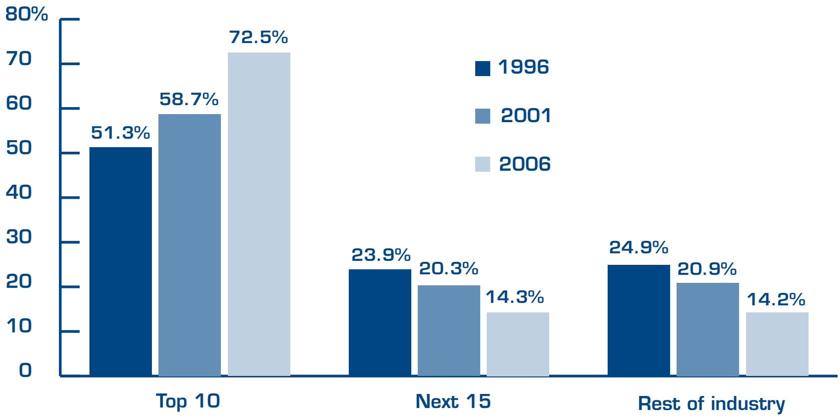
	2002	2003	2004	2005	2006
Securities, commodity contracts, investments (total industry)	**789.4**	**757.7**	**766.1**	**786.1**	**816.3**
Securities and commodity contracts, brokerages and exchanges	528.3	493.3	492.7	498.9	509.7
Securities brokerage	321.1	294.2	292.2	294.5	298.9
Other financial investment activities	261.2	264.3	273.5	287.1	306.6
Miscellaneous intermediation	23.7	23.8	23.2	22.9	23.5
Portfolio management	97.9	98.9	105.3	112.9	120.7
Investment advice	89.0	93.7	100.0	110.5	121.8
All other financial investment activities	50.7	48.0	44.9	40.9	40.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.

CONCENTRATION

As in the banking and insurance sectors, the largest companies are increasing their share of total revenue and capital.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL REVENUE, 1996, 2001 AND 2006[1]



[1]New York Stock Exchange member firms doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL CAPITAL, 1997-2006[1]

(Percent)

Year	Top 10	Next 15	Rest of industry	Capital ($ billions)
1997	55.5%	21.5%	23.0%	$92.5
1998	57.1	21.8	21.1	105.7
1999	56.6	22.7	20.7	121.5
2000	53.8	23.1	23.2	141.5
2001	56.3	22.3	21.4	148.8
2002	59.6	22.4	18.0	144.6
2003	62.1	20.8	17.2	156.6
2004	63.9	20.0	16.1	173.6
2005	63.6	20.9	15.5	189.6
2006	66.1	20.4	13.5	206.6

[1]New York Stock Exchange member firms doing public business, a proxy for the securities industry.

Source: Securities Industry and Financial Markets Association.

TOP TEN U.S. SECURITIES FIRMS BY REVENUES, 2006

($ millions)

Rank	Company	Revenues
1	Morgan Stanley	$76,688
2	Merrill Lynch	70,591
3	Goldman Sachs Group	69,353
4	Lehman Brothers Holdings	46,709
5	Bear Stearns	16,551
6	Charles Schwab	5,880
7	Franklin Resources	5,051
8	E*Trade Financial	3,845
9	Legg Mason	3,191
10	A.G. Edwards	2,751

Source: Fortune.

TOP TEN U.S. SECURITIES AND INVESTMENT COMPANIES BY ASSETS, 2006[1]

($ millions)

Rank	Company	Assets
1	Morgan Stanley	$1,120,645.0
2	Merrill Lynch & Co., Inc.	841,299.0
3	Goldman Sachs Group, Inc.	838,201.0
4	Lehman Brothers Holdings Inc.	503,545.0
5	Credit Suisse (USA), Inc.	438,848.0
6	Bear Stearns Companies Inc.	350,432.6
7	Deutsche Bank Securities Inc.	317,870.7
8	Banc of America Securities LLC	251,441.6
9	Barclays Capital Inc.	236,022.7
10	BNP Paribas Securities Corp.	135,115.3

[1]Ranked by total assets.

Source: SNL Financial LC.

CAPITAL MARKETS

INVESTMENT BANKING

Investment banks underwrite securities for the business community and offer investment advice. The type of equity deals they bring to market reflects a variety of factors including investor sentiment, the economy and market cycles. Examples of how these market factors drive this segment of the securities business include the rise and retreat of technology stocks; the varying levels of initial public offerings, where new stock issues are first offered to the public; and fluctuations in merger and acquisition activity.

The largest U.S. investment banks are located in New York City. They have branch networks, principally in money market centers such as Chicago and San Francisco. They participate in both national and international markets and serve mainly institutional investors.

CORPORATE UNDERWRITING, 2002-2006

($ billions)

	Value of U.S. corporate underwritings			Number of U.S. corporate underwritings		
Year	Debt	Equity	Total	Debt	Equity	Total
2002	$1,399.0	$154.0	$1,553.0	4,446	731	5,177
2003	1,793.3	156.3	1,949.6	4,845	829	5,674
2004	2,086.0	202.7	2,288.7	5,022	1056	6,078
2005	2,598.7	190.4	2,789.1	5,479	856	6,335
2006	3,145.7	188.0	3,333.7	5,814	803	6,617

Source: Thompson Financial Securities Data; Securities Industry and Financial Markets Association.

EQUITY AND DEBT OUTSTANDING, 1997-2006

($ billions)

Year	Corporate equities	Corporate bonds	Total U.S. government securities[1]	Municipal bonds
1997	$13,292.8	$3,562.0	$6,627.6	$1,318.5
1998	15,547.3	4,093.2	7,046.6	1,402.7
1999	19,522.8	4,417.3	7,568.7	1,457.1
2000	17,627.0	4,768.0	7,704.8	1,480.7
2001	15,310.6	5,487.4	8,341.8	1,603.5
2002	11,900.5	6,120.7	9,146.1	1,762.9
2003	15,618.5	6,889.4	10,116.3	1,900.5
2004	17,389.3	7,673.4	10,596.3	2,031.0
2005	18,277.8	8,359.9	10,953.8	2,225.8
2006	20,603.3	9,298.0	11,484.5	2,403.7

[1]Includes Treasury and government-sponsored enterprise-backed securities.

Source: Board of Governors of the Federal Reserve System.

MUNICIPAL BONDS

Municipal bonds are debt obligations issued by state or local governments to raise funds for general government needs (general obligation bonds) or special projects (revenue bonds). The average daily trading volume more than doubled from $8.8 billion in 2000 to $22.5 billion in 2006 and reached $24.8 billion by July 2007. The bonds play a significant role in investment portfolios because their yield is tax-free.

The principal and interest on revenue bonds are paid out of the revenues of the local government operation that issued the bonds, e.g., the municipal transportation authority. General obligation bond principal and interest are backed by the "full faith and credit" of the local government and paid for out of the municipality's general revenues. The principal and interest of many general obligation bonds are insured by companies that specialize in insuring municipal bonds.

Municipal bonds are usually sold in blocks to securities dealers, who either submit competitive bids for the bonds or negotiate a sale price. Negotiation is the prevailing form when the issuer is new to the financial markets or when the issue is particularly complex. Negotiation enables the underwriting dealer to become familiar with the issuer and the bonds and to help the municipality structure a complex issue.

NUMBER AND VALUE OF LONG-TERM MUNICIPAL BOND UNDERWRITINGS, 1997-2006[1]

($ billions)

	Revenue bonds		General obligation bonds		Private placement bonds		Total municipal bonds	
Year	Value	Number	Value	Number	Value	Number	Value	Number
1997	$141.9	5,883	$72.2	5,884	$6.6	883	$220.7	12,650
1998	187.2	7,208	93.5	7,362	6.1	834	286.8	15,404
1999	148.6	6,401	70.8	5,939	8.1	870	227.5	13,210
2000	128.3	5,325	66.3	5,267	6.2	668	200.8	11,260
2001	183.2	6,457	101.4	6,874	3.1	455	287.7	13,786
2002	229.4	6,505	125.4	7,552	2.7	341	357.5	14,398
2003	238.2	6,688	140.6	8,065	3.9	277	382.7	15,030
2004	227.8	6,022	129.1	7,295	2.9	286	359.8	13,603
2005	262.4	6,108	144.0	7,664	1.8	176	408.2	13,948
2006	267.8	5,921	114.5	6,537	4.4	284	386.7	12,742

[1]Excludes taxable municipal bonds and bonds with maturities under 13 months.

Source: Thompson Financial Securities Data; Securities Industry and Financial Markets Association.

PRIVATE PLACEMENTS

Private placement is the sale of stocks, bonds or other securities directly to an insitutional investor such as an insurance company. If the purchase is for investment purposes, as opposed to resale purposes, the transaction does not have to be registered with the Securities and Exchange Commission, as public offerings do.

PRIVATE PLACEMENTS, 2002-2006

($ billions)

	Value of U.S. private placements			Number of U.S. private placements		
Year	Debt	Equity	Total	Debt	Equity	Total
2002	$307.1	$40.5	$347.5	1,779	568	2,347
2003	491.4	28.9	520.3	2,635	534	3,169
2004	570.4	32.1	602.5	2,729	560	3,289
2005	553.3	57.7	611.1	2,886	517	3,403
2006	504.3	58.0	562.3	2,533	562	3,095

Source: Thompson Financial Securities Data; Securities Industry and Financial Markets Association.

FOREIGN HOLDINGS OF U.S. SECURITIES, 1997-2006

($ billions)

Year	Stocks	Corporate bonds	Treasuries[1]	Total
1997	$952.9	$622.4	$1,362.6	$2,937.9
1998	1,250.3	728.4	1,394.0	3,372.7
1999	1,611.5	829.3	1,358.6	3,799.4
2000	1,643.2	1,073.6	1,462.8	4,179.6
2001	1,572.7	1,351.1	1,629.9	4,553.7
2002	1,335.8	1,539.4	1,933.5	4,808.7
2003	1,839.5	1,722.4	2,166.6	5,728.5
2004	2,123.3	2,061.5	2,581.8	6,766.6
2005	2,302.6	2,314.1	2,946.9	7,563.6
2006	2,831.3	2,737.9	3,307.7	8,876.9

[1]Includes agency issues.

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF FOREIGN SECURITIES, 1997-2006
($ billions)

Year	Stocks	Bonds	Total
1997	$1,207.8	$543.4	$1,751.2
1998	1,475.0	594.4	2,069.4
1999	2,003.7	548.2	2,551.9
2000	1,852.8	572.7	2,425.5
2001	1,612.7	557.1	2,169.8
2002	1,374.7	705.2	2,079.9
2003	2,079.4	874.4	2,953.8
2004	2,560.4	993.0	3,553.4
2005	3,086.5	987.5	4,074.0
2006	3,940.7	1,139.5	5,080.2

Source: Board of Governors of the Federal Reserve System

ASSET-BACKED SECURITIES

Asset-backed securities (ABS) are bonds that represent pools of loans of similar types, duration and interest rates. By selling their loans to ABS packagers, the original lenders recover cash quickly, enabling them to make more loans. The asset-backed securities market has grown as different types of loans are securitized and sold in the investment markets. Nearly 70 percent of ABS consist of bundled mortages, see also chapter 9, Mortgage Industry.

ASSET-BACKED SECURITIES OUTSTANDING, 2006
($ billions)

	Amount outstanding	Percent of total
Home equity	$581.2	27.3%
Credit card	339.9	16.0
CBO/CDO[1]	299.4	14.1
Automobile	202.4	9.5
Student loan	183.6	8.6
Equipment leases	53.1	2.5
Manufactured housing	28.8	1.4
Other	442.0	20.7
Total	**$2,130.4**	**100.0%**

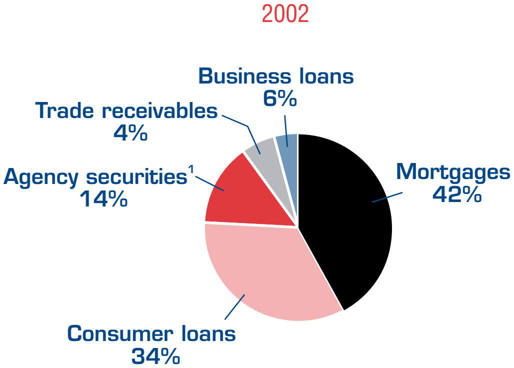
[1]Collateralized bond obligations/collateralized debt obligations.

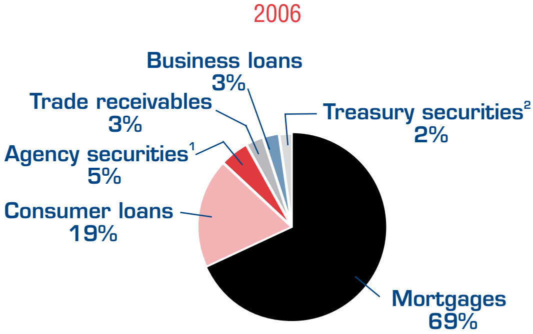
Source: Securities Industry and Financial Markets Association.

- **Home equity loans accounted for 27.3 percent of asset-backed securities (ABS) outstanding in 2006, compared with 16.8 percent in 1997. Home equity ABS amounts outstanding rose from $90.2 billion to $581.2 billion during the same period.**

ASSET-BACKED SECURITIES

ASSET-BACKED SECURITY SOURCES, 2002 AND 2006





[1]Securities of federal mortgage pools backing privately issued collateralized mortgage obligations (CMOs). In CMOs, mortgage principal and interest payments are separated into different payment streams to create bonds that repay capital over differing periods of time.
[2]Treasury securities accounted for less than 1 percent in 2002.

Source: Board of Governors of the Federal Reserve System.

ASSET-BACKED SECURITY SOURCES, 1997-2006
($ billions)

Year	Agency securities[1]	Mortgages	Consumer loans	Business loans	Trade receivables	Treasury securities	Total
1997	$93.0	$348.5	$320.5	$62.1	$81.0	$0.0	$905.0
1998	116.3	478.4	393.9	85.9	85.0	0.0	1,159.4
1999	154.4	551.9	456.7	82.6	67.2	0.0	1,312.8
2000	164.5	610.0	528.4	89.8	83.3	0.1	1,476.2
2001	183.8	710.8	598.0	108.3	88.2	0.5	1,689.6
2002	254.3	796.4	633.3	105.0	82.7	0.9	1,872.6
2003	321.5	968.4	596.8	103.9	76.5	2.8	2,069.8
2004	216.9	1,423.7	572.1	105.3	76.1	8.0	2,402.1
2005	140.8	2,109.4	604.6	88.5	95.8	27.7	3,066.7
2006	190.9	2,464.3	671.1	90.2	121.6	61.1	3,599.3

[1]Securities of federal mortgage pools backing privately issued collateralized mortgage obligations (CMOs). In CMOs, mortgage principal and interest payments are separated into different payment streams to create bonds that repay capital over differing periods of time.

Source: Board of Governors of the Federal Reserve System.

DERIVATIVES

Financial derivatives are contracts that derive their value from the performance of an underlying financial asset, such as publicly traded securities and foreign currencies. They are used as hedging instruments to protect against changes in asset value. There are many kinds of derivatives including futures, options and swaps. Futures and options contracts are traded on the floors of exchanges. Swaps are over-the-counter, privately negotiated agreements between two parties. The number of futures contracts traded on U.S. exchanges more than tripled between 2001 and 2006, from 629 million in 2001 to 2.0 billion in 2006.

Credit derivatives are contracts that lenders, large bondholders and others can purchase to protect against the borrower defaulting on bonds. Credit derivative products can take many forms, such as credit default options, credit limited notes and total return swaps. Large banks use credit derivatives to manage their credit risk. According to the International Swaps and Derivatives Association, credit default swaps doubled from $17.1 trillion at the end of 2005 to $34.2 trillion at the end of 2006. Bond insurers write coverage for credit default swaps.

NUMBER OF FUTURES CONTRACTS TRADED ON U.S. EXCHANGES, 1997-2006
(millions)

Year	Interest rate	Agricultural commodities	Energy products	Foreign currency	Equity indices	Precious metals	Non-precious metals	Other	Total
1997	244.6	74.9	52.9	26.6	25.8	15.4	2.4	1.1	443.7
1998	279.2	73.3	63.8	27.0	42.4	13.8	2.5	1.2	503.2
1999	240.7	73.0	75.1	23.7	46.7	14.5	2.9	1.3	477.9
2000	248.7	73.2	73.1	19.4	62.8	10.2	2.8	1.3	491.5
2001	342.2	72.3	72.5	21.7	107.2	9.6	2.9	0.7	629.2
2002	418.8	79.2	92.1	23.5	221.5	12.4	2.9	1.0	851.3
2003	509.6	87.9	91.9	33.6	296.7	16.9	3.2	3.1	1,043.0
2004	704.2	101.8	109.5	51.1	330.0	21.3	3.3	2.9	1,324.0
2005	870.5	116.4	140.5	84.8	406.8	23.4	4.0	6.5	1,652.9
2006	1,034.6	157.5	190.9	114.0	500.4	34.3	3.3	1.1	2,043.9

Source: Futures Industry Association; Securities Industry and Financial Markets Association.

NUMBER OF OPTIONS CONTRACTS TRADED ON U.S. EXCHANGES, 1997-2006

(millions)

Year	Equity	Stock index	Foreign currency	Interest rate	Futures	Total
1997	269.6	78.2	2.6	0.1	111.1	461.5
1998	325.8	74.8	1.8	0.1	127.5	530.0
1999	444.8	62.3	0.8	[1]	115.0	622.9
2000	665.3	53.3	0.5	[1]	103.1	822.2
2001	701.1	79.6	0.6	[1]	168.2	949.4
2002	679.4	100.6	0.4	[1]	213.1	993.6
2003	789.2	118.3	0.3	0.1	221.7	1,129.5
2004	1,032.4	149.3	0.2	0.1	289.2	1,471.2
2005	1,292.2	211.8	0.2	0.1	368.0	1,872.2
2006	1,717.7	310.0	0.1	[1]	501.5	2,529.4

[1]Fewer than 50,000 interest rate contracts traded.

Source: Options Clearing Corporation; Futures Industry Association; Securities Industry and Financial Markets Association.

- **The number of options contracts traded on U.S. exchanges increased by 35.1 percent in 2006, compared with an increase of 27.3 percent in 2005 and 30.3 percent in 2004.**

GLOBAL DERIVATIVES MARKET, 1997-2006[1]

($ billions)

Year	Exchange-traded	Over-the-counter (OTC)	Total
1997	$12,202	$29,035	$41,237
1998	13,932	80,318	94,250
1999	13,553	88,202	101,755
2000	14,278	95,199	109,477
2001	23,764	111,178	134,942
2002	23,816	141,665	165,481
2003	36,740	197,167	233,907
2004	46,592	257,894	304,486
2005	57,787	297,670	355,457
2006	70,442	415,183	485,625

[1]Notional principal value outstanding. Data after 1998 not strictly comparable to prior years.

Source: Bank for International Settlements.

EXCHANGES

Exchanges are markets where sales of securities and commodities are transacted. Most stock exchanges are auction markets where stocks are traded through competitive bidding in a central location. The oldest stock exchanges in the United States are the New York Stock Exchange (NYSE) and the American Stock Exchange (AMEX). There are also seven regional exchanges and others that specialize in commodities and derivatives. The Chicago Mercantile Exchange and the Chicago Board of Trade, for example, are markets where both futures and options on financial and agricultural products are traded.

Stocks are also traded in dealer markets. Most transactions in a dealer market are between principals acting as dealers for their own accounts rather than between brokers acting as agents for buyers and sellers. One example is the NASDAQ, the first electronic stock market, introduced in 1971 by NASD, an industry self-regulatory organization originally known as the National Association of Securities Dealers. NASDAQ was spun off in a series of transactions in 2000 and 2001. NASDAQ's dealer markets have come to more closely resemble auction markets. As with auction markets, companies must meet size and earnings requirements to trade on NASDAQ.

Over-the-counter (OTC) stocks are another segment of the securities market. Securities transactions are conducted through a telephone and computer network connecting dealers, rather than on the floor of an exchange. OTC stocks, which totaled 3,500 in September 2007, are traditionally those of smaller companies that do not meet the listing requirements of NYSE, AMEX or NASDAQ. OTC trading rules are written and enforced by NASD. The Dow Jones Industrial Average, a price-weighted average of a collection of industrial stocks, was introduced in 1896 and is still widely used as an indicator of stock prices today.

EXCHANGE LISTED COMPANIES, 1997-2006

Year	NASDAQ	NYSE	AMEX
1997	5,487	3,047	771
1998	5,068	3,114	770
1999	4,829	3,025	769
2000	4,734	2,862	765
2001	4,109	2,798	691
2002	3,663	2,783	698
2003	3,333	2,755	700
2004	3,271	2,768	725
2005	3,208	2,767	812
2006	3,247	2,764	821

Source: Securities Industry and Financial Markets Association.

The volume of shares traded on the New York Stock Exchange reached a record of 453.3 million shares in 2006, rising 12 percent from 2005. The average share price rose 8 percent.

EXCHANGE ACTIVITIES, 1997-2006

	NYSE		AMEX		NASDAQ	
Year	Reported share volume (millions)	Value of shares traded ($ millions)	Share volume (millions)	Value of shares traded ($ millions)	Share volume (millions)	Value of shares traded ($ millions)
1997	133,312	$5,777,602	6,170	$143,230	163,882	$4,481,691
1998	169,745	7,317,949	7,280	287,929	202,040	5,758,558
1999	203,851	8,945,205	8,231	477,822	272,605	11,013,192
2000	262,478	11,060,046	13,318	945,391	442,753	20,395,335
2001	307,509	10,489,323	16,317	817,042	471,217	10,934,572
2002	363,136	10,311,156	16,063	642,183	441,706	7,254,595
2003	352,398	9,692,316	16,919	563,438	424,745	7,057,440
2004	367,098	11,618,151	16,636	590,652	453,930	8,727,498
2005	403,764	14,125,304	16,013	608,093	448,175	9,965,442
2006	453,291	17,140,500	17,386	602,192	500,264	11,675,879

Source: New York Stock Exchange, Inc.; American Stock Exchange LLC; The Nasdaq Stock Market, Inc.; Securities Industry and Financial Markets Association.

STOCK MARKET PERFORMANCE INDICES, 1997-2006

(End of year)

Year	DJIA[1]	S&P 500	NYSE Composite	AMEX Composite	NASDAQ Composite
1997	7,908.25	970.43	5,405.19	684.61	1,570.35
1998	9,181.43	1,229.23	6,299.93	688.99	2,192.69
1999	11,497.12	1,469.25	6,876.10	876.97	4,069.31
2000	10,786.85	1,320.28	6,945.57	897.75	2,470.52
2001	10,021.50	1,148.08	6,236.39	847.61	1,950.40
2002	8,341.63	879.82	5,000.00	824.38	1,335.51
2003	10,453.92	1,111.92	6,440.30	1,173.55	2,003.37
2004	10,783.01	1,211.92	7,250.06	1,434.34	2,175.44
2005	10,717.50	1,248.29	7,753.95	1,759.08	2,205.32
2006	12,463.15	1,418.30	9,139.02	2,056.43	2,415.29

[1]Dow Jones Industrial Average.

Source: Securities Industry and Financial Markets Association.

MUTUAL FUNDS

A mutual fund is a pool of assets that is managed by professional investment managers. Embraced as an investment vehicle by those who do not want to actively manage their investment accounts but who believe they can earn higher returns in the securities markets than through traditional savings bank products, mutual funds have experienced tremendous growth. In 1940 there were only 68 funds and about 300,000 shareholder accounts. By 1990 there were 3,000 funds and 62 million accounts with a trillion dollars in assets. In 2006, 8,000 funds had 290 million shareholder accounts and over $10 trillion in assets. According to the Investment Company Institute, the trade association for the mutual fund industry, 55 percent of all American households owned mutual funds in 2006, up from 37 percent in 1996.

Mutual funds are regulated by the Investment Company Act of 1940, which defines, among other things, the responsibilities of mutual fund companies to the public and requirements regarding financial reporting, governance and fiduciary duties. Mutual fund managers have a substantial presence in the securities markets as they trade and manage the securities within the funds they oversee. For further information on mutual funds, see Chapter 3, Retirement Funds.

MUTUAL FUND INDUSTRY NET ASSETS, NUMBER OF FUNDS AND SHAREHOLDER ACCOUNTS, 1940-2006

Year	Total net assets ($ billions)	Number of funds	Number of shareholder accounts (000)
1940	$0.45	68	296
1960	17.03	161	4,898
1970	47.62	361	10,690
1985	495.39	1,528	34,098
1990	1,065.19	3,079	61,948
1995	2,811.29	5,725	131,219
2000	6,964.63	8,155	244,705
2001	6,974.91	8,305	248,701
2002	6,390.36	8,244	251,124
2003	7,414.40	8,126	260,698
2004	8,106.94	8,041	269,468
2005	8,904.82	7,975	275,479
2006	10,413.62	8,120	289,977

Source: Investment Company Institute.

- **In 2006 mutual funds accounted for 21 percent of the U.S. private and public pensions sector, or $1.8 trillion, according to the Board of Governors of the Federal Reserve System. This amount represented about 17 percent of all mutual fund assets.**
- **Mutual funds own 24 percent of all U.S. corporate equity, according to the Federal Reserve.**

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 1985-2006

($ billions)

Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	$111.3	$17.6	$122.7	$207.5	$36.3	$495.4
1990	239.5	36.1	291.3	414.7	83.6	1,065.2
1995	1,249.1	210.3	598.9	630.0	123.0	2,811.3
2000	3,961.9	346.3	811.2	1,607.2	238.0	6,964.6
2001	3,418.2	346.3	925.1	2,012.9	272.4	6,974.9
2002	2,662.5	325.5	1,130.5	1,997.2	274.8	6,390.4
2003	3,684.2	430.5	1,247.8	1,763.6	288.4	7,414.4
2004	4,384.1	519.3	1,290.4	1,602.9	310.4	8,106.9
2005	4,939.8	567.3	1,357.2	1,706.5	334.0	8,904.8
2006	5,911.6	653.2	1,494.4	1,988.1	366.4	10,413.6

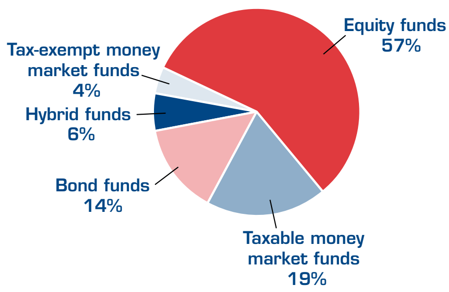
Source: Investment Company Institute.

NUMBER OF MUTUAL FUNDS BY TYPE, 1985-2006

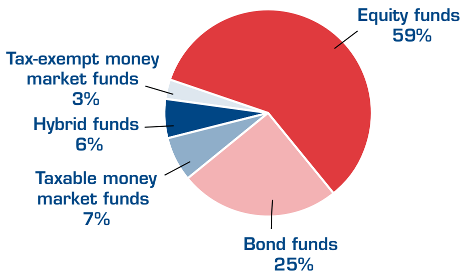
Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	562	103	403	348	112	1,528
1990	1,099	193	1,046	506	235	3,079
1995	2,139	412	2,177	674	323	5,725
2000	4,385	523	2,208	703	336	8,155
2001	4,716	483	2,091	689	326	8,305
2002	4,747	473	2,035	679	310	8,244
2003	4,599	508	2,045	662	312	8,126
2004	4,547	510	2,041	639	304	8,041
2005	4,586	505	2,013	595	276	7,975
2006	4,770	508	1,993	576	273	8,120

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 2006



NUMBER OF MUTUAL FUNDS BY TYPE, 2006



Source: Investment Company Institute.

TOP TEN MUTUAL FUND COMPANIES BY ASSETS, 2007[1]

($000)

Rank	Company	Total net asssets
1	Fidelity Investments	$1,242,459,318
2	Capital Research & Management	1,178,136,940
3	Vanguard Group	1,172,388,408
4	Franklin Templeton Investments	361,857,253
5	PNC Financial Services Group	278,148,354
6	J.P. Morgan Chase & Co.	248,684,469
7	Columbia Management Group	246,936,926
8	OppenheimerFunds/MassMutual	239,851,398
9	Morgan Stanley	239,354,902
10	T. Rowe Price	228,237,612

[1]As of April 30, 2007. Includes members of Investment Company Institute only.

Source: Investment Company Institute.

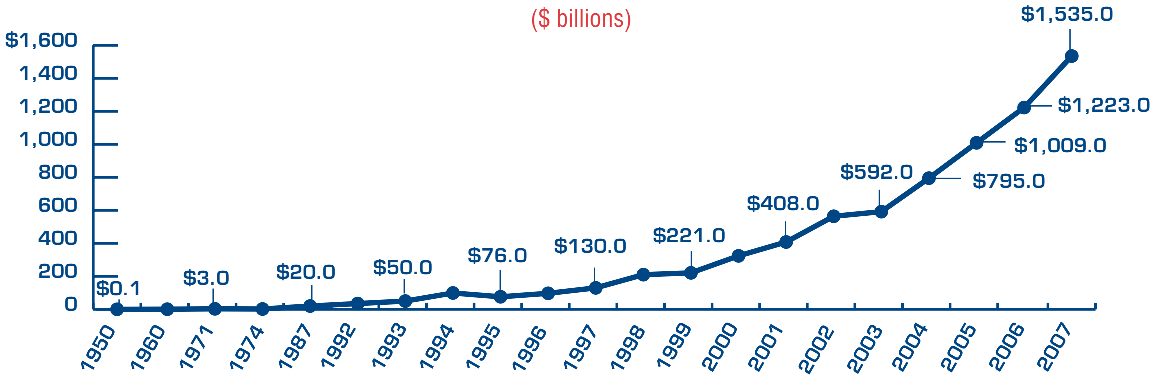
HEDGE FUNDS/SEPARATELY MANAGED ACCOUNTS

HEDGE FUNDS

Hedge funds are private investment pools subject to the terms of investment agreements between the sponsors of, and investors in, the hedge fund. While mutual funds typically have a minimum opening investment of about $1,000, hedge fund investors are often required to have a minimum investment of $1 million.

ASSETS OF HEDGE FUNDS, 1950-2007[1]

($ billions)



[1]All data are for January.

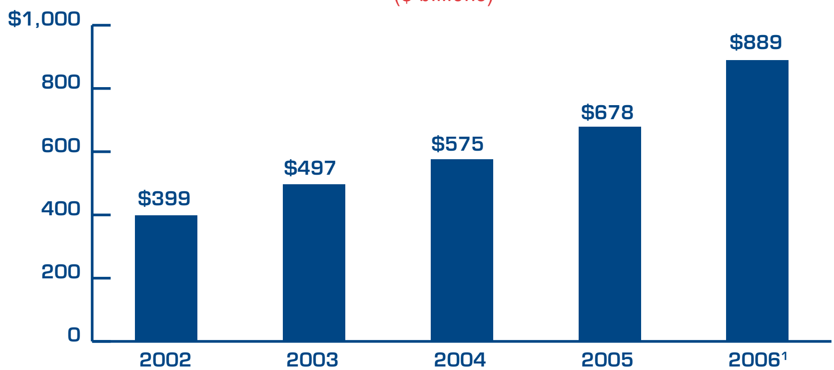
Source: Hennessee Group LLC.

SEPARATELY MANAGED ACCOUNTS

Separately managed accounts (SMAs) are professionally managed portfolios of individual securities that can be tailored to investors' needs. According to the Money Management Institute, SMA assets under management increased 31 percent in 2006 to $889 billion.

SEPARATELY MANAGED ACCOUNTS INDUSTRY ASSETS UNDER MANAGEMENT, 2002-2006

($ billions)



[1]Includes assets for previously unreported programs. Data for 2006 therefore are not strictly comparable to earlier data.

Source: Money Management Institute, Dover Financial Research.

OVERVIEW

Finance companies, which supply credit to businesses and consumers, are often categorized as nondepository institutions, along with mortgage bankers and brokers, because they make loans without taking in deposits. They acquire funds to make these loans largely by issuing commercial paper and bonds, and securitizing their loans. As financial intermediaries, finance companies compete with banks, savings institutions and credit unions. In terms of assets, the sector is twice as large as the credit union sector, about the same size as thrifts and one-fifth as large as commercial banks. Accounts receivable—the amount of money that is owed to a business—rather than assets or revenues, determine a company's standing within the industry.

Finance companies are diverse. Captive finance companies—which are generally affiliated with motor vehicle or appliance manufacturers—finance dealer inventories and consumer purchases of their products, sometimes at below-market rates. Consumer finance companies make loans to consumers who want to finance purchases of large household items such as furniture, make home improvements or refinance small debts. Business finance companies offer commercial credit, making loans secured by the assets of the business to wholesalers and manufacturers and purchasing accounts receivable at a discount. Increasingly, finance companies are participating in the real estate market. They also offer credit cards and engage in motor vehicle, aircraft and equipment leasing.

TOP TEN SPECIALTY LENDER MERGERS AND ACQUISITIONS, 2006[1]

($ millions)

Rank	Buyer	Buyer's industry	Target	Deal value[2]
1	Capital One Financial Corp.	Credit card	North Fork Bancorp.	$14,567.9
2	Investor group	Not classified	General Motors Acceptance Corp.	7,353.0
3	Terra Firma Capital Partners	Asset manager	AWAS Aviation Holdings LLC	2,500.0
4	Merrill Lynch & Co.	Broker/dealer	First Franklin and affiliates	1,310.0
5	Banco Santander Central Hispano	Bank	Drive Financial Services	828.7
6	Cerberus Capital Management LP	Not classified	Capital Services	766.0
7	Investor group	Not classified	Peach Holdings Inc.	749.0
8	Santander BanCorp	Bank	Island Finance Puerto Rico Inc.	734.5
9	Fortress Investment Group LLC	Asset manager	Centex Home Equity Co., LLC	600.0
10	Barclays PLC	Bank	HomEq Servicing Corp.	469.0

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.

[2]At announcement.

Source: SNL Financial LC.

FINANCE COMPANY EMPLOYMENT, 2002-2006

(000)

	2002	2003	2004	2005	2006
Nondepository credit intermediation	**694.9**	**749.9**	**756.9**	**769.9**	**783.9**
Credit card issuing	133.8	132.5	125.2	121.5	118.2
Sales financing	109.0	107.7	107.3	107.5	109.5
Other nondepository credit intermediation	452.1	509.8	524.5	541.0	556.2
Consumer lending	99.0	103.4	105.4	112.5	119.7
Real estate credit	277.0	330.7	341.0	349.0	354.8
Miscellaneous nondepository credit intermediation	76.2	75.7	78.1	79.5	81.7

Source: U.S. Department of Labor, Bureau of Labor Statistics.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY, 1997 AND 2002[1]

	1997		2002	
	Establishments[2] (number)	Annual payroll ($000)	Establishments[2] (number)	Annual payroll ($000)
Nondepository credit intermediation	**47,556**	**$22,660,754**	**48,660**	**$36,271,640**
Credit card issuing	588	1,782,651	673	2,287,469
Sales financing	8,143	6,163,041	7,008	8,961,052
Other nondepository credit intermediation	38,825	14,715,062	40,979	25,023,119

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. All data based on the 1997 North American Industrial Classification System (NAICS).

[2]An establishment is a single physical location at which business is conducted, as opposed to a firm or company, which may consist of one or more establishments under common control. Data in this chart may not be comparable to other Census Bureau data shown elsewhere in this chapter.

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

ASSETS AND LIABILITIES OF FINANCE COMPANIES, 2002-2006[1]

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$1,445.9**	**$1,679.6**	**$1,858.0**	**$1,856.9**	**$1,888.6**
Checkable deposits and currency	33.8	37.1	40.6	44.2	48.2
Credit market instruments	1,082.3	1,205.0	1,419.8	1,537.1	1,630.3
Other loans and advances	444.0	441.7	451.5	479.2	498.2
Mortgages	330.8	370.3	476.0	541.4	598.5
Consumer credit	307.5	393.0	492.3	516.5	533.6
Miscellaneous assets	329.7	437.4	397.5	275.6	210.1
Total liabilities	**$1,435.3**	**$1,675.0**	**$1,864.3**	**$1,828.3**	**$1,883.9**
Credit market instruments	884.3	995.3	1,129.6	1,108.6	1,145.5
Open market paper	147.8	145.1	175.3	160.0	164.1
Corporate bonds	635.3	743.2	817.4	806.5	854.7
Other bank loans	101.2	107.0	136.9	142.1	126.8
Taxes payable	11.6	13.2	15.0	17.1	19.3
Miscellaneous liabilities	539.4	666.4	719.6	702.7	719.1
Foreign direct investment in U.S.	49.9	68.1	64.4	75.5	74.2
Investment by parent	179.7	202.9	257.7	312.2	338.1
Other	309.8	395.4	397.6	314.9	306.8
Consumer leases not included above[2]	89.8	79.0	74.1	85.3	106.0

[1]Includes retail captive finance companies.

[2]Receivables from operating leases, such as consumer automobile leases, are booked as current income when payments are received and are not included in financial assets (or household liabilities). The leased automobile is a tangible asset.

Source: Board of Governors of the Federal Reserve System.

PROFITABILITY

BUSINESS AND CONSUMER FINANCE COMPANIES' RETURN ON EQUITY, 2002-2006[1]

	Business finance companies' return on average equity[2]		Consumer finance companies' return on average equity[3]	
Year	Median	Average	Median	Average
2002	8.88%	13.07%	21.51%	29.51%
2003	7.92	4.63	17.05	25.43
2004	10.18	13.93	19.49	17.36
2005	10.19	9.23	17.04	-4.45
2006	10.68	11.82	16.51	2.87

[1]Net income as a percentage of average equity.

[2]Consists of 35 publicly traded commercial finance companies including niche, diversified commercial and equipment finance companies. Does not include government-sponsored enterprises (GSEs), finance REITs, mortgage or real estate companies.

[3]Consists of 36 publicly traded consumer finance companies including auto finance, credit card, niche and diversified consumer companies and pawn shops. Does not include GSEs, finance REITs, or mortgage or real estate companies.

Source: SNL Financial LC.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY REVENUES, 1997 AND 2002[1]

($000)

	1997	2002
Nondepository credit intermediation	**$229,213,945**	**$384,011,947**
Credit card issuing	24,503,307	34,505,552
Sales financing	78,133,239	121,489,478
Other nondepository credit intermediation	126,577,399	228,016,917

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. All data based on the 1997 North American Industrial Classification System (NAICS).

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

TOTAL RECEIVABLES AT FINANCE COMPANIES, 2002-2006[1]

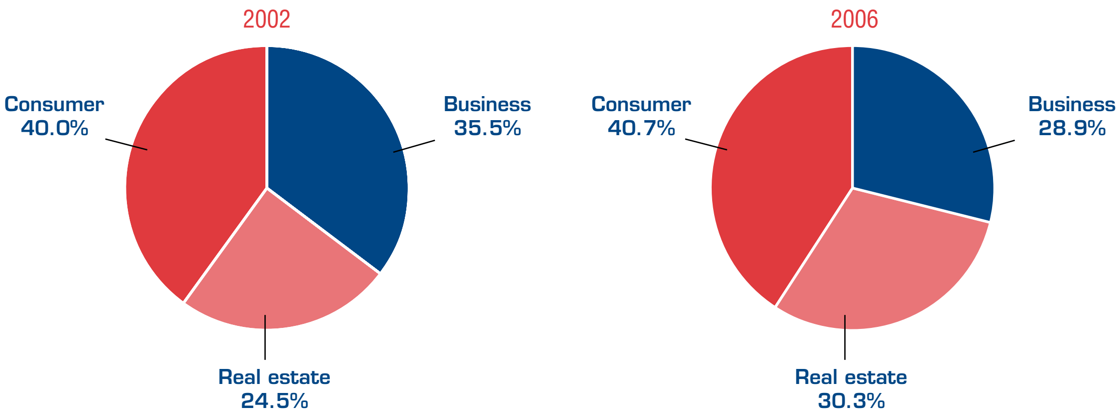
($ billions, end of year)

	2002	2003	2004	2005	2006
Total	**$1,496.1**	**$1,624.1**	**$1,795.4**	**$1,910.9**	**$2,026.3**
Consumer	597.7	686.1	743.9	781.4	825.4
Real estate	366.6	400.6	501.3	565.0	614.9
Business	531.8	537.4	550.2	564.5	586.0

[1]Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Includes owned receivables (carried on the balance sheet of the institution) and managed receivables (outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator).

Source: Board of Governors of the Federal Reserve System.

TOTAL RECEIVABLES AT FINANCE COMPANIES BY CATEGORY, 2002 AND 2006[1]



[1]Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Includes owned receivables (carried on the balance sheet of the institution) and managed receivables (outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator).

Source: Board of Governors of the Federal Reserve System.

BUSINESS RECEIVABLES AT FINANCE COMPANIES, 2002-2006

($ billions, end of year)

						Percent of total				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Total	**$531.8**	**$537.4**	**$550.2**	**$564.5**	**$586.0**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Motor vehicles	56.9	69.6	84.8	105.5	105.1	10.7	13.0	15.4	18.7	17.9
Retail loans	13.6	15.7	15.1	15.2	17.1	2.6	2.9	2.7	2.7	2.9
Wholesale loans[1]	28.5	39.3	44.9	61.2	55.7	5.4	7.3	8.2	10.8	9.5
Leases	14.8	14.6	24.8	29.0	32.3	2.8	2.7	4.5	5.1	5.5
Equipment	296.9	284.3	273.4	281.9	299.5	55.8	52.9	49.7	49.9	51.1
Loans	92.9	88.0	87.8	93.6	102.4	17.5	16.4	16.0	16.6	17.5
Leases	204.0	196.3	185.6	188.3	197.1	38.4	36.5	33.7	33.4	33.6
Other business receivables[2]	90.2	87.8	93.3	91.8	93.5	17.0	16.3	17.0	16.3	16.0
Securitized assets[3]	87.8	95.6	98.6	85.4	88.0	16.5	17.8	17.9	15.1	15.0
Motor vehicles	50.2	48.4	44.8	28.8	38.0	9.4	9.0	8.1	5.1	6.5
Retail loans	2.4	2.2	2.2	2.7	3.0	0.5	0.4	0.4	0.5	0.5
Wholesale loans	45.9	44.2	40.6	26.0	34.9	8.6	8.2	7.4	4.6	6.0
Leases	1.9	2.1	2.0	0.1	0.1	0.4	0.4	0.4	0.0	0.0
Equipment	20.2	22.1	23.6	24.4	15.4	3.8	4.1	4.3	4.3	2.6
Loans	13.0	12.5	11.5	11.6	9.9	2.4	2.3	2.1	2.1	1.7
Leases	7.2	9.6	12.1	12.8	5.5	1.4	1.8	2.2	2.3	0.9
Other business receivables[2]	17.4	25.1	30.2	32.2	34.6	3.3	4.7	5.5	5.7	5.9

[1]Credit arising from transactions between manufacturers and dealers, also known as floor plan financing.

[2]Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, recreation vehicles and travel trailers.

[3]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System.

CONSUMER RECEIVABLES AT FINANCE COMPANIES, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total consumer	**$597.7**	**$686.1**	**$743.9**	**$781.4**	**$825.4**
Motor vehicle loans	198.1	250.1	298.3	278.0	259.8
Motor vehicle leases	89.8	79.0	74.1	85.3	106.0
Revolving[1]	44.4	45.3	50.4	66.3	79.9
Other[2]	65.0	97.7	143.7	172.3	194.7
Securitized assets[3]	200.3	214.0	177.4	179.5	185.1
Motor vehicle loans	145.4	123.7	98.2	112.6	112.8
Motor vehicle leases	5.7	5.5	4.8	4.2	3.6
Revolving	34.5	33.8	23.1	14.9	15.9
Other	14.7	51.0	51.3	47.8	52.8

[1]Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

[2]Includes student loans, personal cash loans, mobile home loans and loans to purchase other types of consumer goods such as appliances, apparel, boats and recreation vehicles.

[3]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System.

REAL ESTATE RECEIVABLES AT FINANCE COMPANIES, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total real estate	**$366.6**	**$400.6**	**$501.3**	**$565.0**	**$614.9**
One- to four-family	285.6	320.2	422.0	489.8	538.1
Other	44.9	50.0	54.0	51.6	56.3
Securitized real estate assets[1]	36.2	30.5	25.3	23.7	20.5
One- to four-family	33.0	26.7	21.8	18.9	16.8
Other	3.2	3.8	3.5	4.8	3.7

[1]Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

Source: Board of Governors of the Federal Reserve System

CONCENTRATION

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY: CONCENTRATION BY LARGEST FIRMS, 1997 AND 2002[1]

	Number of establishments[2]		Revenues: Amount ($000)		Revenues: As a percent of total	
	1997	2002	1997	2002	1997	2002
All firms	**47,556**	**48,696**	**$229,213,945**	**$403,912,619**	**100.0%**	**100.0%**
4 largest firms	2,569	3,280	71,574,042	166,726,453	31.2	41.3
8 largest firms	3,820	7,511	98,222,537	206,873,695	42.9	51.2
20 largest firms	7,971	10,706	130,024,484	263,953,166	56.7	65.3
50 largest firms	14,301	14,490	160,501,398	315,239,859	70.0	78.0

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements. Data for 1997 based on 1997 North American Industrial Classification System (NAICS). Data for 2002 based on 2002 NAICS.

[2]An establishment is a single physical location at which business is conducted, as opposed to a firm or company, which may consist of one or more establishments under common control. Data in this chart may not be comparable to other Census Bureau data shown elsewhere in this chapter.

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

NONDEPOSITORY CREDIT INTERMEDIATION INDUSTRY: CONCENTRATION BY LARGEST FIRMS BY SECTOR, 1997 AND 2002[1]

($ billions)

	Revenues of top 50 firms as a percent of total	
	1997	2002
Nondepository credit intermediation industry	**70.0%**	**78.0%**
Credit card issuing	99.4	99.8
Sales financing	79.8	88.8
Other nondepository credit intermediation	72.2	80.3

[1]As defined by the U.S. Census Bureau, includes firms primarily engaged in extending credit or lending funds raised by credit market borrowing. The group includes credit card issuing firms, sales financing firms, and establishments that make cash loans or extend credit through credit instruments other than credit cards and sales finance agreements.

Note: Latest data available. Based on surveys conducted every five years.

Source: U.S. Department of Commerce, U.S. Census Bureau.

TOP TEN U.S. CONSUMER AND COMMERCIAL FINANCE COMPANIES, 2006[1]

($ millions)

Rank	Company	Total managed receivables[2]
1	General Electric Capital Corporation	$432,262.0
2	Citigroup Inc. (credit card)	176,440.0
3	Bank of America Corporation (credit card)	170,732.4
4	GMAC LLC	152,291.0
5	Ford Motor Credit Company LLC	149,500.0
6	JPMorgan Chase & Co. (credit card)	146,967.0
7	SLM Corporation	143,750.0
8	American Express Company	100,900.0
9	Wells Fargo & Company	91,629.0
10	HSBC Finance Corporation	67,037.0

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.

[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.

Source: SNL Financial LC.

TOP TEN U.S. CONSUMER FINANCE COMPANIES, 2006[1]

($ millions)

Rank	Company	Total managed receivables[2]
1	Citigroup Inc. (credit card)	$176,440.0
2	Bank of America Corporation (credit card)	170,732.4
3	General Electric Capital Corporation	156,670.0[3]
4	JPMorgan Chase & Co. (credit card)	146,967.0
5	SLM Corporation	142,312.0
6	Ford Motor Credit Company LLC	123,600.0
7	American Express Company	100,900.0
8	GMAC LLC	92,532.0
9	Capital One Financial Corporation	88,291.6
10	HSBC Finance Corporation	65,043.0

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.

[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.

[3]On-balance sheet receivables.

Source: SNL Financial LC.

LEADING COMPANIES

TOP TEN U.S. COMMERCIAL FINANCE COMPANIES, 2006[1]
($ millions)

Rank	Company	Total managed receivables[2]
1	General Electric Capital Corporation	$200,150.0[3]
2	CIT Group Inc.	54,203.7
3	International Lease Finance Corporation	38,907.9[3]
4	Caterpillar Financial Services Corporation	28,325.0
5	Ford Motor Credit Company LLC	25,900.0
6	Bank of America Corporation (equipment)	19,582.3[3]
7	John Deere Capital Corporation	15,590.5
8	Residential Capital, LLC	14,926.7
9	U.S. Bancorp (equipment)	12,510.0[3]
10	Textron Financial Corporation	11,774.0

[1]Ranked by total nonmortgage managed receivables. Excludes mortgage and real estate companies.
[2]On-balance sheet nonmortgage receivables and loans sold that are still serviced and managed.
[3]On-balance sheet receivables.

Source: SNL Financial LC.

Mortgage financing has become an increasingly important element in the economy, involving a wide range of financial institutions from commercial banks, thrifts and credit unions to finance companies, life insurers and government-sponsored enterprises like Fannie Mae. In 2006 home mortgage debt outstanding amounted to $10.2 trillion, up from $6.4 trillion in 2002.

Demographic factors such as the size of various age groups within the population and changes in disposable income, interest rates and the desirability of other investment options influence the residential mortgage market. The commercial market has expanded in response to business growth.

Overall, the mortgage market grew 9.7 percent in 2006 from the previous year. In the home mortgage sector, the combined mortgage holdings of commercial banks and savings institutions rose 7.1 percent, the holdings of credit unions rose 13.7 percent and those of finance companies rose 10.1 percent.

The term mortgage origination refers to the original transaction, the point at which the homeowner purchases the mortgage, in person or online, from a financial services company such as a bank.

Mortgages may be sold and packaged as securities, which frees up funds for the mortgage originator to make additional mortgages available. Mortgage-backed securities are sold by asset-backed securities (ABS) issuers. The sale transfers the risk of default from the originator to the ABS buyer.

The bank that originates the mortgage does not always "service" the mortgage itself. It may sell the servicing of the mortgage, which includes collecting and processing monthly payments, to another company. The servicing business of many of the leading mortgage originators is much larger than their origination business.

TOTAL MORTGAGES OUTSTANDING, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total mortgages	**$8,364.1**	**$9,368.7**	**$10,672.1**	**$12,133.8**	**$13,305.9**
Home	6,371.1	7,169.0	8,237.9	9,366.2	10,190.2
Multifamily residential	484.7	555.6	609.1	680.2	731.1
Commercial	1,382.9	1,510.6	1,683.4	1,939.5	2,221.4
Farm	125.5	133.6	141.7	147.9	163.2

Source: Board of Governors of the Federal Reserve System.

HOME MORTGAGES BY HOLDER, 2002-2006[1]

($ billions, end of year)

	2002	2003	2004	2005	2006
Total assets	**$6,371.1**	**$7,169.0**	**$8,237.9**	**$9,366.2**	**$10,190.2**
Household sector	100.3	106.3	112.4	118.5	124.6
Nonfinancial corporate business	24.9	26.1	39.9	53.8	67.6
Nonfarm noncorporate business	9.6	9.7	11.3	13.0	14.3
State and local governments	63.4	67.8	71.4	74.3	77.3
Federal government	16.2	15.3	14.8	14.4	14.6
Commercial banking	1,222.2	1,347.0	1,568.0	1,772.7	2,053.0
Savings institutions	631.1	702.8	874.5	955.0	869.6
Credit unions	159.4	182.6	213.2	245.6	279.3
Life insurance companies	4.7	4.4	5.0	4.6	4.9
Private pension funds	2.8	1.7	1.4	1.4	1.3
State and local government retirement funds	6.8	6.3	6.8	7.0	7.2
Government-sponsored enterprises	271.1	363.3	362.9	348.1	342.6
Agency- and GSE[2]-backed mortgage pools	3,063.7	3,366.9	3,416.5	3,546.2	3,822.2
ABS issuers	489.2	610.7	1,013.9	1,587.3	1,834.5
Finance companies	285.6	320.2	422.0	489.8	539.2
REITs	20.1	37.8	103.7	134.5	138.0
Home equity loans included above[3]	501.1	593.4	778.5	913.8	1,019.2
Commercial banking	303.3	366.0	483.6	549.0	637.0
Savings institutions	78.5	95.6	121.2	151.6	137.6
Credit unions	48.0	51.7	63.9	75.9	90.2
ABS issuers	15.4	16.1	26.2	39.3	46.6
Finance companies	56.0	64.0	83.7	98.0	107.8

[1]Mortgages on 1 to 4 family properties.

[2]Government-sponsored enterprise.

[3]Loans made under home equity lines of credit and home equity loans secured by junior liens. Excludes home equity loans held by mortgage companies and individuals.

Source: Board of Governors of the Federal Reserve System.

AVERAGE CONVENTIONAL SINGLE-FAMILY MORTGAGES, 1997-2006[1]
($000)

Year	Mortgage loan amount	Purchase price	Adjustable rate mortgage (ARM) share[2]
1997	$126.6	$164.5	22%
1998	131.8	173.4	12
1999	139.3	184.2	21
2000	148.3	198.9	24
2001	155.7	215.5	12
2002	163.4	231.2	17
2003	167.9	243.4	18
2004	185.5	262.0	35
2005	211.9	299.8	30
2006	222.3	306.4	22

[1]National averages, all homes.

[2]ARM share is the percent of total volume of conventional purchase loans. Does not include interest-only mortgages.

Source: Federal Housing Finance Board, Monthly Interest Rate Survey.

- **Adjustable rate mortgages (ARMs), loans in which the interest rate is adjusted periodically according to a pre-selected index, accounted for 22 percent of mortgage originations in 2006, down from 35 percent in 2004 and 30 percent in 2005.**

INTEREST-ONLY MORTGAGES

In interest-only mortgage arrangements, the borrower pays only the interest on the capital for a set term. After the end of that term, usually five to seven years, the borrower either refinances, pays the balance in a lump sum or starts paying off the principal, in which case the monthly payments rise. The vast majority of interest-only mortgages are adjustable rate mortgages (ARMs), according to First American LoanPerformance.

INTEREST-ONLY MORTGAGES AS A PERCENT OF ALL MORTGAGE ORIGINATIONS, 2002-2006

Year	Purchase	Refinance	Total
2002	6.0%	6.5%	6.3%
2003	13.4	8.8	10.4
2004	30.9	16.6	22.9
2005	32.6	20.4	26.2
2006	27.5	16.7	22.0

Source: First American LoanPerformance.

- **In 2006 loans with interest-only features accounted for 30 percent of originations in California, Nevada, Colorado and Arizona, compared with 22 percent nationally, according to a 2007 Harvard report.**

MORTGAGE DELINQUENCY AND FORECLOSURE RATES, 1997-2006

(Percent, annual average)

	Delinquency rates					Foreclosures started		
		Conventional loans		Government-sponsored loans		Conventional loans		
Year	All loans	Prime	Subprime	FHA loans[1]	VA loans[2]	Prime	Subprime	FHA loans[1]
1997	4.31%	NA	NA	8.13%	6.94%	NA	NA	0.62%
1998	4.74	2.59%	10.87%	8.57	7.55	0.22%	1.46%	0.59
1999	4.48	2.26	11.43	8.57	7.55	0.17	1.75	0.59
2000	4.54	2.28	11.90	9.07	6.84	0.16	2.31	0.56
2001	5.26	2.67	14.03	10.78	7.67	0.20	2.34	0.71
2002	5.23	2.63	14.31	11.53	7.86	0.20	2.14	0.85
2003	4.74	2.51	12.17	12.21	8.00	0.20	1.61	0.90
2004	4.49	2.30	10.80	12.18	7.31	0.19	1.50	0.98
2005	4.45	2.30	10.84	12.51	7.00	0.18	1.42	0.85
2006	4.61	2.39	12.27	12.74	6.67	0.19	1.81	0.83

[1]Federal Housing Administration. [2]Veterans Affairs. NA=Data not available.

Source: Mortgage Bankers Association.

TOP TEN MORTGAGE FINANCE COMPANIES BY MANAGED RECEIVABLES, 2006

($ millions)

Rank	Company	Total managed receivables[1]
1	Wells Fargo Home Mortgage Inc.	$1,341,900.0
2	Countrywide Financial Corporation	1,298,394.0
3	Washington Mutual Bank	710,800.0
4	Chase Home Finance, LLC	645,800.0
5	Residential Capital, LLC	503,973.0
6	Citigroup Inc.	500,061.0
7	Bank of America Corporation	391,235.7
8	Wachovia Corporation	237,702.0
9	ABN AMRO Mortgage Group Inc.	229,900.0
10	Midland Loan Services, Inc.	213,412.0

[1]On-balance sheet receivables and loans sold that are still serviced and managed.

Source: SNL Financial LC.

HOME EQUITY MORTGAGE LOANS

The amount of home equity outstanding more than doubled from $501.1 billion in 2002 to $1.02 trillion in 2006.

HOME EQUITY MORTGAGE LOANS BY HOLDER, 2002-2006[1]

($ billions, amounts outstanding at end of year)

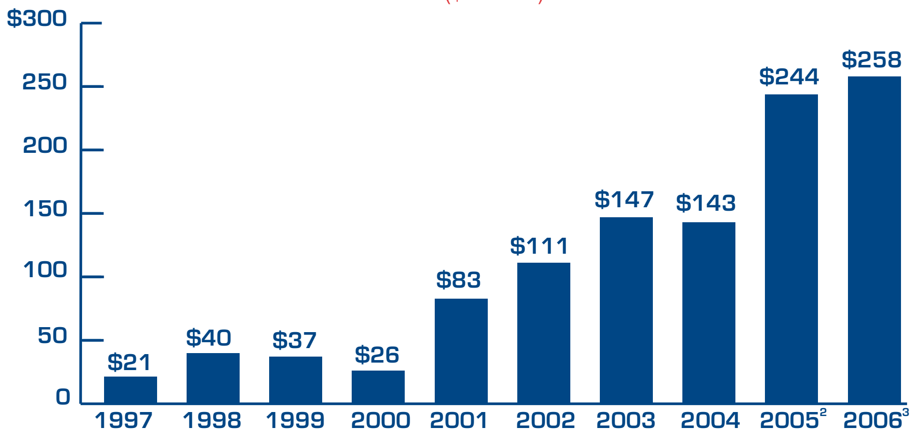
	2002	2003	2004	2005	2006
Total	**$501.1**	**$593.4**	**$778.5**	**$913.8**	**$1,019.2**
Commercial banking	303.3	366.0	483.6	549.0	637.0
Savings institutions	78.5	95.6	121.2	151.6	137.6
Credit unions	48.0	51.7	63.9	75.9	90.2
Asset-backed securities issuers	15.4	16.1	26.2	39.3	46.6
Finance companies	56.0	64.0	83.7	98.0	107.8

[1]Loans made under home equity lines of credit and home equity loans secured by junior liens, such as second mortgages, which are subordinate to another mortgage. Excludes home equity loans held by individuals.

Source: Board of Governors of the Federal Reserve System.

CASH OUT HOME MORTGAGE REFINANCING, 1997-2006[1]

($ billions)



[1]Represents homeowners' cash withdrawals from home mortgage refinance transactions. Includes prime conventional loans only and are net of retirement of outstanding second mortgages.

[2]Estimated.

[3]Forecast.

Source: Freddie Mac.

SUBPRIME LOANS

Subprime loans are offered to applicants with an incomplete or less than perfect credit record. The subprime interest rate is generally higher than the prevailing rate because of the additional risks involved in lending to less creditworthy applicants. ln 2005 subprime residential mortgage originations totaled $411 billion, according to an analysis of data on home loans as reported under the federal Home Mortgage Disclosure Act (HMDA). HMDA, enacted by Congress in 1975, requires most mortgage lenders located in metropolitan areas to report data to the federal government about their housing-related lending activity.

Subprime loans are generally bundled into asset-backed securities (ABS) or home equity ABS and sold to the capital markets through lenders' relationships with investment banks, according to a July 2007 report by JP Morgan Asset Management. Home equity ABS increased from $33.1 billion in 1995 to $581.2 billion in 2006, based on a Securities Industry and Financial Markets Association analysis of amounts outstanding. In 2007 an increase in subprime mortgage defaults contributed to a string of failures in the mortgage lending market.

SINGLE FAMILY (1 TO 4 UNIT) SUBPRIME ORIGINATIONS IN 2005

Type of loan	Dollar volume ($ millions)	Number
Purchase originations	$166,033	1,121,810
Refinance originations	228,979	1,253,324
Mortgages taken out for home improvements	16,014	102,085
All originations	**$411,026**	**2,477,219**

Source: Mortgage Bankers Association, based on 2005 Home Mortgage Disclosure Act data.

TOP TEN SINGLE FAMILY (1 TO 4 UNIT) RESIDENTIAL MORTGAGE LENDERS SUBPRIME ORIGINATIONS, 2005

($ millions)

		All originations[1]		All purchase originations		All refinance originations	
Rank	Lending institution	Dollar volume	Percent	Dollar volume	Percent	Dollar volume	Percent
1	Argent Mortgage Company, LLC.	$43,702	10.6%	$18,458	11.1%	$25,120	11.0%
2	New Century Mortgage Corporation	40,838	9.9	19,481	11.7	19,592	8.6
3	Fremont Investment and Loan	36,144	8.8	18,498	11.1	16,878	7.4
4	Option One Mortgage Corporation	35,883	8.7	13,671	8.2	19,680	8.6
5	Washington Mutual Bank, FSB	28,411	6.9	17,926	10.8	10,013	4.4
6	Ameriquest Mortgage Company	27,457	6.7	586	0.4	26,417	11.5
7	WMC Mortgage Corporation	27,300	6.6	15,151	9.1	12,149	5.3
8	Accredited Home Lenders, Inc.	16,383	4.0	7,680	4.6	8,526	3.7
9	AIG, FSB	15,432	3.8	4,094	2.5	11,295	4.9
10	Encore Credit Corporation	13,391	3.3	3,572	2.2	9,779	4.3
	Total, all lending institutions	**$411,026**	**100.0%**	**$166,033**	**100.0%**	**$228,979**	**100.0%**

[1]Includes mortgage loans taken out for home improvements.

Source: Mortgage Bankers Association, based on 2005 Home Mortgage Disclosure Act data.

GOVERNMENT-SPONSORED ENTERPRISES

Government-sponsored enterprises (GSEs) are corporations created by Congress to assist groups of borrowers such as homeowners, mortgage lenders and farmers gain access to capital markets. Three GSEs—the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Bank (FHLB) system—stand behind more than $4 trillion worth of mortgages, according to the Federal Reserve. Among other activities, these entities increase the supply of funds that mortgage lenders make available to buyers by purchasing mortgages from banks and other lenders, and packaging them into securities and selling them to investors.

GOVERNMENT-SPONSORED ENTERPRISES (GSE), 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$2,549.4**	**$2,785.9**	**$2,870.4**	**$2,805.4**	**$2,841.9**
Checkable deposits and currency	14.8	26.8	36.9	11.2	12.0
Time and savings deposits	25.3	16.7	25.7	37.3	35.8
Federal funds and security RPs[1]	95.3	75.3	91.1	115.3	114.4
Credit market instruments	2,323.2	2,559.7	2,605.9	2,543.1	2,579.5
Open market paper	10.4	8.0	6.0	8.2	11.1
U.S. government securities	1,175.2	1,251.8	1,120.9	957.5	851.6
Treasury securities	25.7	13.5	12.9	13.1	14.2
Agency- and GSE-backed securities	1,149.5	1,238.3	1,108.0	944.4	837.4
Municipal securities	39.4	44.4	44.6	43.9	48.8
Corporate and foreign bonds	189.3	225.8	336.6	384.6	484.2
Other loans and advances	514.7	545.8	619.4	671.8	704.2
Sallie Mae	0.4	0.3	0.0	0.0	0.0
Farm Credit System	43.8	43.8	43.6	51.6	63.5
FHLB	470.5	501.7	575.8	620.1	640.7
Mortgages	357.3	463.3	478.4	477.2	479.5
Home	281.6	375.2	375.0	359.5	356.0
Multifamily residential	41.7	52.6	65.0	76.8	79.7
Farm	34.0	35.5	38.4	40.8	43.8
Consumer credit[2]	36.9	20.6	0.0	0.0	0.0
Miscellaneous assets	90.9	107.4	110.7	98.5	100.2
Total liabilities	**$2,519.6**	**$2,736.7**	**$2,800.2**	**$2,718.4**	**$2,760.5**
Credit market instruments[3]	2,350.4	2,594.1	2,659.2	2,575.0	2,632.7
Miscellaneous liabilities	169.2	142.6	141.0	143.5	127.9

[1]Short-term agreements to sell and repurchase government securities by a specified date at a set price.

[2]Sallie Mae student loans.

[3]Consists of agency- and GSE-backed securities.

Source: Board of Governors of the Federal Reserve System.

AGENCY AND GOVERMENT-SPONSORED ENTERPRISE (GSE)-BACKED MORTGAGES, 2002-2006

($ billions, end of year)

	2002	2003	2004	2005	2006
Total financial assets	**$3,158.6**	**$3,489.1**	**$3,542.2**	**$3,677.0**	**$3,964.5**
Home mortgages	3,063.7	3,366.9	3,416.5	3,546.2	3,821.6
Multifamily residential mortgages	94.5	121.2	124.7	129.9	139.8
Farm mortgages	0.4	1.0	0.9	0.8	3.2
Total pool securities (liabilities)[1]	**$3,158.6**	**$3,489.1**	**$3,542.2**	**$3,677.0**	**$3,964.5**

[1]Such issues are classified as agency- and GSE-backed securities.

Source: Board of Governors of the Federal Reserve System.

GOVERNMENT-SPONSORED ENTERPRISE SHARE OF 1- TO 4-FAMILY UNIT MORTGAGE DEBT OUTSTANDING, 1997-2006

($ millions)

Year	Total volume	Government-sponsored enterprise share
1997	$4,209,663	36.5%
1998	4,599,580	38.8
1999	5,065,785	40.7
2000	5,514,089	41.3
2001	6,085,632	44.7
2002	6,855,777	46.2
2003	7,724,602	47.1
2004	8,852,988	43.1
2005	10,046,400	39.9
2006	10,921,293	39.9

Source: Freddie Mac, based on Office of Federal Housing Oversight data.

SNAPSHOT OF HOUSING IN AMERICA, 2005-2006

	2005	2006	Percent change[1]
Homeownership rate[2]	68.9%	68.8%	-0.1%
New home sales[3] (units)	1.3 million	1.1 million	-18.1
Existing home sales[3] (units)	6.2 million	5.7 million	-8.1
Existing home price[3] (median)	$219,600	$221,900	1.0
Home equity	$10.9 trillion	$10.9 trillion	0.8
Mortgage debt	$9.2 trillion	$9.7 trillion	5.5
Mortgage refinancing	$1.7 trillion	$1.5 trillion	-13.2
Residential fixed investment	$795.3 billion	$766.7 billion	-3.6

[1]Homeownership rate change expressed in percentage points. Percent changes on other items are calculated from unrounded numbers.
[2]Percentage of households that are homeowners.
[3]Single-family.
Note: All dollar figures are in 2006 dollars.

Source: U.S. Department of Commerce, Board of Governors of the Federal Reserve System; Bureau of Economic Analysis; Mortgage Bankers Association of America; Census Bureau; National Association of Realtors.

In 2006 the national median existing home price rose only 1.0 percent from 2005, the lowest year-to-year increase since recordkeeping began in 1968. The median represents a typical market price where half of the homes sold for more and half sold for less.

MEDIAN SALES PRICE OF EXISTING SINGLE FAMILY HOMES, 1970-2006

Year	Median sales price	Average annual percent increase[1]	Year	Median sales price	Average annual percent increase[1]
1970	$23,000	NA	2000	$143,600	4.5%
1975	35,300	8.9%	2002	165,000	7.8
1980	62,200	12.0	2003	178,800	8.4
1985	75,500	4.0	2004	195,400	9.3
1990	96,400	4.9	2005	219,600	12.5
1995	114,600	3.5	2006	221,900	1.0

[1]From prior year shown.
NA=Not applicable.

Source: National Association of Realtors.

U.S. HOME OWNERSHIP RATES BY RACE AND ETHNICITY, 2002-2006

(Percent)

	2002	2003	2004	2005	2006
All households	**67.9%**	**68.3%**	**69.0%**	**68.9%**	**68.8%**
Whites	74.7	75.4	76.0	75.8	75.8
Blacks	47.4	48.1	49.1	48.2	47.9
Hispanics	47.0	46.7	48.1	49.5	49.7
Asians/others	54.6	56.3	59.8	60.1	60.8

Source: U.S. Department of Commerce, Census Bureau.

HOME OWNERSHIP RATES BY REGION, 1960-2006

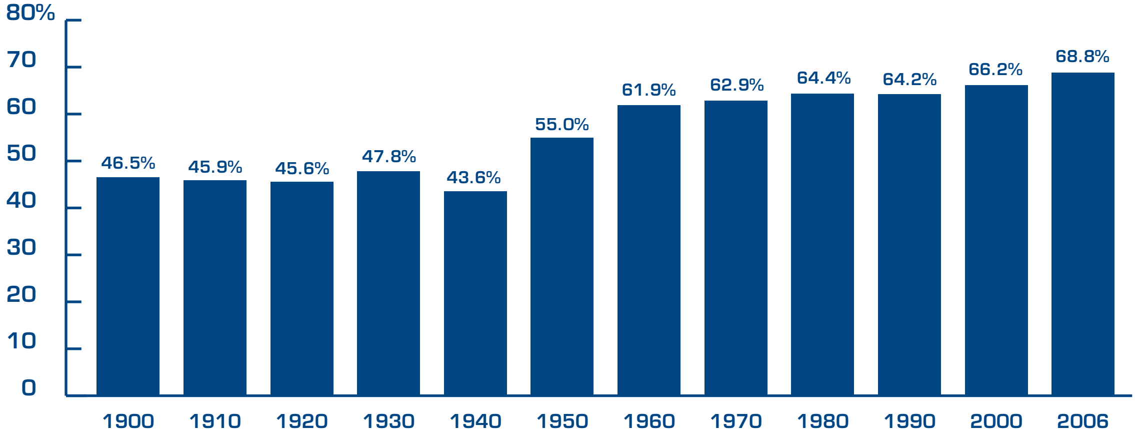
(Percent, end of year)

Year	United States	Northeast	Midwest	South	West
1960	62.1%	55.5%	66.4%	63.4%	62.2%
1970	64.2	58.1	69.5	66.0	60.0
1980	65.6	60.8	69.8	68.7	60.0
1990	63.9	62.6	67.5	65.7	58.0
1995	64.7	62.0	69.2	66.7	59.2
1996	65.4	62.2	70.6	67.5	59.2
1997	65.7	62.4	70.5	68.0	59.6
1998	66.3	62.6	71.1	68.6	60.5
1999	66.8	63.1	71.7	69.1	60.9
2000	67.4	63.4	72.6	69.6	61.7
2001	67.8	63.7	73.1	69.8	62.6
2002	67.9	64.3	73.1	69.7	62.5
2003	68.3	64.4	73.2	70.1	63.4
2004	69.0	65.0	73.8	70.9	64.2
2005	68.9	65.2	73.1	70.8	64.4
2006	68.8	65.2	72.7	70.5	64.7

Source: U.S. Department of Commerce, Census Bureau.

HOME OWNERSHIP

HOME OWNERSHIP RATES, 1900-2006



[1]Does not match similar census data due to the use of different surveys.

Source: U.S. Department of Commerce, U.S. Census Bureau, Census of Housing.

SELECTED CHARACTERISTICS OF HOMEOWNERS, 2003 AND 2005
(000)

	2003	2005	Percent change, 2003-2005
Total owner occupied units	**72,238**	**74,931**	**3.7%**
By race			
White	63,126	65,023	3.0
Black	6,193	6,471	4.5
Other[1]	2,300	2,704	17.6
Hispanic[2]	5,106	5,752	12.7
By household income			
$0 to $14,999	8,481	8,637	1.8
$15,000 to $29,999	11,381	10,724	-5.8
$30,000 to $49,999	14,513	14,385	-0.9
$50,000 to $99,000	23,692	25,831	9.0
$100,000 or more	14,171	15,353	8.3

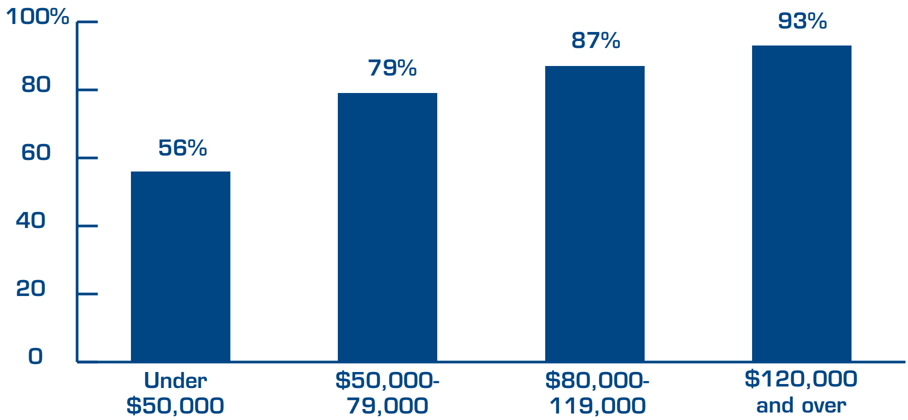
[1]Other=American Indian, Eskimo, Aleut, Asian and Pacific Islander.

[2]Hispanic is considered an ethnic origin rather than a race and is tallied separately. Hispanics may report themselves as any race.

Note: Latest data available. Based on surveys conducted every two years.

Source: U.S. Department of Commerce, U.S. Census Bureau; U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

HOME OWNERSHIP RATES BY HOUSEHOLD INCOME, 2005



Source: U.S. Department of Commerce, U.S. Census Bureau; U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

CONVENTIONAL HOME PURCHASE LOANS ORIGINATED BY RACIAL/ETHNIC IDENTITY AND INCOME OF BORROWERS, 2001 AND 2005

	2001		2005	
Racial/ethnic identity	Number	Amount ($000)	Number	Amount ($000)
American Indian/Alaska native	11,728	$1,433,683	47,839	$8,793,875
Asian	159,065	29,969,188	363,946	93,693,887
Black or African American	166,321	19,053,140	537,704	77,001,949
Hispanic or Latino	252,057	32,127,010	892,096	159,056,336
White	2,654,809	381,410,111	5,117,165	930,676,836
Income[1]				
Less than 50%	215,715	14,560,654	303,153	23,786,267
50% to 79%	580,423	54,432,378	1,056,104	108,795,506
80% to 99%	421,845	48,868,204	826,399	105,703,124
100% to 119%	396,689	52,407,885	775,205	115,122,298
120% or more	1,610,825	316,577,886	3,571,548	861,295,547
Income not available	144,730	24,169,831	355,945	68,248,730

[1]Percentage of metropolitan area median. Metropolitan area median is the median family income of the metropolitan area in which the property related to the loan is located.

Source: Federal Financial Institutions Examination Council.

MORTGAGE STATUS AND REFINANCING ACTIVITY OF HOMEOWNERS, 2005

Mortgages currently on property	Owner occupied housing units
None, owned free and clear[1]	24,776,000
Regular and/or home equity mortgage[2]	48,394,000
Regular mortgage	44,652,000
Home equity lump sum mortgage	4,385,000
Home equity line of credit	10,044,000
Line of credit not reported, no regular or lump sum	1,694,000
Refinancers	
Units with a refinanced primary mortgage	17,685,000
Primary reason: to receive cash	2,375,000

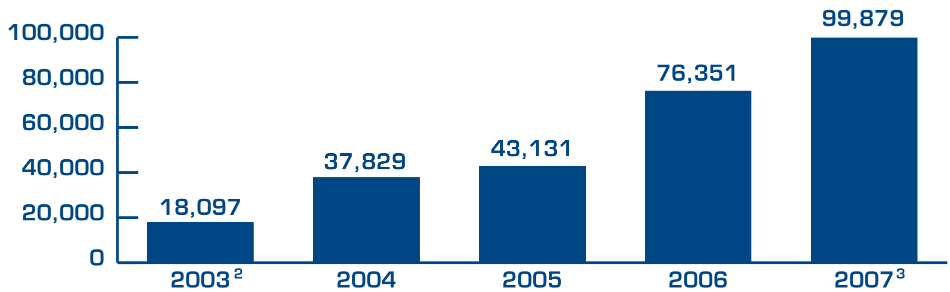
[1]Free of regular mortgages, which include all mortgages not classified as home equity or reverse. [2]Figures may not add to total because more than one category may apply to a unit. Note: Latest data available. Based on surveys conducted every two years.

Source: U.S. Department of Commerce, U.S. Census Bureau; U.S. Department of Housing and Urban Development, Office of Policy Development and Research

REVERSE MORTGAGES

Reverse mortgages are special mortgages that allow homeowners over age 61 to sell their homes to a bank in exchange for monthly payments, a lump sum or a line of credit. The Home Equity Conversion Mortgage (HECM) is the federally insured reverse mortgage product. It is insured by the Federal Housing Administration, a branch of the U.S. Department of Housing and Urban Development. In 2007 HECMs accounted for over 90 percent of all reverse mortgages.

ANNUAL ORIGINATION VOLUME FOR HOME EQUITY CONVERSION MORTGAGES (HECMS), FISCAL YEAR 2003-2007[1]



[1]HECMs are federally insured reverse mortgage products. [2]The U.S. Department of Housing and Urban Development ran out of insurance authority and could not insure additional HECMs during the last two weeks of September 2003 (the last month in FY 2003). [3]Through August 31, 2007; fiscal year ends September 30.

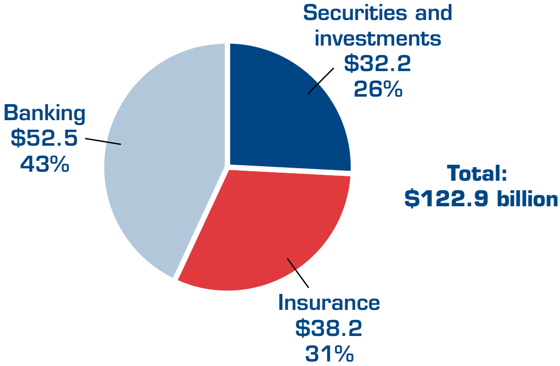
Source: National Reverse Mortgage Lenders Association.

IT SPENDING

Information technology (IT) has transformed the financial services industry, making available many features that would have otherwise been impossible to offer. The features of these products and services range from asset-backed securities and automated teller machines (ATMs), introduced in the 1970s and 1980s, to more recent innovations such as online banking. At the same time, IT has improved efficiency and reduced labor costs.

IT SPENDING OF THE U.S. FINANCIAL SERVICES INDUSTRY BY SECTOR, 2006[1]

($ billions)

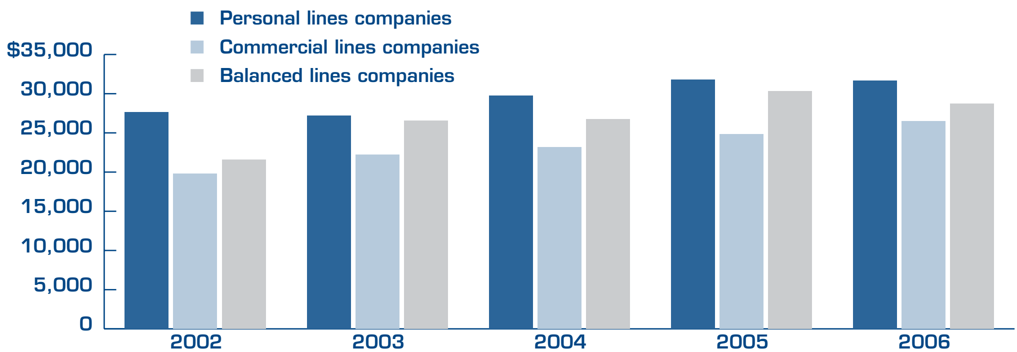


- TowerGroup estimates that the consumer lending business will spend $3.85 billion on IT in 2006, as mortgage and home equity lenders update their processing systems.

[1]Estimated.

Source: TowerGroup.

IT SPENDING BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2002-2006[1]

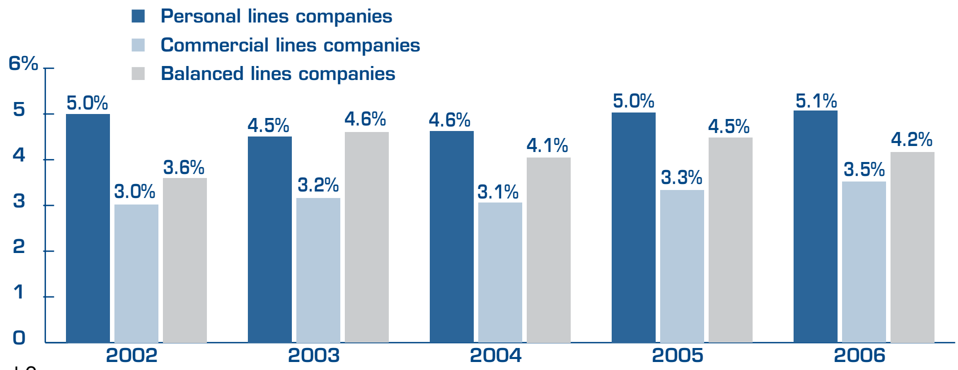


[1]Information technology expense per total company full-time employee.

Source: Ward Group.

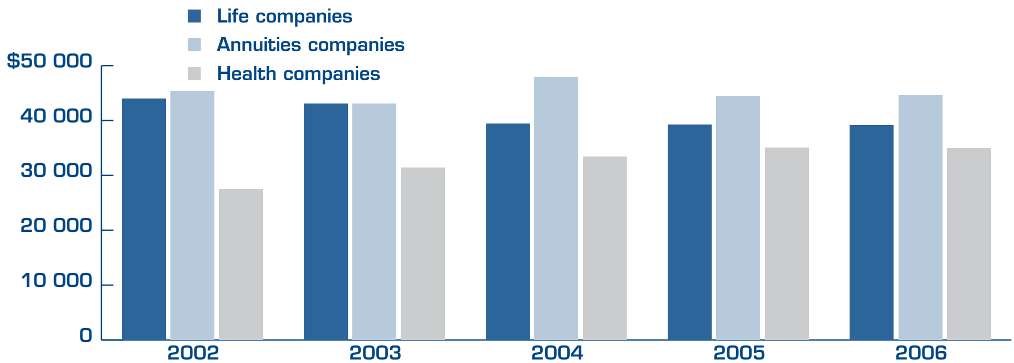
IT SPENDING

IT SPENDING AS A PERCENT OF GROSS PREMIUMS WRITTEN BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2002-2006



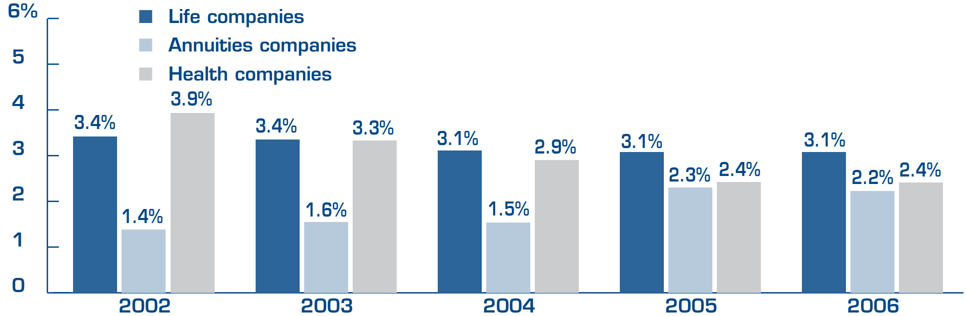
Source: Ward Group.

IT SPENDING BY LIFE, ANNUITIES AND HEALTH INSURANCE COMPANIES, 2002-2006[1]



[1]Information technology expense per total company full-time employee.
Source: Ward Group.

IT SPENDING AS A PERCENT OF TOTAL PREMIUMS WRITTEN BY LIFE, ANNUITIES AND HEALTH INSURANCE COMPANIES, 2002-2006



Source: Ward Group.

ELECTRONIC COMMERCE

Using advanced information technology, banks have transformed some of their core services, such as personal banking. Consumers can now conduct many banking activities over the telephone and online as well as in traditional branch offices. As people have grown more comfortable making routine purchases online, there has been a corresponding increase in their use of the Internet to manage their personal finances.

GROWTH IN ONLINE BANKING, 2000 AND 2005[1]

	March 2000[2]	February-March 2005[3]
All Internet users	17%	41%
Sex		
Men	18	41
Women	17	41
Race		
Whites	17	43
Blacks	19	25
Hispanics	20	40
Age		
18 to 29	19	40
30 to 49	18	48
50 to 64	16	35
65 and over	3	27

[1]The percentage of those in each group with Internet connections who have tried online banking. For example, in March 2000, 17 percent of all Internet users had done online banking.

[2]1,690 Internet users.

[3]1,450 Internet users.

Source: Pew Internet & American Life Project Survey.

- **In 1998, 13 percent of Internet users said they had banked or paid bills online. By 2005, 41 percent of Internet users said they had banked online.**

ONLINE INSURANCE SALES

A 2007 study by Celent suggests that insurance shoppers are increasingly turning to the Web. The analysis is based on three types of online experiences: "Web influenced," involving the use of online information sources; "Web initiated," involving substantial online interaction, such as a request for a quote; and "purchased online," involving a complete sale from quote to policy issuance that takes place entirely online. The study looked at three sectors: auto, life and health. Celent foresees the greatest growth in the auto sector, with Web influenced purchases expected to grow from 70 percent of sales in 2007 to 90 percent by 2011.

- **Celent estimates that nearly 30 percent of auto insurance sales will take place online by 2011, compared with 10 percent of individual life insurance sales and over 50 percent of individual health insurance sales.**

ONLINE PERSONAL INSURANCE SALES, 2007[1]

	Auto	Individual life	Individual health
Web influenced	70%	40+%	50%
Web initiated	30	10	20
Purchased online	10	3	10

[1]Estimated.

Source: Celent.

E-COMMERCE AND TOTAL REVENUES, SECURITIES AND COMMODITY CONTRACTS, 2004-2005

($ millions)

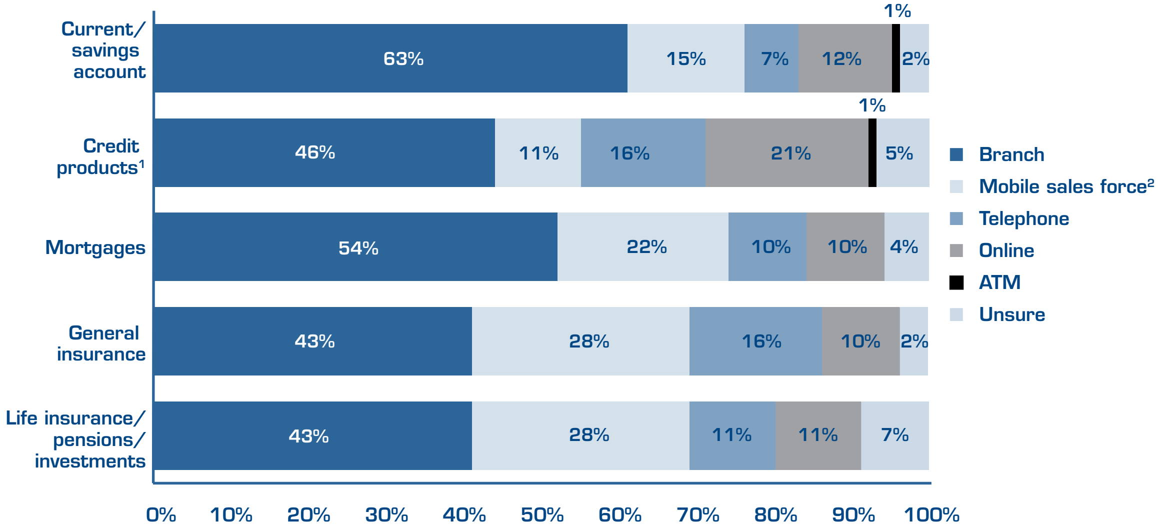
	Value of revenues				Percent change		E-commerce as a percent of total revenues	
	2004		2005					
	Total	E-commerce	Total	E-commerce	Total revenues	E-commerce revenues	2004	2005
Securities and commodity contracts, intermediation and brokerage	$250,080	$5,817	$298,016	$5,814	19.2%	-0.1%	2.3%	2.0%

Source: U.S. Department of Commerce, Bureau of the Census.

PURCHASING CHANNELS

A survey of bank customers by Booz Allen Hamilton found that the majority of consumers prefer to purchase financial products at bank branches rather than through other channels. Customers were most comfortable buying straightforward credit products—such as credit cards and personal loans—over the Internet, with 21 percent of respondents favoring online channels for these products.

GLOBAL PREFERRED PURCHASING CHANNELS, 2007



[1]Includes credit cards and personal loans.

[2]Financial advisors and account managers who meet with customers.

Source: Booz Allen Hamilton Revenue Enhancement Study 2007.

ELECTRONIC PAYMENTS

Over the past quarter-century, electronic alternatives to the traditional way of paying bills by check have revolutionized the payments infrastructure. While credit cards continue to contribute the largest share, newer choices such as personal identification number (PIN) and signature debit and automated clearing house (ACH) payments have grown rapidly. Debit cards have become increasingly popular in large part because of the availability of more secure forms of signature. Electronic benefits transfers (EBT) give consumers more flexible access to Social Security, veterans' pensions and other benefits disbursed by the federal government.

Studies conducted by the Federal Reserve in 2001 and 2004 document the dramatic shift in payments away from paper-based checks and toward electronic payments. In 2000 there were 41.9 billion checks paid, compared with 30.6 billion electronic transactions. By 2003 there were 36.7 billion checks paid, compared with 44.5 billion electronic transactions. The figures show a 4.3 percent annual decline in checks paid and a 13.2 percent annual increase in electronic transactions over the period 2000-2003. In January 2007 the Federal Reserve announced it would undertake another round of studies on payment systems.

NUMBER OF NONCASH PAYMENTS, 2000 AND 2003

(billions)

	2000[1]	2003[1]	Compound annual growth rate, 2000-2003
Total noncash payments	**72.5**	**81.2**	**3.8%**
Check	41.9	36.7	-4.3
Credit card	15.6	19.0	6.7
ACH[2]	6.2	9.1	13.4
Offline debit	5.3	10.3	24.9
Online debit	3.0	5.3	21.0
EBT[3]	0.5	0.8	15.4

[1]Estimate.

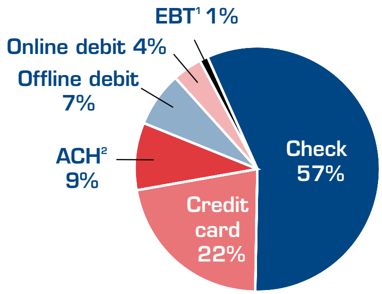
[2]Automated clearing house.

[3]Electronic benefits transfer.

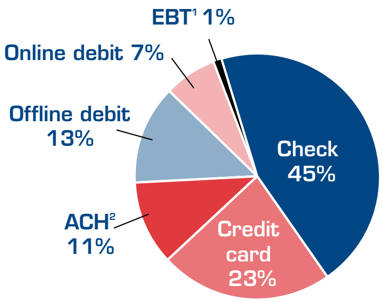
Source: Federal Reserve System.

DISTRIBUTION OF THE NUMBER OF NONCASH PAYMENTS, 2000 AND 2003

2000



2003



[1]Electronic benefits transfer.
[2]Automated clearing house.

Source: Federal Reserve System.

AUTOMATED CLEARING HOUSE NETWORK

Payments through the Automated Clearing House (ACH) Network, a nationwide electronic fund transfer system, include direct deposit of payroll, Social Security benefits and tax refunds, as well as direct payment of consumer bills, business-to-business payments and federal tax withholdings. Annual ACH payment volume has doubled in the last five years, spurred by consumers' use of the Internet for financial activities and direct deposit. Commercial banking institutions, with 15 billion transactions valued at $30.3 trillon in 2006, accounted for 94 percent of ACH payments. The federal government accounted for the remainder, with 1 billion transactions valued at $3.5 trillion.

- The number of ACH payments more than quadrupled from 3.9 billion in 1996 to nearly 16 billion in 2006. ACH transaction values more than doubled to $33.7 trillion during the same period.

AUTOMATED CLEARINGHOUSE HOUSE ELECTRONIC PAYMENTS, 1996-2006

Year	Volume (millions)	Percent increase	Transaction value ($ trillions)	Percent increase
1996	3,929	15.3%	$12.1	9.0%
1997	4,549	15.8	14.0	15.7
1998	5,344	17.5	18.1	29.3
1999	6,122	14.6	19.1	5.5
2000	6,882	12.4	20.3	6.5
2001	7,994	16.2	22.1	9.2
2002	8,944	11.9	24.4	10.2
2003	10,017	12.0	27.4	12.3
2004	12,009	19.9	28.7	4.5
2005	13,957	16.2	31.0	9.2
2006	15,984	14.5	33.7	8.7

Source: NACHA - The Electronic Payments Association.

- Internet-initiated ACH payments grew by about 35 percent from the previous year to 1.8 billion transactions in 2006, according to NACHA, the electronic payments association.
- Direct Deposit is the most widely used type of ACH payment, averaging $1,325 per payment in 2006.

COMMERCIAL AND GOVERNMENT AUTOMATED CLEARING HOUSE ELECTRONIC PAYMENTS, 2005-2006

	2005	2006	Percent change
Transaction volume (millions)			
Commercial	12,981	14,980	15.4%
Federal government	976	1,004	2.8
Total	**13,957**	**15,984**	**14.5**
Dollar value ($ trillions)			
Commercial	$27.9	$30.3	8.5%
Government	3.2	3.5	10.0
Total	**$31.0**	**$33.7**	**8.7%**

Source: NACHA - The Electronic Payments Association.

ATMs

The growth of online banking, electronic payments and deposits, and automated teller machine (ATM) usage has been driven by customer demand for greater convenience. ATMs were introduced in the mid-1970s. By 2007 there were some 415,000 ATMs in the United States, almost five times the number of bank and thrift branches in 2006. ATMs increasingly are being installed in places where consumers may want access to their money such as supermarkets, convenience stores and transportation terminals.

The ATM business consists of three major entities: ATM cardholders' banks, the ATM network that links banks in other locations and the owners of the ATM machines, which may or may not be banks. Most banks allow their own customers to withdraw money from their own ATMs free of charge but charge a fee to other banks' customers. These charges help offset the cost of ATMs and fees banks must pay to the ATM network system.

OFF-PREMISE ATM DEPLOYMENT, 2003-2007[1]

Year	Total ATMs	Off-premise ATMs	Percent off-premise
2003	371,000	238,000	64.2%
2004	383,000	263,000	68.7
2005	396,000	266,000	67.2
2006	395,000	260,000	65.8
2007	415,321	236,732	57.0

[1]ATMs located away from financial institution branches.

Source: ATM & Debit News.

- **The first ATM in the United States was installed in 1971 at the Citizens & Southern National Bank in Atlanta.**

ANNUAL PIN-BASED VOLUME, 2003-2007[1]

(millions)

Year	ATM volume	POS volume[2]	Total volume
2003	10,828	5,006	15,971
2004	11,030	6,274	17,304
2005	10,524	8,210	18,734
2006	10,104	10,082	20,186
2007	14,824	11,327	26,151

[1]PIN (personal identification number) volume. Adjusted to eliminate double-counting caused by two networks reporting a transaction.
[2]POS (point of sale) is a retail payment system that allows funds to be transferred electronically from a customer's account to a retailer, for example from a debit card.

Source: ATM & Debit News.

ATM TRANSACTIONS, 1998-2007[1]

Year	Average monthly ATM transactions	Terminals	Total transactions (millions)
1998	4,973	187,000	930.0
1999	3,997	227,000	907.4
2000	3,919	273,000	1,070.0
2001	3,494	324,000	1,132.0
2002	2,509	352,000	883.2[2]
2003	2,432	371,000	902.3[2]
2004	2,400	383,000	919.2[2]
2005	2,214	396,000	877.0[2]
2006	2,131	395,000	842.0[2]
2007	2,974	415,321	1,235.3[2]

[1]Total network transactions include all deposits, withdrawals, transfers, payments, and balance inquiries performed on ATMs in the network, whether or not those transactions are switched through the network data center, as well as point of sale transactions on network terminals.

[2]Adjusted to eliminate double-counting caused by two networks reporting a transaction.

Source: ATM & Debit News.

- **Cardtronics, the largest U.S. ATM owner, has contracts with merchants in a variety of businesses, including 7-Eleven, Target, ExxonMobil and several drugstores. The nine next largest ATM owners are all banks.**

TOP TEN U.S. ATM OWNERS, 2006

		Number of ATMs	
Rank	Owner	2005	2006
1	Cardtronics	26,399	30,984
2	Bank of America	16,785	17,079
3	J.P. Morgan Chase & Co.	7,310	8,560
4	Wells Fargo Bank	6,504	6,700
5	Wachovia Bank	5,179	5,131
6	U.S. Bancorp	5,003	4,841
7	Washington Mutual Inc.	3,743	3,912
8	PNC Bank Corp.	3,721	3,581
9	Citibank	3,100[1]	3,072[1]
10	KeyBank	2,200	2,700

[1]Estimated.

Source: ATM & Debit News.

TOP TEN FINANCIAL SERVICES FIRMS BY REVENUES, 2006[1]

($ millions)

Financial services industry rank	Company	Global 500 rank (all industries)	Revenues	Profits	Country	Industry
1	General Electric	11	$168,307	$20,829	U.S.	Diversified financial
2	ING Group	13	158,274	9,651	Netherlands	Insurance
3	Citigroup	14	146,777	21,538	U.S.	Banking
4	AXA	15	139,738	6,380	France	Insurance
5	Crédit Agricole	18	128,481	8,976	France	Banking
6	Allianz	19	125,346	8,809	Germany	Insurance
7	Fortis	20	121,202	5,459	Belgium/ Netherlands	Banking
8	Bank of America Corp.	21	117,017	21,133	U.S.	Banking
9	HSBC Holdings	22	115,361	15,789	U.K.	Banking
10	American International Group	23	113,194	14,048	U.S.	Insurance

[1]Based on an analysis of companies in the Global Fortune 500.
Source: Fortune.

INSURANCE COMPANIES

TOP TEN GLOBAL INSURANCE COMPANIES BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues[2]	Country	Industry
1	ING Group	$158,274	Netherlands	Life/health
2	AXA	139,738	France	Life/health
3	Allianz	125,346	Germany	Property/casualty
4	American International Group	113,194	U.S.	Property/casualty
5	Assicurazioni Generali	101,811	Italy	Life/health
6	Berkshire Hathaway	98,539	U.S.	Property/casualty
7	Aviva	83,487	U.K.	Life/health
8	Prudential	66,134	U.K.	Life/health
9	Zurich Financial Services	65,000	Switzerland	Property/casualty
10	State Farm Insurance Cos.	60,528	U.S.	Property/casualty

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies. [2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes. Source: Fortune.

TOP TEN GLOBAL PROPERTY/CASUALTY INSURANCE COMPANIES BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues[2]	Country
1	Allianz	$125,346	Germany
2	American International Group	113,194	U.S.
3	Berkshire Hathaway	98,539	U.S.
4	Zurich Financial Services	65,000	Switzerland
5	State Farm Insurance Cos.	60,528	U.S.
6	Munich Re Group	58,183	Germany
7	Millea Holdings	36,067	Japan
8	Allstate	35,796	U.S.
9	Swiss Reinsurance	32,118	Switzerland
10	Hartford Financial Services	26,500	U.S.

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

[2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL LIFE/HEALTH INSURANCE COMPANIES BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues[2]	Country
1	ING Group	$158,274	Netherlands
2	AXA	139,738	France
3	Assicurazioni Generali	101,811	Italy
4	Aviva	83,487	U.K.
5	Prudential	66,134	U.K.
6	Nippon Life Insurance	56,624	Japan
7	CNP Assurances	55,584	France
8	MetLife	53,275	U.S.
9	Aegon	45,939	Netherlands
10	Dai-ichi Mutual Life Insurance	40,146	Japan

[1]Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.

[2]Revenues include premium and annuity income, investment income and capital gains or losses, but exclude deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN GLOBAL REINSURERS BY NET REINSURANCE PREMIUMS WRITTEN, 2006

($ millions)

Rank	Company	Net reinsurance premiums written	Country
1	Munich Re	$25,432.7	Germany
2	Swiss Re[1]	23,841.1	Switzerland
3	Berkshire Hathaway Re	11,576.0	U.S.
4	Hannover Re	9,353.5	Germany
5	Lloyd's	8,445.3	U.K.
6	SCOR[2]	4,885.2	France
7	Reinsurance Group of America Inc.	4,343.0	U.S.
8	Everest Re	3,875.7	Bermuda
9	PartnerRe	3,689.5	Bermuda
10	Transatlantic Holdings Inc.	3,633.4	U.S.

[1]Does not reflect full year premiums for GE Insurance Solutions Corp., acquired June 2006.

[2]Based on a pro forma consolidation of SCOR and Revios, acquired in 2006.

Source: Standard & Poors.

TOP TEN GLOBAL INSURANCE BROKERS BY REVENUES, 2006

($ millions)

Rank	Company	Brokerage revenues[1]	Country
1	Marsh & McLennan Cos. Inc.	$10,474.0	U.S.
2	Aon Corp.	6,709.0	U.S.
3	Willis Group Holdings Ltd.	2,341.0	U.K.
4	Arthur J. Gallagher & Co.	1,437.8	U.S.
5	Wells Fargo Insurance Services Inc.	1,008.7	U.S.
6	Brown & Brown Inc.	864.7	U.S.
7	Jardine Lloyd Thompson Group plc	847.0	U.K.
8	BB&T Insurance Services Inc.	842.3	U.S.
9	Hilb Rogal & Hobbs Co.	696.0	U.S.
10	Lockton Cos. L.L.C.	657.2	U.S.

[1]Gross revenues generated by insurance brokerage, consulting and related services.

Source: Business Insurance, July 16, 2007.

TOP TEN GLOBAL REINSURANCE BROKERS BY REINSURANCE REVENUES, 2006
($000)

Rank	Company	Reinsurance revenues	Country
1	Aon Re Global	$942,000	U.S.
2	Guy Carpenter & Co. L.L.C.	880,000	U.S.
3	Benfield Group Ltd.	654,960[1]	U.K.
4	Willis Re	597,700	U.K.
6	Towers Perrin	165,700	U.S.
5	Cooper Gay (Holdings) Ltd.	133,660	U.K.
7	Jardine Lloyd Thompson Group P.L.C.	118,531[1]	U.K.
8	BMS Group	74,734[1]	U.K.
9	Gallagher Re	71,300	U.K.
10	John B. Collins Associates Inc.	64,400	U.S.

[1]Fiscal year ending September 30.

Source: Business Insurance, November 6, 2006.

BANKS

TOP TEN GLOBAL COMMERCIAL AND SAVINGS BANKS BY REVENUES, 2006[1]
($ millions)

Rank	Company	Revenues	Country
1	Citigroup	$146,777	U.S.
2	Crédit Agricole	128,481	France
3	Fortis	121,202	Netherlands
4	Bank of America Corp.	117,017	U.S.
5	HSBC Holdings	115,361	U.K.
6	BNP Paribas	109,214	France
7	UBS	107,835	Switzerland
8	J.P. Morgan Chase & Co.	99,973	U.S.
9	Deutsche Bank	96,152	Germany
10	Dexia Group	95,847	Belgium

[1]Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

SECURITIES

TOP SIX GLOBAL SECURITIES FIRMS BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues	Country
1	Morgan Stanley	$76,688	U.S.
2	Merrill Lynch	70,591	U.S.
3	Goldman Sachs Group	69,353	U.S.
4	Lehman Brothers Holdings	46,709	U.S.
5	Nomura Holdings	17,519	Japan
6	Bear Stearns	16,551	U.S.

[1]Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

DIVERSIFIED FINANCIAL

TOP FIVE GLOBAL DIVERSIFIED FINANCIAL COMPANIES BY REVENUES, 2006[1]

($ millions)

Rank	Company	Revenues	Country
1	General Electric	$168,307	U.S.
2	Freddie Mac	44,002	U.S.
3	American Express	27,145	U.S.
4	Countrywide Financial	24,445	U.S.
5	Cie Nationale à Portefeuille	16,615	Belgium

[1]Based on an analysis of companies in the Global Fortune 500.

Source: Fortune.

ASSET MANAGEMENT

TOP TEN GLOBAL ASSET MANAGERS BY ASSETS UNDER MANAGEMENT, 2005
($ millions)

Rank	Company	Total third-party assets under management
1	Barclays Global Investors	$1,400,491
2	State Street Global Advisors	1,367,269
3	Fidelity Investments	1,299,400
4	The Vanguard Group	852,000
5	JPMorgan Asset Management	782,646
6	Capital Research & Management Company	756,791
7	Deutsche Asset Management	723,366
8	Northern Trust Global Investments	589,800
9	UBS Global Asset Management	536,000
10	Alliance Capital Management	516,000

Source: Global Investor's annual GI 100 survey of the world's largest managers by third-party assets under management; http://www.globalinvestormagazine.com. Contact TMoxon@EUROMONEYPLC.COM for permissions.

PRIVATE EQUITY

- **Private equity firms generally specialize in buying companies, which they improve and sell to other investors or to the public through an initial public offering.**

TOP TEN GLOBAL PRIVATE EQUITY FIRMS BY CAPITAL RAISED, 2002-2007[1]
($ billions)

Rank	Firm	Headquarters	Capital raised
1	The Carlyle Group	Washington, DC	$32.5
2	Kohlberg Kravis Roberts	New York, NY	31.1
3	Goldman Sachs Principal Investment Area	New York, NY	31.0
4	The Blackstone Group	New York, NY	28.4
5	TPG	Fort Worth, TX	23.5
6	Permira	London	21.5
7	Apax Partners	London	18.9
8	Bain Capital	Boston, MA	17.3
9	Providence Equity Partners	Providence, RI	16.4
10	CVC Capital Partners	London	15.7

[1]January 1, 2002 to April 18, 2007. Capital raised for direct private equity investment over the prior five years.

Source: Private Equity International.

GEOGRAPHIC MOBILITY

Geographic mobility trends (people moving from one community to another) have a key impact on a particular area's demographic, social and economic composition. For this reason, federal, state and local governments, as well as private industry, pay close attention to who moves, and why, when planning for needed services, facilities and businesses. About 14 percent of the U.S. population moved from 2004 to 2005, compared with 19 percent from 1949 to 1950. From 1949 to 1950, 13.1 percent moved within the same county, compared with 7.9 percent from 2004 to 2005.

GENERAL MOBILITY, 1949-2005

(000)

				Different residence in the United States					
						Different county			
Mobility period	Total population[1]	Nonmovers	Total movers	Total	Same county	Total	Same state	Different state	Movers from abroad
1949-1950	146,864	118,849	28,015	27,526	19,276	8,250	4,360	3,889	491
2000-2001	275,611	236,605	39,007	37,251	21,918	15,333	7,550	7,783	1,756
2001-2002	278,160	237,049	41,111	39,548	23,712	15,836	8,066	7,770	1,563
2002-2003	282,556	242,463	40,093	38,824	23,468	15,356	7,728	7,628	1,269
2003-2004	284,367	245,372	38,995	37,723	22,551	15,172	7,842	7,330	1,272
2004-2005	287,148	247,261	39,888	38,023	22,736	15,287	7,847	7,441	1,865

[1]People age 1 year old and older.

Source: U.S. Census Bureau.

- **In 2005, 40 percent of movers were from the South, 27 percent from the West, 20 percent from the Midwest and 13 percent from the Northeast.**

MOBILITY BY REGION, 2004-2005

(000)

		Movers			
Region	Total movers[1]	Within same county	To different county, same state	To different state	From abroad
Northeast	5,216	2,870	1,025	997	323
Midwest	8,019	4,683	1,586	1,492	259
South	15,875	8,836	3,266	3,087	685
West	10,778	6,347	1,969	1,865	597

[1]People age 1 year old and older.

Source: U.S. Census Bureau.

GEOGRAPHIC MOBILITY

PERCENT OF PEOPLE WHO LIVED IN A DIFFERENT STATE ONE YEAR AGO, 2006[1]

State	Percent	Rank	State	Percent	Rank
Alabama	3.0%	31	Montana	3.9%	16
Alaska	5.7	3	Nebraska	3.1	29
Arizona	4.7	7	Nevada	6.1	2
Arkansas	3.9	16	New Hampshire	3.4	25
California	1.5	49	New Jersey	1.8	47
Colorado	4.2	8	New Mexico	3.8	18
Connecticut	2.6	39	New York	1.5	49
Delaware	3.8	18	North Carolina	4.0	13
D.C.	8.6	1	North Dakota	4.2	8
Florida	3.5	24	Ohio	1.8	47
Georgia	4.1	11	Oklahoma	3.2	27
Hawaii	4.8	6	Oregon	4.1	11
Idaho	5.2	5	Pennsylvania	2.1	44
Illinois	1.9	45	Rhode Island	3.2	27
Indiana	2.6	39	South Carolina	3.8	18
Iowa	3.0	31	South Dakota	3.6	22
Kansas	4.0	13	Tennessee	3.1	29
Kentucky	2.9	33	Texas	2.7	38
Louisiana	2.3	41	Utah	4.0	13
Maine	2.9	33	Vermont	4.2	8
Maryland	3.3	26	Virginia	3.8	18
Massachusetts	2.3	41	Washington	3.6	22
Michigan	1.4	51	West Virginia	2.8	36
Minnesota	2.2	43	Wisconsin	1.9	45
Mississippi	2.9	33	Wyoming	5.4	4
Missouri	2.8	36	**United States**	**2.7%**	

[1]People age 1 year old and older.

[2]States with the same percentage receive the same rank.

Source: U.S. Census Bureau.

PERCENT OF HOUSEHOLDS WITH ONE OR MORE PEOPLE 65 YEARS AND OVER, 2006

State	Percent	Rank	State	Percent	Rank
Alabama	24.3%	14	Montana	24.4%	11
Alaska	13.1	51	Nebraska	22.7	31
Arizona	24.4	11	Nevada	21.3	42
Arkansas	24.9	7	New Hampshire	21.9	38
California	22.3	33	New Jersey	25.0	6
Colorado	18.2	50	New Mexico	23.2	25
Connecticut	24.6	10	New York	25.1	5
Delaware	24.4	11	North Carolina	21.9	38
D.C.	21.7	40	North Dakota	23.5	23
Florida	29.4	1	Ohio	23.7	20
Georgia	18.8	48	Oklahoma	24.1	16
Hawaii	28.2	2	Oregon	22.8	29
Idaho	21.1	43	Pennsylvania	26.7	4
Illinois	22.6	32	Rhode Island	24.9	7
Indiana	22.2	34	South Carolina	23.6	21
Iowa	24.3	14	South Dakota	23.9	19
Kansas	22.2	34	Tennessee	22.9	26
Kentucky	22.9	26	Texas	19.7	47
Louisiana	23.6	21	Utah	18.4	49
Maine	24.9	7	Vermont	22.8	29
Maryland	22.0	37	Virginia	21.5	41
Massachusetts	24.1	16	Washington	20.7	46
Michigan	22.9	26	West Virginia	27.2	3
Minnesota	20.9	44	Wisconsin	22.1	36
Mississippi	24.0	18	Wyoming	20.9	44
Missouri	23.5	23	**United States**	**23.2%**	

[1]States with the same percentage receive the same rank

Source: U.S. Census Bureau.

- **Florida, Hawaii and West Virginia, in descending order, had the highest percentage of households with people 65 or older in 2006.**
- **Alaska, Colorado and Utah, in ascending order, had the lowest percentages of households with one or more people 65 years or older in 2006.**

FASTEST GROWING METROPOLITAN STATISTICAL AREAS, 2000-2006

Rank	Metropolitan statistical area	Population growth	Rank	Metropolitan statistical area	Population growth
1	Atlanta-Sandy Springs-Marietta, GA	890,211	6	Los Angeles-Long Beach-Santa Ana, CA	584,510
2	Dallas-Fort Worth-Arlington, TX	842,449	7	New York-Northern New Jersey-Long Island, NY-NJ-PA	495,154
3	Houston-Sugar Land-Baytown, TX	824,547	8	Washington-Arlington-Alexandria, DC-VA-MD-WV	494,220
4	Phoenix-Mesa-Scottsdale, AZ	787,306	9	Miami-Fort Lauderdale-Miami Beach, FL	455,869
5	Riverside-San Bernardino-Ontario, CA	771,314	10	Chicago-Naperville-Joliet, IL-IN-WI	407,133

Source: U.S. Census Bureau.

INCOME AND EXPENSES

INCOME BY REGION AND AGE GROUP, 2005-2006

	2005		2006		
	Number of households (000)	Median income[1]	Number of households (000)	Median income[1]	Percentage change in median income
All households	**114,384**	**$47,845**	**116,011**	**$48,201**	**0.7%**
By region					
Northeast	21,054	52,550	21,261	52,057	-0.9
Midwest	26,351	47,457	26,508	47,836	0.8
South	41,805	43,520	42,587	43,884	0.8
West	25,174	51,641	25,656	52,249	1.2
By age of householder					
Under 65 years	90,926	54,001	92,282	54,726	1.3
15 to 24 years	6,795	29,713	6,662	30,937	4.1
25 to 34 years	19,120	48,932	19,435	49,164	0.5
35 to 44 years	23,016	59,988	22,779	60,405	0.7
45 to 54 years	23,731	64,471	24,140	64,874	0.6
55 to 64 years	18,264	53,973	19,266	54,592	1.1
65 years and older	23,459	26,890	23,729	27,798	3.4

[1]Income before deductions for taxes and other expenses; does not include lump sum payments or capital gains. Expressed in 2006 dollars.

Source: U.S. Census Bureau.

HOUSEHOLD INCOME BY STATE, 2006

State	Median income	Rank	State	Median income	Rank
Alabama	$38,783	47	Montana	$40,627	43
Alaska	59,393	7	Nebraska	45,474	30
Arizona	47,265	23	Nevada	52,998	11
Arkansas	36,599	49	New Hampshire	59,683	6
California	56,645	8	New Jersey	64,470	2
Colorado	52,015	14	New Mexico	40,629	42
Connecticut	63,422	3	New York	51,384	18
Delaware	52,833	12	North Carolina	42,625	39
D.C.	51,847	16	North Dakota	41,919	40
Florida	45,495	28	Ohio	44,532	33
Georgia	46,832	25	Oklahoma	38,770	48
Hawaii	61,160	4	Oregon	46,230	27
Idaho	42,865	36	Pennsylvania	46,259	26
Illinois	52,006	15	Rhode Island	51,814	17
Indiana	45,394	31	South Carolina	41,100	41
Iowa	44,491	34	South Dakota	42,791	38
Kansas	45,478	29	Tennessee	40,315	44
Kentucky	39,372	45	Texas	44,922	32
Louisiana	39,337	46	Utah	51,309	19
Maine	43,439	35	Vermont	47,665	21
Maryland	65,144	1	Virginia	56,277	9
Massachusetts	59,963	5	Washington	52,583	13
Michigan	47,182	24	West Virginia	35,059	50
Minnesota	54,023	10	Wisconsin	48,772	20
Mississippi	34,473	51	Wyoming	47,423	22
Missouri	42,841	37	**United States**	**$48,451**	

Source: U.S. Census Bureau.

- **In descending order, in 2006 household incomes were highest in Maryland, New Jersey and Connecticut.**
- **Mississippi, West Virginia and Arkansas, in ascending order, had the lowest household incomes in 2006.**

- In descending order, in 2006 home ownership costs as a percentage of income were highest in California, Hawaii and Nevada.
- Homeownership costs were lowest in North Dakota, West Virginia and Iowa, in ascending order, in 2006.

HOUSEHOLD INCOME SPENT ON HOME OWNERSHIP COSTS, 2006[1]

State	Percent	Rank	State	Percent	Rank
Alabama	28.8%	38	Montana	34.7%	20
Alaska	34.2	21	Nebraska	27.5	42
Arizona	37.4	16	Nevada	45.4	3
Arkansas	26.9	43	New Hampshire	39.0	12
California	51.8	1	New Jersey	44.7	5
Colorado	38.5	14	New Mexico	31.0	37
Connecticut	39.6	10	New York	40.9	8
Delaware	31.3	35	North Carolina	31.3	35
D.C.	37.8	15	North Dakota	23.0	51
Florida	44.9	4	Ohio	31.8	32
Georgia	33.6	25	Oklahoma	26.8	45
Hawaii	45.7	2	Oregon	39.1	11
Idaho	33.9	23	Pennsylvania	32.6	31
Illinois	38.7	13	Rhode Island	43.5	6
Indiana	26.7	47	South Carolina	31.8	32
Iowa	25.1	49	South Dakota	26.8	45
Kansas	25.8	48	Tennessee	31.5	34
Kentucky	27.7	41	Texas	33.3	28
Louisiana	28.7	39	Utah	33.1	29
Maine	33.4	26	Vermont	36.5	17
Maryland	35.0	19	Virginia	34.2	21
Massachusetts	41.8	7	Washington	39.8	9
Michigan	35.2	18	West Virginia	24.5	50
Minnesota	33.9	23	Wisconsin	33.4	26
Mississippi	33.1	29	Wyoming	26.9	43
Missouri	28.7	39	**United States**	**36.9%**	

[1]Homeowner costs as a percent of household income. Based on mortgaged owner-occupied housing units spending 30 percent or more of household income on selected owner costs such as all mortgage payments (first mortgage, home equity loans, etc.), real estate taxes, property insurance, utilities, fuel and condominium fees if applicable.

Source: U.S. Census Bureau.

MEDIAN HOUSING VALUE BY STATE, 2006[1]

State	Median value	Rank	State	Median value	Rank
Alabama	$107,000	46	Montana	$155,500	28
Alaska	213,200	19	Nebraska	119,200	39
Arizona	236,500	15	Nevada	315,200	7
Arkansas	93,900	49	New Hampshire	253,200	12
California	535,700	1	New Jersey	366,600	5
Colorado	232,900	16	New Mexico	141,200	32
Connecticut	298,900	9	New York	303,400	8
Delaware	227,100	18	North Carolina	137,200	33
D.C.	437,700	3	North Dakota	99,700	47
Florida	230,600	17	Ohio	135,200	34
Georgia	156,800	27	Oklahoma	94,500	48
Hawaii	529,700	2	Oregon	236,600	14
Idaho	163,900	25	Pennsylvania	145,200	31
Illinois	200,200	21	Rhode Island	295,700	10
Indiana	120,700	38	South Carolina	122,400	37
Iowa	112,600	43	South Dakota	112,600	43
Kansas	114,400	41	Tennessee	123,100	36
Kentucky	111,000	45	Texas	114,000	42
Louisiana	114,700	40	Utah	188,500	23
Maine	170,500	24	Vermont	193,000	22
Maryland	334,700	6	Virginia	244,200	13
Massachusetts	370,400	4	Washington	267,600	11
Michigan	153,300	29	West Virginia	89,700	50
Minnesota	208,200	20	Wisconsin	163,500	26
Mississippi	88,600	51	Wyoming	148,900	30
Missouri	131,900	35	**United States**	**$185,200**	

Source: U.S. Census Bureau.

- **In descending order, in 2006 median housing values were highest in California, Hawaii and Washington, D.C.**
- **Median housing values were lowest in Mississippi, West Virginia and Arkansas, in ascending order, in 2006.**

- In 2006 Minnesota, Michigan, West Virginia, Delaware and Iowa had the highest percentage of housing units that are owner occupied.
- In 2006 the District of Columbia had the lowest percentage of owner occupied units, followed by New York, California, Hawaii and Nevada, in ascending order.

PERCENT OF OCCUPIED HOUSING UNITS THAT ARE OWNER-OCCUPIED, 2006

State	Percent	Rank	State	Percent	Rank
Alabama	71.8%	11	Montana	69.9%	21
Alaska	64.5	45	Nebraska	67.9	37
Arizona	68.5	33	Nevada	62.0	47
Arkansas	68.3	35	New Hampshire	72.1	7
California	58.4	49	New Jersey	67.3	39
Colorado	68.7	31	New Mexico	69.7	26
Connecticut	69.5	27	New York	55.6	50
Delaware	74.4	4	North Carolina	68.1	36
D.C.	45.8	51	North Dakota	66.7	40
Florida	70.3	18	Ohio	70.0	20
Georgia	67.7	38	Oklahoma	68.6	32
Hawaii	59.5	48	Oregon	64.8	44
Idaho	71.3	13	Pennsylvania	71.7	12
Illinois	69.9	21	Rhode Island	63.0	46
Indiana	72.1	7	South Carolina	70.3	18
Iowa	73.3	5	South Dakota	69.2	30
Kansas	69.9	21	Tennessee	69.9	21
Kentucky	70.7	14	Texas	65.2	42
Louisiana	68.5	33	Utah	72.0	9
Maine	72.8	6	Vermont	71.9	10
Maryland	69.4	29	Virginia	69.9	21
Massachusetts	64.9	43	Washington	65.5	41
Michigan	75.2	2	West Virginia	74.7	3
Minnesota	76.3	1	Wisconsin	70.5	17
Mississippi	70.7	14	Wyoming	69.5	27
Missouri	70.7	14	**United States**	**67.3%**	

Source: U.S. Census Bureau.

HOUSEHOLD INCOME SPENT ON RENT AND UTILITIES, 2006[1]

State	Percent	Rank	State	Percent	Rank
Alabama	41.0%	39	Montana	40.0%	43
Alaska	37.8	48	Nebraska	39.0	46
Arizona	45.2	18	Nevada	48.1	4
Arkansas	42.3	31	New Hampshire	46.4	12
California	51.9	2	New Jersey	47.3	8
Colorado	47.1	9	New Mexico	41.9	37
Connecticut	47.6	7	New York	48.1	4
Delaware	46.0	13	North Carolina	42.7	28
D.C.	45.3	17	North Dakota	36.0	49
Florida	52.0	1	Ohio	44.9	19
Georgia	45.6	16	Oklahoma	41.4	38
Hawaii	45.7	15	Oregon	47.0	11
Idaho	38.7	47	Pennsylvania	43.0	27
Illinois	46.0	13	Rhode Island	44.9	19
Indiana	44.5	23	South Carolina	40.3	41
Iowa	40.3	41	South Dakota	34.0	50
Kansas	40.8	40	Tennessee	42.3	31
Kentucky	40.0	43	Texas	44.4	24
Louisiana	42.5	30	Utah	42.1	35
Maine	42.2	34	Vermont	47.1	9
Maryland	43.7	25	Virginia	42.1	35
Massachusetts	48.6	3	Washington	44.9	19
Michigan	47.8	6	West Virginia	39.3	45
Minnesota	44.6	22	Wisconsin	43.3	26
Mississippi	42.7	28	Wyoming	30.0	51
Missouri	42.3	31	**United States**	**46.0%**	

[1]Based on renter-occupied units spending 30 percent or more on rent and utilities such as electric, gas, water and sewer, and fuel (oil, coal, etc.) if paid by the renter.

Source: U.S. Census Bureau.

- **Nationwide 46 percent of renters spent at least 30 percent of their household income on rent and utilities.**
- **In 2006 housing costs as a percentage of income were lowest for renters in Wyoming, followed by South Dakota, North Dakota and Alaska, in ascending order.**
- **In 2006 Florida renters had the highest housing costs as a percentage of income, followed by California, Massachusetts and Nevada, in descending order.**

PERCENT OF PEOPLE WITHOUT HEALTH INSURANCE BY STATE, 2004-2006 AVERAGE[1]

- Texas, New Mexico and Florida, in descending order, had the highest percentages of people without health insurance in 2006.
- Minnesota, Hawaii and Iowa, in ascending orders, had the lowest percentages of people without health care in 2006.

State	Percent	Rank	State	Percent	Rank
Alabama	14.1%	22	Montana	17.0%	12
Alaska	16.7	13	Nebraska	11.1	37
Arizona	19.0	4	Nevada	18.3	8
Arkansas	17.5	11	New Hampshire	10.4	42
California	18.5	7	New Jersey	14.6	21
Colorado	16.6	15	New Mexico	21.0	2
Connecticut	10.4	43	New York	13.2	29
Delaware	12.4	33	North Carolina	16.0	17
D.C.	12.5	32	North Dakota	11.1	36
Florida	20.3	3	Ohio	10.7	40
Georgia	17.6	10	Oklahoma	18.7	5
Hawaii	8.6	50	Oregon	16.6	14
Idaho	14.9	20	Pennsylvania	10.2	46
Illinois	13.6	25	Rhode Island	10.2	45
Indiana	13.1	30	South Carolina	16.0	16
Iowa	9.3	49	South Dakota	11.6	35
Kansas	11.1	38	Tennessee	13.4	27
Kentucky	13.8	24	Texas	24.1	1
Louisiana	18.5	6	Utah	15.7	18
Maine	9.5	47	Vermont	10.8	39
Maryland	13.5	26	Virginia	13.2	28
Massachusetts	10.3	44	Washington	12.5	31
Michigan	10.6	41	West Virginia	15.5	19
Minnesota	8.5	51	Wisconsin	9.4	48
Mississippi	18.1	9	Wyoming	14.0	23
Missouri	12.3	34	**United States**	**15.3%**	

[1]Includes private coverage from an employer or purchased by an individual and government coverage including Medicare, Medicaid, military health care, the State Children's Health Insurance Program and individual state health plans. People were considered insured if they were covered by any coverage for part or all of the previous calendar year.

Source: U.S. Census Bureau.

SUMMARY OF THE GRAMM-LEACH-BLILEY FINANCIAL SERVICES MODERNIZATION ACT OF 1999

Titles of the Act	Provisions
TITLE I: Affiliations among Banks, Securities Firms and Insurance Companies	Allows banks, securities firms, insurance companies and other firms engaged in financial services to affiliate under a financial holding company (FHC) structure.
TITLE II: Functional Regulation	Specifies that all financial activities will be functionally regulated by the relevant regulatory body: banking (Federal Reserve), securities (Securities and Exchange Commission) and insurance (state regulators).
TITLE III: Insurance Regulation	Covers state regulation of insurance, redomestication of mutual insurers, National Association of Registered Agents and Brokers, rental car agency insurance activities and confidentiality.
TITLE IV: Unitary Thrift Holding Company Provisions	Prohibits unitary savings and loan holding companies from engaging in nonfinancial activities or affiliating with nonfinancial entities.
TITLE V: Privacy	Requires all financial institutions to disclose to customers their privacy policy for nonpublic information.
TITLE VI: Federal Home Loan Bank (FHLB) System Modernization	Establishes a new capital structure for FHLBs, increases access to funds for smaller member banks, and discusses regulatory changes.
TITLE VII: Other Provisions	Addresses ATM fee reform, the Community Reinvestment Act and other regulatory improvements.

Source: TowerGroup.

SUMMARY OF DEFINED BENEFIT PLAN FORMULAS

Dollar amount formula	Benefits are based on a dollar amount per month for each year of service recognized by the plan.
Percent of career earnings	Benefits are based on a percentage of an average of career earnings for every year of service recognized by the plan.
Percent of contribution	Benefits are based on employer and, occasionally, employee contributions. Benefits equal a percentage of total contributions.
Cash balance	Each participant is allocated an account that receives credits on an annual basis: a pay credit, generally based on a percentage of compensation, and an interest credit, based on a fixed interest rate or linked to an index such as the Treasury bill rate. The accounts are portable.
Pension equity	For each year of work, employees are credited with a percentage applied to their final average earnings. Generally disbursed as a lump sum.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

SUMMARY OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) COMPARED WITH STATUTORY ACCOUNTING PRINCIPLES (SAP)

	GAAP	SAP
Sales costs	Accounted for over the period in which the premium is earned, i.e., the policy period.	Accounted for immediately on the sale of a policy.
Unearned income	Taxes on unearned income can be deferred until the income is earned.	Some taxes must be paid on a portion of unearned premium.
Loss reserve discounting	Reserves held to pay known losses in future need not be discounted for tax purposes.	Loss reserves must be discounted for tax purposes.
Reinsurance recoverables	Net worth may include reinsurance payments that may not be recoverable.	Net worth cannot include potentially unrecoverable reinsurance payments.
Nonadmitted assets	Certain assets, e.g., furniture and equipment, can be included in net worth.	Such assets cannot be included in net worth.
Taxes on unrealized capital gains	Deferred taxes on unrealized capital gains cannot be included in net worth.	Those anticipated taxes need not be deducted from net worth.
Bonds	Requires insurers to carry certain bonds at fair market value.	Most bonds can be carried at their amortized value.
Surplus notes	Surplus notes, a highly subordinated form of debt, must be carried as liabilities.	Surplus notes can be carried as part of policyholder's surplus.

Source: Insurance Information Institute.

YEAR	EVENT
1601	First insurance legislation in the U.K. enacted. Modern insurance has its root in this law concerning coverages for merchandise and ships.
1735	Friendly Society, first insurance company in the U.S., established in Charleston, S.C. The mutual insurer went out of business in 1740.
1759	First life insurance company, established in Philadelphia by the Synod of the Presbyterian Church.
1762	Equitable Life Assurance founded. Was the world's oldest mutual insurer until it failed in 2001.
1782	Pennsylvania chartered first bank in the U.S.
1790	The federal government refinanced all federal and state Revolutionary War debt, issuing $80 million in bonds. These became the first major issues of publicly traded securities, marking the birth of the U.S. investment markets.
1791	Secretary of the Treasury, Alexander Hamilton, established First Bank of the United States.
1792	Insurance Company of North America, first stock insurance company, established.
	The Buttonwood Agreement, pact between 24 brokers and merchants to trade securities on a common commission basis, marked the origins of the New York Stock Exchange. Bank of America was first listed stock.
1809	Rhode Island was the scene of first bank failure.
1849	New York passed first general insurance law in the U.S.
1850	Franklin Health Assurance Company of Massachusetts offered first accident and health insurance.
1863	Office of the Comptroller of the Currency established in the U.S. Treasury Department. Authorized to charter banks and issue national currency.
1875	American Express established first pension plan in the U.S.
1880	First corporate surety company established.
1890	First policies providing benefits for disabilities from specific diseases offered.
1898	Travelers Insurance Company issued first automobile insurance policy in the U.S.
1909	St. Mary's Cooperative, first U.S. credit union, formed in New Hampshire.
	Massachusetts passed first state credit union law.
1911	Group life insurance for employees introduced.
1913	Federal Reserve established to replace J.P. Morgan as lender of last resort.
1916	National Bank Act, limiting bank insurance sales, except in small towns, passed.
1920	Financial options introduced.
1924	First mutual funds established in Boston.
1929	Stock market crash. Nearly 10,000 U.S. banks failed.
1932	Federal Home Loan Bank Act established Federal Home Loan Bank System to act as central credit system for savings and loans institutions.

BRIEF HISTORY

YEAR	EVENT
1933	Glass-Steagall Act, separating banking and securities industries, passed by Congress.
	Federal Deposit Insurance Corporation, guaranteeing accounts up to $2,500, opened.
	Securities Act of 1933 passed. Regulated registration and offering of new securities, including mutual funds, to the public.
1934	Securities Exchange Act passed. Authorized Securities and Exchange Commission to provide for fair and equitable securities markets.
	Federal Savings and Loan Insurance Corporation established by Congress to insure savings and loans deposits. Replaced by Savings Association Insurance Fund in 1989.
	Federal Credit Union Act of 1934 authorized establishment of federally chartered credit unions in all states.
1936	Revenue Act of 1936 established tax treatment of mutual funds.
1940	Investment Company Act set structure and regulatory framework for modern mutual fund industry.
1944	National Association of Investment Companies, predecessor to the Investment Company Institute, formed and began collecting statistics.
1950	First package policies for homeowners insurance introduced.
1955	First U.S.-based international mutual fund introduced.
1956	Bank Holding Company (BHC) Act, putting multiple bank holding companies under federal supervision, passed. Stipulates that nonbanking activities of BHCs must be "closely related to the business of banking."
1960	Bank Merger Acts of 1960 and 1966 set standards for mergers and placed them under federal authority.
1961	Banking industry introduced fixed-rate certificates of deposit.
1962	Keogh plans, providing savings opportunities for self-employed individuals, introduced under the Self Employed Individuals Tax Retirement Act.
1968	Mortgage insurance introduced.
	Federal flood insurance program established with the passage of the National Flood Insurance Act. It enables property owners in communities that participate in flood reduction plans to purchase insurance against flood losses.
1970	U.S. government introduced mortgage-related securities to increase liquidity.
	National Credit Union Administration created to charter and supervise federal credit unions.
	National Credit Union Share Insurance Fund created by Congress to insure members' deposits in credit unions up to the $100,000 federal limit. Administered by the National Credit Union Administration.
1971	Municipal bonds insured for first time in arrangement between American Municipal Bond Assurance Corporation (predecessor to Ambac Assurance Corporation) and Borough Medical Arts Building in Alaska.
	NASDAQ, the first electronic stock market, was introduced by NASD, then known as the National Association of Securities Dealers. NASDAQ was spun off in 2000.
1972	Money market mutual funds introduced.

YEAR	EVENT
1974	Automated teller machines (ATMs) widely introduced.
	Employee Retirement Income Security Act (ERISA) set minimum standards for pension plans in private industry; established the federal Pension Benefit Guaranty Corporation to protect pension benefits.
1975	SEC deregulated broker commissions by eliminating fixed commissions brokers charged for all securities transactions.
1976	First individual variable life insurance policy issued.
1977	Banking industry introduced variable rate certificates of deposit.
	Community Reinvestment Act passed to encourage banks to meet credit needs of their local communities.
1978	International Banking Act limited the extent to which foreign banks could engage in securities activities in the U.S.
1979	Congress created the Central Liquidity Facility, credit union lender of last resort.
1980	Depository Institutions Deregulation and Monetary Control Act provided universal requirements for all financial institutions, marking first step toward removing restrictions on competition for deposits.
	The Office of the Comptroller of the Currency and the Federal Reserve authorized banks to establish securities subsidiaries to combine the sale of securities with investment advisory services.
1982	Garn-St. Germain Depository Institutions Act authorized money market accounts and expanded thrifts' lending powers.
	Stock market futures contracts introduced.
1983	Federal government introduced collateralized mortgage obligations.
	Bank of America bought discount securities broker, Charles Schwab. Schwab reacquired the discounter in 1987.
1987	Federal Reserve ruling interpreting Section 20 of Glass-Steagall as permitting separately capitalized affiliates of commercial bank holding companies to engage in a variety of securities activities on a limited basis.
1989	Financial Institutions Reform, Recovery and Enforcement Act established, providing government funds to insolvent savings and loan institutions (S&Ls) from the Resolution Trust Corporation and incorporating sweeping changes in the examination and supervision of S&Ls.
	Savings Association Insurance Fund, deposit insurance fund operated by the FDIC, established.
1990	J.P. Morgan permitted to underwrite securities.
1992	European Union's Third Non-Life Insurance Directive became effective, establishing a single European market for insurance.
1994	Riegle-Neal Interstate Banking and Branching Efficiency Act allowed bank holding companies to acquire banks in any state and, as of June 1, 1997, to branch across state lines.
1995	U.S. Supreme Court ruled in NationsBank vs. Variable Annuity Life Insurance Company that annuities are not a form of insurance under the National Bank Act, thus allowing national banks to sell annuities without limitation.
	Private Securities Litigation Reform Act of 1995 enacted to reduce the number of frivolous securities fraud lawsuits filed.
1996	Barnett Bank U.S. Supreme Court decision allowed banks to sell insurance nationwide.

BRIEF HISTORY

YEAR	EVENT
1996	Section 20 of Glass-Steagall amended to allow commercial bank affiliates to underwrite up to 25 percent of revenue in previously ineligible securities of corporate equity or debt.
1997	The Financial Services Agreement of the General Agreement on Trade in Services provided framework to reduce or eliminate barriers that prevent financial services from being freely provided across national borders, or that discriminate against foreign-owned firms.
1998	Citibank and Travelers merged to form Citigroup, a firm engaged in all major financial services sectors.
1999	Gramm-Leach-Bliley Financial Services Modernization Act allowed banks, insurance companies and securities firms to affiliate and sell each other's products.
2001	U.S. House of Representatives Banking Committee renamed itself the Financial Services Committee.
2002	J.P. Morgan Chase introduced an annuity, becoming one of the first banking companies to underwrite an insurance product under the Gramm-Leach-Bliley Act.
	Sarbanes-Oxley Act enacted to increase the accountability of the boards of publicly held companies to their share-holders. Strengthened the oversight of corporations and their accounting firms.
	President Bush signed the Terrorism Risk Insurance Act (TRIA), whereby private insurers and the federal government share the risk of future losses from terrorism for a limited period.
2003	State regulators and the Securities and Exchange Commission (SEC) launched investigations into late trading and market timing in the mutual funds and variable annuities industries.
	Fair and Accurate Credit Transaction Act (FCRA) enacted to provide uniform rules for banks, insurers and others who use credit information, and to provide credit fraud and identity theft protections.
2004	New York Attorney General Eliot Spitzer, the Securities and Exchange Commission, and a number of state regulators launched investigations into insurance industry sales and accounting practices.
2005	Federal Bankruptcy Prevention and Consumer Protection Act was enacted to tighten rules for personal bankruptcy.
	Citigroup sold off its Travelers' life insurance unit, following the spin off of its property/casualty business in 2002. This dissolved the arrangement that led to the passage of the Gramm-Leach-Bliley Act in 1999.
2006	President Bush signed the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, which merges the Bank Insurance Fund and the Savings Association Insurance Fund into the new Deposit Insurance Fund, increases the deposit insurance limit for certain retirement accounts from $100,000 to $250,000, and indexes that limit to inflation.
	Congress passed landmark pension reform legislation to close funding shortfalls in the nation's defined benefit system. The act also provides tax incentives for workers to enroll in individual retirement accounts, secures the legality of cash balance pension plans and permits automatic enrollment in employer-sponsored defined contribution pension plans such as 401(k)s.
	Massachusetts became the first state to pass a universal health insurance law.
2007	A string of mortgage lenders filed for bankruptcy, reflecting turmoil in the subprime mortgage market.

Advantage Group • 1610 Des Peres Rd., Suite 370. St. Louis, MO 63131. Tel. 314-984-0028. www.indexannuity.org/ — Provides research and consulting services to insurance companies and financial service firms in all aspects of index annuities.

A.M. Best Company, Inc. • Ambest Rd., Oldwick, NJ 08858. Tel. 908-439-2200. www.ambest.com — Rating organization and publisher of books and periodicals relating to the insurance industry.

America's Health Insurance Plans • 601 Pennsylvania Ave., NW, South Building, Suite 500, Washington, DC 20004. Tel. 202-778-3200. Fax. 202-331-7487. www.ahip.org — National trade association representing health insurance plans providing medical, long-term care, disability income, dental supplemental, stop-gap and reinsurance coverage.

American Bankers Association • 1120 Connecticut Ave., NW, Washington, DC 20036. Tel. 800-BANKERS. Fax. 202-828-4540. www.aba.com — Represents banks of all sizes on issues of national importance for financial institutions and their customers. Brings together all categories of banking institutions, including community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks.

American Bankers Insurance Association • 1120 Connecticut Ave., NW, Washington, DC 20036. Tel. 202-663-5163. Fax. 202-828-4546. www.theabia.com — A separately chartered affiliate of the American Bankers Association. A full service association for bank insurance interests dedicated to furthering the policy and business objectives of banks in insurance.

The American College • PO Box 1513, 270 S. Bryn Mawr, PA 19010. Tel. 1-888-AMERCOL. Fax. 610-526-1465. www.theamericancollege.edu — An independent, accredited, nonprofit educational institution that provides graduate and professional education, primarily on a distance learning basis, to people pursuing career growth in the field of financial services.

American Council of Life Insurers • 101 Constitution Ave, NW Ave., Washington, DC 20001-2133. Tel. 202-624-2000. www.acli.com/ — Trade association responsible for the public affairs, government, legislative and research aspects of the life insurance business.

American Financial Services Association • 919 18th St., NW, Suite 300, Washington, DC 20006-5517. Tel. 202-296-5544. Fax. 202-223-0321. www.americanfinsvcs.com — The national trade association for market funded providers of financial services to consumers and small businesses.

American Insurance Association • 1130 Connecticut Ave., Suite 1000, NW, Washington, DC 20036. Tel. 202-828-7100. Fax. 202-293-1219. www.aiadc.org/ — Trade and service organization for property/casualty insurance companies. Provides a forum for the discussion of problems and provides safety, promotional and legislative services.

Association of Financial Guaranty Insurors • c/o TowersGroup, 15 West 39th St., 14th Fl., New York, NY 10018. Tel. 212-354-5020. Fax. 212-391-6920. www.afgi.org — Trade association of the insurers and reinsurers of municipal bonds and asset-backed securities.

Bank Administration Institute • One N. Franklin, Suite 1000, Chicago, IL 60606-3421. Tel. 888-284-4078. Fax. 800-375-5543. www.bai.org — A professional organization devoted exclusively to improving the performance of financial services companies through strategic research and information, education and training.

Bank for International Settlements • PO Box CH-4002, Basel, Switzerland. Tel. 41-61-280-8080. Fax. 41-61-280-9100. www.bis.org — An international organization which fosters cooperation among central banks and other agencies in pursuit of monetary and financial stability.

FINANCIAL SERVICES ORGANIZATIONS

Bank Insurance & Securities Association • 303 West Lancaster Ave., Suite 2D, Wayne, PA 19087. Tel. 610-989-9047. Fax. 610-989-9102. www.bisanet.org — Fosters the full integration of securities and insurance businesses with depository institutions' traditional banking businesses. Participants include executives from the securities, insurance, investment advisory, trust, private banking, retail, capital markets and commercial divisions of depository institutions.

Bank Insurance Market Research Group • 154 E. Boston Post Rd., Mamaroneck, NY 10543. Tel. 914-381-7475. www.singerpubs.com — Provides market research and investment sales data to the bank and insurance industries, based on in-depth surveys of depository and insurance entities augmented by analysis of government data.

Bond Market Association • 360 Madison Ave., New York, NY 10017-7111. Tel. 646-637-9200. Fax. 646-637-9126. www.bondmarkets.com/ — Represents securities firms and banks that underwrite, trade and sell debt securities, both domestically and internationally.

Certified Financial Planner Board of Standards, Inc. • 1670 Broadway, Suite 600, Denver, CO 80202-4809. Tel. 303-830-7500. Fax. 303-860-7388. www.cfp.net — Group whose mission is to create awareness of the importance of financial planning and the value of the financial planning process and to help underserved populations gain access to competent and ethical financial planning.

CFA Institute • 560 Ray C. Hunt Dr., Charlottesville, VA 22903-2981. Tel. 800-247-8132. www.cfainstitute.org — Global membership organization that awards the CFA designation, the institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets.

College Savings Plans Network • PO Box 11910, Lexington, KY 40578-1910. Tel. 859-244-8175. Fax. 859-244-8053. www.collegesavings.org — The College Savings Plans Network is an affiliate of the National Association of State Treasurers. The Network serves as a clearinghouse for information on college savings programs.

Commercial Finance Association • 225 W. 34th St., Suite 1815, New York, NY 10122. Tel. 212-594-3490. Fax. 212-564-6053. www.cfa.com — The trade group of the asset-based financial services industry, with members throughout the U.S., Canada and around the world.

The Committee of Annuity Insurers • c/o Davis & Harman LLP, 1455 Pennsylvania Ave., NW, Suite 1200, Washington, DC 20004. Tel. 202-347-2230. Fax. 202-393-3310. www.annuity-insurers.org — Group whose goal is to address federal legislative and regulatory issues relevant to the annuity industry and to participate in the development of federal tax and securities policies regarding annuities.

Commodity Futures Trading Commission • Three Lafayette Centre, 1155 21st St., NW, Washington, DC 20581. Tel. 202-418-5000. Fax. 202-418-5521. www.cftc.gov — Independent agency created by Congress to protect market participants against manipulation, abusive trade practices and fraud.

Conference of State Bank Supervisors • 1155 Connecticut Ave., NW, 5th Fl. Washington, DC 20036-4306. Tel. 202-296-2840. Fax. 202-296-1928. www.csbs.org — National organization that advocates on behalf of the nation's state banking system.

Conning Research and Consulting Inc. • One Financial Plaza, Hartford, CT 06103-2627. Tel. 888-266-6464. www.conningresearch.com — Research and consulting firm that offers a growing array of specialty information products, insights and analyses of key issues confronting the insurance industry.

Consumer Bankers Association • 1000 Wilson Blvd., Suite 2500, Arlington, VA 22209-3912. Tel. 703-276-1750. Fax. 703-528-1290. www.cbanet.org/ — This group is the recognized voice on retail banking issues in the nation's capital.

The DMA Financial Services Council • 1120 Avenue of the Americas, New York, NY 10036-6700. Tel. 212-768-7277. Fax. 212-302-6714. www.the-dma.org — Integrates the direct marketing concept, its tactics and its practices with mainstream insurance and financial services marketing to create a strategic business synergism; a division of the Direct Marketing Association (DMA).

Eastbridge Consulting Group, Inc. • 50 Avon Meadow Lane, Avon, CT 06001. Tel. 860-676-9633. www.eastbridge.com — Provides consulting, marketing, training and research services to financial services firms, including those involved in worksite marketing and the distribution of individual and employee benefits products.

Employee Benefit Research Institute • 2121 K St., NW Suite 600, Washington, DC 20037-1896. Tel. 202-659-0670. Fax. 202 775-6312. www.ebri.org — The institute's mission is to advance knowledge and understanding of employee benefits and their importance to the U.S. economy.

Federal Deposit Insurance Corporation (FDIC) • 550 17th St., NW, Washington, DC 20429-9990. Tel. 877-275-3342. www.fdic.gov — The FDIC's mission is to maintain the stability of and public confidence in the nation's financial system. To achieve this goal, the FDIC has insured deposits and promoted safe and sound banking practices since 1933.

Federal Financial Institutions Examination Council • 2000 K St., NW, Suite 310, Washington, DC 20006. Tel. 202-872-7500. Fax. 202-872-7501. www.ffiec.gov/ — A formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System.

Federal Reserve • 20th St. and Constitution Ave., NW, Washington, DC 20551. Tel. 202-452-3000. www.federalreserve.gov — Central bank of the United States, founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Financial Markets Center • PO Box 23, Howardsville, VA 24562. Tel. 434-286-4010. Fax. 434-286-4014. www.fmcenter.org/ — An independent, nonprofit institute that provides research and education resources to grassroots groups, unions, policymakers and journalists interested in the Federal Reserve System and financial markets.

The Financial Planning Association • 4100 E. Mississippi Ave., Suite 400, Denver, CO 80246-3053. Tel. 800-322-4237. Fax. 303-759-0749. www.fpanet.org/ — Group whose primary aim is to foster the value of financial planning and advance the financial planning profession.

Financial Services Coordinating Council • 901 7th St., 2nd Fl., Washington, DC 20001. Tel. 202-315-5100. Fax. 202-315-5010. www.fsccnews.com — A coalition, including the American Insurance Association, the American Council of Life Insurers, the American Bankers Association, the Securities Industry Association and the Investment Company Institute, that represents the diversified financial services industry.

Financial Services Forum • 601 Thirteenth St., NW, Suite 750 South, Washington, DC 20001. Tel. 202-457-8765. Fax. 202-457-8769. www.financialservicesforum.org — An organization of 20 chief executive officers of major U.S. financial services firms dedicated to the execution and coordination of activities designed to promote the development of an open and competitive financial services industry.

Financial Services Industry Council • 2000 Pennsylvania Ave. NW, Suite 6000, Washington, DC 20006. Tel. 202-777-5085. Fax. 202-777-5100. www.financialservicesindustrycouncil.com — A unique forum for insight into the financial services industry. Members gain access to the strategies and practices of the world's leading financial institutions.

FINANCIAL SERVICES ORGANIZATIONS

The Financial Services Roundtable • 1001 Pennsylvania Ave., NW, Suite 500 South, Washington, DC 20004. Tel. 202-289-4322. Fax. 202-628-2507. www.fsround.org/ — A forum for U.S. financial industry leaders working together to determine and influence the most critical public policy concerns related to the integration of the financial services industry.

Fitch Credit Rating Company • One State Street Plaza, New York, NY 10004. Tel. 212-908-0500. Fax. 212-480-4435. www.fitchratings.com/ — Assigns claims-paying ability ratings to insurance companies.

Futures Industry Association • 2001 Pennsylvania Ave., NW, Suite 600, Washington, DC 20006. Tel. 202-466-5460. Fax. 202-296-3184. www.futuresindustry.org — Association representative of all organizations that have an interest in the futures market.

Global Association of Risk Professionals • 100 Pavonia Ave., Suite 405, Jersey City, NJ 07310. Tel. 201-222-0054. Fax. 201-222-5022. www.garp.com//index.asp — International group whose aim is to encourage and enhance communications between risk professionals, practitioners and regulators worldwide.

The Hedge Fund Association • 2875 NE 191st St., Suite 900, Aventura, FL 33180. Tel. 202-478-2000, Fax. 202-478-1999. www.thehfa.org — An international not-for-profit association of hedge fund managers, service providers and investors formed to unite the hedge fund industry and add to the increasing awareness of the advantages and opportunities in hedge funds.

Highline Data LLC • One Alewife Center, Suite 460, Cambridge, MA 02140. Tel. 877-299-9424. www.highlinedata.com/ — An information and data services company comprised of two principal product lines: National Underwriter Insurance Data Services and Highline Banking Data Services.

Independent Insurance Agents & Brokers of America, Inc. • 127 S. Peyton St., Alexandria, VA 22314 Tel. 800-221-7917. Fax. 703-683-7556. www.iiaba.org — Trade association of independent insurance agents.

Insurance Information Institute • 110 William St., New York, NY 10038. Tel. 212-346-5500. Fax. 212-791-1807. www.iii.org/ — A primary source for information, analysis and referral on insurance subjects.

International Finance and Commodities Institute • 2, Cours de Rive, 1204 Geneva, Switzerland. Tel. 41-22-312-5678. Fax. 41-22-312-5677. www.riskinstitute.ch — Nonprofit foundation created with the objective of promoting global understanding of commodity trading as well as financial futures and options.

International Swaps and Derivatives Association • 360 Madison Ave., 16th Fl, New York, NY 10017. Tel. 212-901-6000. Fax. 212-901-6001. www.isda.org — The association's primary purpose is to encourage the prudent and efficient development of the privately negotiated derivatives business.

Investment Company Institute • 1401 H St., NW, Washington, DC 20005. Tel. 202-326-5800. www.ici.org — The national association of the American investment company industry.

ISO • 545 Washington Blvd., Jersey City, NJ 07310-1686. Tel. 800-888-4476. Fax. 201-748-1472. www.iso.com — Provider of products and services that help measure, manage and reduce risk. Provides data, analytics and decision-support solutions to professionals in many fields, including insurance, finance, real estate, health services, government and human resources.

Kehrer-LIMRA • 300 Day Hill Rd., Windsor, CT 06095-4761. Tel. 860-298-3910. Fax. 860-298-9555. www.kehrerlimra.com/ — Consultant focusing on the financial services marketplace. Conducts studies of sales penetration, profitability, compensation and compliance.

The Life and Health Insurance Foundation for Education • 2175 K St. NW, Suite 250,, Washington, DC, 20037-1809. Tel.202-464-5000. Fax. 202-464-5011. www.life-line.org/ — Nonprofit organization dedicated to addressing the public's growing need for information and education about life, health, disability and long-term care insurance.

LIMRA International • 300 Day Hill Rd., Windsor, CT 06095. Tel. 860-285-7787. Fax. 860-298-9555. www.limra.com/ — Worldwide association providing research, consulting and other services to insurance and financial services companies in more than 60 countries. LIMRA helps its member companies maximize their marketing effectiveness.

LOMA (Life Office Management Association) • 2300 Windy Ridge Pkwy., Suite 600, Atlanta, GA 30339-8443. Tel. 770-951-1770. Fax. 770-984-0441. www.loma.org — Worldwide association of insurance companies specializing in research and education, with a primary focus on home office management.

Michael White Associates • 823 King of Prussia Rd., Radnor, PA 19087. Tel. 610-254-0440. Fax. 610 254-5044. www.bankinsurance.com — Consulting firm that helps clients plan, develop and implement bank insurance sales programs. Conducts research on bank insurance trends.

Money Management Institute • 1140 Connecticut Ave., NW, Suite 1040, Washington DC 20036-4001. Tel. 202-822-4949. Fax. 202-822-5188. www.moneyinstitute.com — National organization for the managed account solutions industry, represents portfolio manager firms and sponsors.

Moody's Investors Service • 99 Church St., New York, NY 10007. Tel. 212-553-1653. www.moodys.com — Global credit analysis and financial information firm.

Mortgage Bankers Association of America • 1919 Pennsylvania Ave., NW, Washington, DC 20006-3404. Tel. 202-557-2700. www.mbaa.org/ — Represents the real estate finance industry.

Mortgage Insurance Companies of America (MICA) • 727 15th St., NW, 12th Fl., Washington, DC 20005. Tel. 202-393-5566. Fax. 202-393-5557. www.micanews.com — Represents the private mortgage insurance industry. MICA provides information on related legislative and regulatory issues, and strives to enhance understanding of the vital role private mortgage insurance plays in housing Americans.

Museum of American Financial History • 26 Broadway, Rm. 947, New York, NY 10004. Tel. 212-908-4110. Fax. 212-908-4601. www.financialhistory.org — An affiliate of the Smithsonian Institution, the museum is the nation's only independent public museum dedicated to celebrating the spirit of entrepreneurship and the democratic free market tradition.

NASD • 1735 K St., NW, Washington, DC 20006. Tel. 301-590-6500. www.nasd.com/ — Securities industry self-regulatory organization. The group registers member firms, writes rules to govern their behavior, examines them for compliance and disciplines those that fail to comply. Also provides education to industry professionals and investors, and support to member firms in their self-compliance activities.

National Association for Variable Annuities • 11710 Plaza America Dr., Suite 100, Reston, VA 20190. Tel. 703-707-8830. Fax. 703-707-8831. www.navanet.org — Promotes the growth, acceptance and understanding of annuity and variable life products to retirement-focused Americans; provides educational and informational resources.

National Association of Federal Credit Unions • 3138 10th St. North, Arlington, VA 22201-2149. Tel. 800-336-4644. Fax. 703-524-1082. www.nafcunet.org/ — Trade association that exclusively represents the interests of federal credit unions before the federal government and the public.

National Association of Health Underwriters • 2000 N. 14th St., Suite 450, Arlington, VA 22201. Tel. 703-276-0220. Fax. 703-841-7797. www.nahu.org/ — Professional association of people who sell and service disability income, and hospitalization and major medical health insurance.

National Association of Insurance and Financial Advisors • 2901 Telestar Ct., PO Box 12012, Falls Church, VA 22042-1205. Tel. 877-866-2432. www.naifa.org/ — Professional association representing health and life insurance agents.

FINANCIAL SERVICES ORGANIZATIONS

National Association of Investment Professionals • 12664 Emmer Pl., Suite 201, St. Paul, MN 55124. Tel. 952-322-4322. www.naip.com/ — Promotes the interests and the image of its financial professionals members, and encourages and facilitates higher levels of competency in members so that they may better serve the investing public.

National Association of Mutual Insurance Companies • 3601 Vincennes Rd., PO Box 68700. Indianapolis, IN 46268. Tel. 317-875-5250. Fax. 317-879-8408. www.namic.org — Trade association of property/casualty mutual insurance companies.

The National Association of Personal Financial Advisors • 3250 North Arlington Heights Rd., Suite 109, Arlington Heights, IL 60004. Tel. 847-483-5400. Fax. 847-483-5415. www.napfa.org/ — Organization of fee-only financial planning professionals serving individuals and institutions.

National Association of Professional Insurance Agents • 400 N. Washington St., Alexandria, VA 22314. Tel. 800-366-2732. Fax. 703-836-1279. www.pianet.com — Trade association of independent insurance agents.

National Credit Union Administration • 1775 Duke St., Alexandria, VA 22314-3428. Tel. 703-518-6300. Fax. 703-518-6660. www.ncua.gov — An independent agency in the executive branch of the federal government responsible for chartering, insuring, supervising and examining federal credit unions.

NCCI Holdings, Inc. • 901 Peninsula Corporate Circle, Boca Raton, FL 33487. Tel. 561-893-1000. Fax. 561-893-1191. www.ncci.com/ — Develops and administers rating plans and systems for workers compensation insurance.

National Futures Association • 200 W. Madison St., Suite 1600, Chicago, IL 60606-3447. Tel. 312-781-1300. Fax. 312-781-1467. www.nfa.futures.org — Industrywide self-regulatory organization for the commodity futures industry.

National Reverse Mortgage Lenders Association • 1400 16th St., NW, Suite 420, Washington, DC 20036. Tel. 202-939-1760. www.nrmlaonline.org — The national voice for lenders and investors engaged in the reverse mortgage business. The group educates consumers about the opportunity to utilize reverse mortgages and trains lenders to be sensitive to the needs of older Americans.

Office of Thrift Supervision • 1700 G St., NW, Washington, DC 20552. Tel. 202-906-6000. www.ots.treas.gov/ — The primary regulator of all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations.

Options Industry Council • One North Wacker Dr., Suite 500, Chicago, IL 60606. Tel. 800-678-4667. www.optionscentral.com — Nonprofit association created to educate the investing public and brokers about the benefits and risks of exchange-traded options.

Pension Research Council • The Wharton School of the University of Pennsylvania, 3620 Locust Walk, 3000 Steinberg Hall - Dietrich Hall, Philadelphia, PA 19104-6302. Tel. 215-573-3418. Fax. 215-898-0310. http://prc.wharton.upenn.edu/prc/prc.html — Organization committed to generating debate on key policy issues affecting pensions and other employee benefits.

Property Casualty Insurers Association of America • 2600 South River Rd., Des Plaines, IL 60018-3286. Tel. 847-297-7800. Fax. 847-297-5064. www.pciaa.net — Serves as a voice on public policy issues and advocates positions that foster a competitive marketplace for property/casualty insurers and insurance consumers.

Reinsurance Association of America • 1301 Pennsylvania Ave., NW, Suite 900, Washington, DC. 20004. Tel. 202-638-3690. Fax. 202-638-0936. www.reinsurance.org — Trade association of property/casualty reinsurers; provides legislative services for members.

Securities and Exchange Commission • 100 F St., NE, Washington, DC 20549. Tel. 202-551-6551. www.sec.gov/ — Primary mission is to protect investors and maintain the integrity of the securities markets.

Securities Industry and Financial Markets Association • 120 Broadway, 35th Fl., New York, NY 10271-0080. Tel. 212-608-1500. Fax. 212-968-0703. www.sia.com/ — Association bringing together the shared interests of securities firms to accomplish common goals.

SNL Financial LC • One SNL Plaza, PO Box 2124, Charlottesville, VA 22902. Tel. 434-977-1600. Fax. 434-977-4466. www.snl.com — Research firm that collects, standardizes and disseminates all relevant corporate, financial, market and M&A data as well as news and analytics for the industries it covers: banking, specialized financial services, insurance, real estate and energy.

Society of Financial Services Professionals • 17 Campus Blvd., Suite 201, Newtown Square, PA 19073-3230. Tel. 610-526-2500. Fax. 610-527-1499. www.financialpro.org/ — Advances the professionalism of credentialed members with state-of-the-art resources to serve their clients' financial needs.

Standard & Poor's Rating Group • 55 Water St., New York, NY 10041. Tel. 212-438-2000. www.standardandpoors.com — Monitors the credit quality of bonds and other financial instruments of corporations, governments and supranational entities.

Surety Association of America • 1101 Connecticut Ave., NW, Suite 800, Washington, DC 20036. Tel. 202-463-0600. Fax. 202-463-0606. www.surety.org — Statistical, rating, development and advisory organization for surety companies.

TowerGroup • Two Charles River Place, 63 Kendrick St., Needham, MA 02494-2708. Tel. 781-292-5200. Fax. 781-449-6982. www.towergroup.com/ — Research and advisory firm focused exclusively on the global financial services industry.

Vards/Morningstar, Inc. • 225 West Wacker Dr., Chicago, IL 60606. Tel. 312-696-6000. http://corporate.morningstar.com — Software technology and research data firm that helps annuity manufacturers, distributors, and financial advisors implement new technology and business practices in the sale and servicing of annuities.

Weather Risk Management Association (WRMA) • 1156 15th St., NW, Suite 900, Washington, DC 20005. Tel. 202-289-3800. Fax. 202-223-9741. www.wrma.org — The goal of the WRMA is to serve the weather risk management industry by providing forums for discussion and interaction with others associated with financial weather products.

Ward Group • 11500 Northlake Dr., Suite 305, Cincinnati, OH 45249-1662. Tel. 513-791-0303. Fax. 513-985-3442. www.wardinc.com — Management consulting firm specializing in the insurance industry.

Company Index

Note: Company names in charts in this book may vary. They appear as printed in the original source.

A

A.G. Edwards, 130
ABN AMRO Mortgage Group Inc., 158
ABN AMRO No. America Holding Co., 49
Aca Financial Guaranty Corp., 81
Acacia Federal Savings Bank, 60
Acacia Life, 60
Access Group, 23
Accredited Home Lenders, Inc., 161
ACE Limited, 61, 81
ACUITY A Mutual Insurance Co., 61
Acuity Bank, 61
Aegon, 82, 180
AEGON/Transamerica, 62
AES/PHEAA, 23
AFLAC, 89
AIG, 9, 60, 62, 62, 73, 78, 80, 82, 161, 179, 180
Alfa Mutual Insurance Company, 60
Alliance, 22, 60, 184
Alliant, 121
Allianz, 82, 93, 179, 179, 180
Allstate, 9, 60, 61, 62, 73, 82, 180
Ambac Assurance Group, 81
America Holdings, 48
American Airlines, 121
American Equity, 93
American Express, 9, 29, 60, 60, 122, 153, 183
American Family Insurance Group, 73
American Funds, 22
American International Group. *See* AIG
American National Financial Group, 82
American National, 89
American Sterling, 60
Ameriprise Financial Group, 96
Ameriquest Mortgage Company, 161
AmerUs Group Co., 65
AmSouth Bancorp., 4, 98
Aon, 65, 74, 181, 182
Apax Partners, 184
Applied Underwriters, 65
Arch Capital Group, 80, 82
Argent Mortgage Company, LLC., 161
Arthur J. Gallagher & Co., 74, 181
AssetMark Investment Services, 65
Assicurazioni Generali, 179, 180
Assurant, 89
Astoria Financial Corporation, 116
Auto Club Group, 61
Auto Club Trust, FSB, 61
Auto-Owners Insurance, 73
Aviva, 61, 65, 93, 179, 180
AWAS Aviation Holdings LLC, 124, 145
AXA, 61, 62, 92, 179, 180
Axis Reinsurance Co., 83
Aztec Insurance Company, 78

B

Bain Capital, 184
Banc of America Securities LLC, 131
Banco Bilbao Vizcaya Argentaria SA (Spain), 98
Banco Santander Central Hispano, 145
BancorpSouth Bank, 58
Bank of America, 9, 23, 29, 48, 49, 50, 51, 57, 58, 59, 98, 110, 111, 153, 154, 158, 178, 179, 182
Bank of New York, 4, 58, 59, 98, 110, 111, 124
Bank of the West, 98, 111
Bankers Life & Casualty Co., 96
Bankplus, FSB, 60
Barclays, 131, 145
Bay Haven Limited, 84
BB&T. *See* Branch Banking and Trust Company
Bear Stearns, 130, 131, 183
Berkley Insurance Co., 83
Berkshire Hathaway, 9, 65, 73, 179, 180, 181, 182
BlackRock, Inc., 4, 124
Blackstone Group, 184
Blue Healthcare Bank, 61
BNP Paribas, 131, 182
Boeing Employees, 121
BONY Retail Banking Business (NY), 98
Branch Banking and Trust Company, 49, 57, 58, 59, 74, 98, 110, 111, 181
Brooke Savings Bank, 61
Brown & Brown Inc., 74, 181

C

Capital One Financial Corp., 4, 29, 98, 110, 145, 153
Capital Research & Management, 143
Capital Services, 145
Capmark Bank, 122
Cardtronics, 178
Carlyle Group, 184
Cascadia II Ltd., 84
Caterpillar Financial Services Corporation, 154
Catlin Ins. Co., 84
CBOT Holdings Inc., 4, 124
Centex Home Equity Co., LLC, 145

Cerberus Capital Management LP, 145
Charles Schwab Corp., 50, 51, 130
Chase Bank, USA, 57, 58, 111
Chase Insurance, 62, 65
Chicago Mercantile Exchange, 4, 124
Chubb, 73, 80
Cie Nationale a Portefeuille, 183
Cifg Assurance North America Inc., 81
Cincinnati Financial, 73
CIT Group Inc., 122, 154
Citigroup, 9, 23, 29, 48, 49, 50, 57, 58, 98, 110, 111, 153, 158, 178, 179, 182
Citizens Bank, 23
Citizens Financial Group, Inc., 48
CNA, 73, 80, 96
CNP Assurances, 180
Coface North America Insurance Co., 82
Collateral Mortgage Group, 78
College Foundation Inc., 23
College Loan Coporation, 23
Columbia Management Group, 143
Comerica, 98, 110, 111
Commerce Bancorp, Inc., 49
Commerce Bank/North, 57, 58
Compass Bank, 57, 58
Conseco, 89, 96
Continental Casualty Co., 96
Country Trust Bank, 61
Countrywide, 9, 48, 49, 111, 116, 158, 183
Credit Agricole, 179, 182
Credit Suisse (USA), Inc., 131
CUNA Mutual Group, 61, 78
Curragh Capital Partners II LP, 60
CVC Capital Partners, 184

D

Dai-ichi Mutual Life Insurance, 180
Deutsche Bank, 131, 182
Dexia Group, 182
Direct General Corp., 65
Discover Financial Services Inc., 29
Donegal Mutual Insurance Co., 61
Drive Financial Services, 145

E

E*TRADE, 116, 130
Edamerica, 23
Elara Holdings Inc., 65
Encore Credit Corporation, 161
Endurance Specialty, 84
Equitrust, 93
Erie Insurance Group, 73
Euronext N.V., 4, 124
Everest Reinsurance Company, 83, 182

F

Farm Bureau Bank, FSB, 60
FB Bancorp, 60
Fhu-Jin Ltd., 84
FIA Card Services, 57, 58, 98, 111
Fidelity, 22, 73, 143
Fifth Third Bank, 58, 59, 110, 111
Financial Security Assurance Group, 81
First American, 60, 73
First Bancshares Inc., 60
First Command Bank, 60
First Command Financial Plan, 60
First Franklin, 124, 145
First Home Savings Bank, 60
First Horizon National Corp., 110
First Nonprofit Mutual Insurance Co., 81
First Tennessee Bank, N.A., 57, 58
FM Global, 84
Ford Motor Credit Company LLC, 153, 154
Forethought Federal Savings Bank, 60
Fort Washington Savings Company, 61
Fortis, 179, 182
Fortress Investment Group LLC, 145
Foundation Re II Ltd., 84
Franklin Resources, 50, 51, 130
Franklin Templeton Investments, 143
Freddie Mac, 9, 183
Fremont Investment & Loan, 122, 161
Frontier Trust Company, FSB, 61

G

General Electric, 9, 153, 154, 179, 182, 183
General Motors Acceptance Corporation (GMAC), 4, 122, 145, 153, 153
General Reinsurance Corp., 83
Genworth, 62, 65, 78, 89, 96
GMAC. *See* General Motors Acceptance Corporation
Golden 1, 121
Golden West Financial, 4, 98
Goldman Sachs Group, 9, 122, 130, 131, 183, 184
Greater Bay Bancorp, 49
Guard Financial Group, 60
Guard Security Bank, 60
Guardian Life Insurance, 61, 89
Guardian Trust Company, FSB, 61

H

Hannover Re, 182
Hartford, 9, 61, 62, 73, 80, 84, 92, 180
HCC Insurance Holdings Group, 80
Hilb Rogal & Hobbs Co., 74, 181
HomEq Servicing Corp., 145
HSBC, 29, 48, 49, 57, 98, 111, 153, 179, 182
Hudson City Bancorp, 116, 117
Huntington Bancshares Inc., 4, 98

I

IDS Life Insurance Co., 96
Illinois Agricultural Association, 61
Illinois Mutual Life Insurance, 60
INA Trust, FSB, 61
IndyMac Bancorp, 116, 117
ING, 60, 62, 93, 116, 179, 180
Instinet Holdings Inc., 124
InsurBank, 60
IntercontinentalExchange Inc., 124
International Lease Finance Corporation, 154
Island Finance Puerto Rico Inc., 145

J

Jackson National Life, 62, 92, 93
Jardine Lloyd Thompson Group plc, 181, 182
Jefferson-Pilot, 93
John Deere Capital Corporation, 154
John Hancock, 61, 62, 92, 96
JP Morgan Chase, 9, 23, 29, 48, 49, 50, 51, 57, 58, 59, 62, 65, 98, 110, 111, 143, 153, 158, 178, 182, 184

K

Kansas City Life Insurance Co., 61
KeyBank, 59, 111, 178
KeyCorp, 110
Kohlberg Kravis Roberts, 184

L

Lakeside Re Ltd., 84
LaSalle Bank, National Association, 111
Legg Mason, 22, 130
Lehman Brothers Holdings, 9, 130, 131, 183
Liberty Life of Boston, 61
Liberty Mutual, 73, 80, 84
Lincoln Financial, 62
Lincoln National, 61, 89
Lloyd's, 182
Lockton Cos. LLC, 74, 181
Loews. *See* CNA

M

M&T Bank Corp., 110
Manufacturers and Traders Trust Company, 58, 98, 111
Marsh & McLennan Cos. Inc., 74, 181
Marshall & Ilsley Corp., 110
Massachusetts Mutual Life, 9, 61, 89
MassMutual Trust Company, 61
MBIA Group, 81
Mellon, 4, 50, 51, 59, 98, 110
Members Trust Bank, 61
Mennonite Mutual Aid Assoc., 61
Mercantile Bankshares Corp., 4, 98
Merrill Lynch, 4, 9, 22, 98, 122, 124, 130, 131, 145, 183
MetLife, 9, 48, 49, 50, 51, 89, 96, 180
MGIC Group, 78
MidCountry Bank, 60
Midland Loan Services, Inc., 158
Midland National Life, 93
Millea Holdings, 180
MMA Trust Company, 61
Modern Woodmen of America, 60
Morgan Stanley, 9, 122, 130, 131, 143, 183
Munich Re, 83, 180, 182
Mutual of Omaha Insurance, 89
MWABank, 60
Mystic Re Ltd., 84

N

N.J.M. Bank, FSB, 60
National City, 48, 59, 110, 111
National Indemnity Company, 83
Nationwide, 60, 61, 62, 73
Navy, 121
Nelnet, 23
New Century Mortgage Corporation, 161
New Jersey Manuf. Insurance, 60
New York Board of Trade, 124
New York Community Bancorp, Inc., 116
New York Life, 9, 62, 89
Nippon Life Insurance, 180
Nomura Holdings, 124, 183
North Fork, 4, 98, 111, 145
Northern Trust Co., 59, 110
Northwestern Mutual, 61, 89
NYSE Euronext, 4, 124

O

OdysseyAmerica Re/Odyssey Reinsurance Corp., 83
Ohio Farmers Insurance Co., 60
Old Mutual, 93
Old National Bancorp, 49
Old Republic Group, 78, 82
OneAmerica, 61
Onex Corp., 65
Oppenheimer, 22, 143
Option One Mortgage Corporation, 161
Orange County Teachers, 121

P

Pacific Life, 62, 89, 92
Partner Re, 182
Peach Holdings Inc., 145
Penn Treaty American Group, 96
Penn Treaty Network America Ins. Co., 96
Pentagon, 121
Permira, 184
Plans' Holding Company, 61

PMI Group of Companies, 78, 81
PNA, 23
PNC, 4, 23, 50, 58, 59, 98, 110, 111, 143, 178
Polish National Alliance of the U.S., 60
Popular, 110
Praetorian Financial Group Inc., 65
Principal, 60, 62, 65, 89, 124
Progressive, 73
Protective, 61, 65, 82
Providence Equity Partners, 184
Province Bank, FSB, 61
Prudential, 9, 60, 62, 65, 89, 179, 180
Putnam, 22

Q

QBE Insurance Group Limited, 65

R

Radian Group, 78, 81
Redwood Capital, 84
Regions Bank, 23, 98, 111
Regions Financial, 4, 49, 98, 110
Reinsurance Group of America, 182
Residential Capital, LLC, 154, 158
RiverSource, 62, 92

S

Safeco, 73, 80
Sallie Mae, 23
Santander BanCorp, 145
Scottish Re Group Limited, 65
Security Service, 121
Shackleton Re Ltd., 84
Shelter Financial Bank, 60
Shelter Mutual Insurance Co., 60
Sky Financial Group Inc., 4, 98
SLM Corporation, 153
Southern Pioneer Property & Casualty Insurance Co., 78
Sovereign Bancorp, 116, 117
State Employees', 121
State Farm, 9, 60, 73, 179, 180
State Street Bank and Trust Company, 59, 98, 111
Stichting Cumulatief Preferente, 60
Student Loan Xpress, 23
Successor Ltd., 84
Sun Life, 93
Suncoast Schools, 121
SunTrust Bank, 23, 48, 57, 98, 110, 111
Swiss Re, 82, 83, 84, 180, 182
Synovus Financial Corp., 110

T

T. Rowe Price, 22, 143
Taunus Corporation, 48, 50, 51
TD Bank Financial Group (Canada), 98
TD Banknorth Inc., 98
Teachers Insurance & Annuity Association, 92
Terra Firma Capital Partners, 124, 145
Texas Regional Bancshares Inc., 98
Textron Financial Corporation, 154
Thrivent Financial Bank, 60
Thrivent Financial for Lutherans, 60, 89
TIAA-CREF, 9, 22, 61, 89
Tokyo Marine & Fire, 84
Torchmark, 89
TPG, 184
Transamerica, 61
Transatlantic/Putnam Reinsurance Co., 83
Travelers, 9, 73, 80

U

U.S. Bancorp, 48, 51, 110, 154, 178
U.S. Bank, 23, 57, 58, 59, 98, 111
U.S. Trust Corp. (NY), 98
UBS, 122, 124, 182
Union Bank of California, N.A., 57, 58
United Services Automobile Assoc., 60
United States Trust Co. of NY, 59
Unum, 89, 96
USAA, 29, 60, 73, 116, 122
USI Holdings Corp., 74

V

Vanguard, 22
Vanguard Group, 143
Variable Annuity, 92
W.R. Berkley, 60, 73

W

Wachovia, 4, 9, 23, 48, 49, 50, 51, 57, 58, 59, 98, 110, 111, 158, 178
Washington Mutual, 9, 29, 98, 116, 117, 158, 161, 178
Wells Fargo, 9, 23, 29, 48, 49, 50, 51, 57, 58, 59, 74, 98, 110, 111, 153, 158, 178, 181
Western & Southern Financial, 61, 62, 89
Westfield Bank, FSB, 60
Willis Group Holdings Ltd., 74, 181
WM Advisors Inc., 65, 124
WMC Mortgage Corporation, 161
World Savings Bank, FSB, 98

X

XL 81, 83, 182

Z

Zions Bancorp, 110
Zurich, 80, 84, 179, 180

Subject Index

401(k) plans
  assets, 41
  participants, 40

A

acquisitions. *See* mergers and acquisitions
American Stock Exchange (AMEX), 137, 138
annuities
  bank holding companies, 47, 51
  considerations, 42
  distribution channels, 42, 43
  fixed, 42
    bank share, 32, 54
    writers of, top ten, 62
  net assets, 43
    writers of, top ten, 92
  variable, 42, 43
    bank share, 54
    writers of, top ten, 62, 92
asset-backed securities (ABS), 135-136
  sources, 134
assets, *v*, 401(k) plans, 41
  banking, 2, 100, 103, 104, 105-106
  broker/dealers, 128
  by industry, 2
  commercial banks, top 25, 111
  credit market, 100-101
  credit unions, 120, 121
  distribution
    life/health insurance, 87
    property/casualty insurance, 71, 74
  family, 19, 20
  FDIC-insured commercial banks, 105-106
  finance companies, 2, 147
  foreign banking offices, in U.S., 103
  household, 19, 20
  insurance, 2, 71, 74, 87
  mutual fund industry, 141, 142
  pensions, 2
  personal sector, 17-18
  private pension funds, 34
  retirement funds, 34-35, 36-38, 44
    government employees, 35
  securities industry, 2, 126
ATMs, 177
  deployment, off premise, 177
  owners, top ten, 178
  transactions, 178
  volume, 177
Automated Clearing House (ACH) network, 175-176
automated teller machines. *See* ATMs

B

bank and thrift deals, top ten, 98
bank holding companies, 46-51
  insurance brokerage income, 47
    top ten, 49
  insurance premiums written, top ten, 48
  investment fee income, 46
    top ten, 50
  mutual fund and annuity assets, 51
  mutual fund and annuity income, 46
    top ten, 50
  top ten, 48, 51
  underwriting fee income, 47
    top ten, 49
Bank Holding Company Act of 1956, 1
bank insurance
  distribution channels, 52
  fee income, 55, 56
banking industry. *See also* banks; commercial banks
  assets, 2, 100, 104, 105
  concentration, 108
  employment, 101
  IT spending, 169
  regulation, 97
banking offices, by type of bank, 103
bankruptcies, by type, 30
Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, 30
banks, 97
  annuity income, top ten, 59
  federally chartered, top ten by assets, 98
  fixed-annuity premiums, 54
  in insurance, 51-58
  insurance fee income, *v*, 55
    top ten, 57
  investment fee income, *v*
    top ten, 58
  mutual fund income, 56
    top ten, 59
  proprietary mutual fund and annuities assets, top ten, 59
  purchases of insurance agencies, 56
  retail mutual fund sales, 54
  state-chartered, top ten by assets, 98

underwriting income, 55
top ten, 57
variable annuity premiums, 54
Barnett Bank U.S. Supreme Court decision, 1
broker/dealers, 126
assets and liabilities, 128
business debt, 24
business lending, 102
business receivables at finance companies, 150

C

captive finance companies, 145
cash out home mortgage refinancing, 159
catastrophe bonds, 84
Chicago Board of Trade, 139
Chicago Mercantile Exchange, 86, 139
college savings plans, 21-23
providers, top ten, 22
providers, top twenty, 23
commercial banks
assets, 104, 105
branches and offices, 103
by asset size, 106, 109
concentration, 109
consolidation, 103
credit market share, 100-101
deposits, 107
employment, 101
expenses, 107
FDIC-insured, 105
deposits, income and expenses, 107
securities, 108
IT spending, 169-170
liabilities, 104, 105
net income, 99
profitability, 99
return on average assets, 99
securities, 108
top ranked
by assets, 111
by revenues, 110
global, 182
community development lending, 102
consolidation. *See* mergers and acquisitions
consumer credit, by institution and type of loan, 27
consumer debt, 24
consumer finance companies, 145
top ten, 153
consumer fraud, 31
consumer receivables at finance companies, 151
convergence, 45
corporate bonds, 130
U.S. holdings, 13
corporate equities
and debt, 132
ownership, 12
U.S. holdings, 12, 13
corporate social responsibility, 10
corporate underwriting, 132
credit accident and health insurance, 92
credit cards
balance due, 25
issuers, top ten, 29
loss rates, 29
use of by families, 28
credit derivatives, 137
credit insurance, 82
credit insurance companies, top ten, 82
credit life insurance, 92
credit market, 100-101
debt outstanding, 24
credit unions, 118
assets and liabilities, 120
branches and offices, 103
distribution by asset size, 121
employment, 101
members, 119
net income, 99
profitability, 99
return on average assets, 99
state chartered, 119
top ten, 121

D

debt
business, 24
consumer, 24
corporate equities, 132
families, 25-26
federal government, 16
growth, 24
household, *v*, 24
ownership, 11
public, 16
debt securities, 16
defined benefit pension funds, 36-37
plan formulas, 195
defined contribution plans, 36, 38
asset allocation, 38
depository insurance, 97
deposits, 106
derivatives, 137
global market, 138

Direct Marketing Association (DMA), 64
direct marketing, insurance, 64
discount broker/dealers, 126
distribution channels
  annuities, 42, 43
  bank insurance, 52
  life/health insurance, 64, 90
  property/casualty insurance, 64, 74
diversified financial firms, top five, global, 183

E

educational savings plans and loans, 21-23
  top ten, 22
electronic commerce, 171
  revenues, 172
electronic payments, 174-176
Employee Retirement Income Security Act of 1974, 38
employment
  banking industry, 101
  credit unions, 101
  finance company, 146
  financial services industry, *v*, 5
  insurance industry, 67
  securities industry, 129
equity index annuity, producers, top ten, 93
exchange activities, 138
exchange listed companies, 139

F

Fannie Mae. See Federal National Mortgage Association
Federal Credit Union Act, 118
Federal Depository Insurance Corporation (FDIC), 97
federal educational loans, 22-23
Federal Family Education Loan Program (FFELP), 22
federal government debt, ownership of, 16
Federal Home Loan (FHL) Bank System, 112, 161
Federal National Mortgage Association, 161
Federal Reserve system, 97
federal student loans, originators, top twenty, 23
FFELP. *See* Federal Family Education Loan Program
finance companies, 143
  assets and liabilities, 147
  commercial, top ten, 154
  concentration, 152
  consumer and commercial, top ten, 151
  consumer, top ten, 151
  employment, 146
  establishments, 146
  mergers, 145
  profitability, 148
  receivables, 149-151
  return on equity, 148
  top companies, 153-154
finance rates, consumer credit, 27
financial guaranty insurance, 80-81
  income statement, 81
financial guaranty insurers, top ten, 81
financial holding companies
  number of, 45
financial intermediation, 11
financial literacy programs, 104
financial product purchasing, preferred channels, 173
financial services companies
  assets, *v*, 2
  diversified financials, global, 183
  employment, *v*, 5
  largest, 9
    by revenue, U.S., 9
    by revenues, global, 179
  mergers, 3-4
fixed annuities, bank share, 54
  sales, 42
  writers of, top ten, 62
Ford Direct Loan Program, 22
foreign banking offices, in U.S., assets, 103
foreign bonds, U.S. holdings, 13
fraud, consumer, 31
Freddie Mac. See Federal Home Loan Mortgage Corporation
futures contracts, 137

G

generally accepted accounting principles (GAAP), 63, 196
geographic mobility, 185. *See also* migration
Glass-Steagall Act of 1933, 1
government securities, ownership of, 16
government-related financial services, assets, 2
Government-sponsored enterprises (GSEs), 161-163
Gramm-Leach-Bliley Financial Services Modernization Act, 1, 45, 195
gross domestic product (GDP), 6-8
  financial services industry, *v*, 6-8
  growth of, 8
gross national savings, 11
gross state product, financial services share, 8

H

health care dollar, sources, 91
health insurance, 93-94
  coverage, 94
  uninsured persons, by state, 194
    reasons for, 95
health savings accounts, 95
hedge funds, 144

Herfindahl scale, 75
history, financial services, 196-200
home equity loans, 159
home mortgages, 155-159
home purchase loans, 167
homeowners, characteristics of, 166
homeownership, 164
  costs, income spent, 190
  median housing values, by state, 191
  median sales price, 164
  rates by income, 167
  rates by race and ethnicity, 165-167
  rates by region, 165
homeownership rates, since 1900, 166
homes, single family, median sales price, 164
households
  assets, 17-18, 19, 20
  debt, *v*, 24
    credit card, 28-29
    finance rates, 27
    lending institutions, 26
    percent of disposable income, 27
    purpose of, 26
    type of, 25, 26
  income
    by region and age group, 188
    by state, 189
  liabilities, 17-18
  share of mutual fund industry, 15
housing units, owner occupied, by state, 192
housing. *See* homeownership
HSA. See health savings accounts

I

identity theft, 31
  victims by state, 32
Individual Retirement Account (IRA), 36
  market shares, 39, 40
industrial banks, 122
information technology (IT), 169-170
insurance, 63
  assets, 2
  bank sales of, 53
  brokers, commercial, top ten, 74
  distribution channels, 52, 74
  domestic, by state, 68-69
  employment in, 67
  health, 93-94
  market share trends, 75
  mortgage guaranty, 78
  property/casualty, top ten, 73
  regulation, 63
insurance agencies, bank purchases of, 56
insurance companies
  domestic, by state, 68-69
  information technology spending, 169-170
  thrifts owned by, 60-61
insurance industry, property/casualty
  asset distribution, 71
  income analysis, 72
  world market, 70
insurance premiums
  bank produced, 51
  banks, by type of coverage, 52
  life/health, by line, 91
  property/casualty, by line, 75-76, 77
  world, life and nonlife, 70
insurance underwriting, bank holding companies, top ten, 48
  bank holding companies, top ten, 49
  by bank holding companies, 47
insurance, online sales, 172
insurers, life sales through banks, leading, 61
interest-only mortgages, 157
International Swaps and Derivatives Association (ISDA), 137
Internet, 74, 171-172
Investment Advisers Act, 142
investment banks, 131
Investment Company Act of 1940, 141

K

Keogh plans, 36, 97

L

Latin America, remittances, 117-118
liabilities
  broker/dealers, 128
  credit unions, 120
  FDIC commercial banks, 104, 105-106
  finance companies, 147
  personal sector, 17-18
life insurance
  bank sales of, 53, 53
  distribution channels, 90
  premiums, world, 70
  sales through banks, leading insurers, 61
  worksite sales, 90
life, annuities and health insurance companies, IT spending, 170
life/health insurance, 87
  annual rate of return, 65
  asset distribution, 87
  capital and surplus, 88

companies
global, top ten, 180
U.S., top twenty, 89
net income, 88
operating data, 88
long-term care insurance, 96
top ten companies, 96

M

McCarran-Ferguson Act, 63
medical savings accounts, See health savings accounts
Medicare Modernization Act, 95
mergers and acquisitions, 1, 3-4
banks, 98
by sector, 3
number of, 3
value of, 3
insurance-related, top ten, 65
securities firms, top ten, 124
specialty lenders, top ten, 145
metropolitan areas, fastest growing, 188
migration, state by state, 186
mortgage finance companies, top ten, 158
mortgage guaranty insurance. *See* private mortgage insurance (PMI)
mortgage lenders, residential, top ten, 161
mortgage lending, thrift industry, 116
mortgage market, 155
mortgages
by holder, 156
delinquency and foreclosure rates, 158
originations, 155
refinancing, 159, 168
single-family, 157
total outstanding, 155
municipal bonds, 12
insurance, 80
number and value of, 133
municipal loans, U.S. holdings, 14
municipal securities, U.S. holdings, 14
mutual funds, 141
assets, 2
bank holding company income, 47
bank sales of, 54
by holder, 15
companies, top ten, 142
net assets, 143
by number of funds, 141
by type of funds, 142
number of, by type, 142, 143
ownership of, U.S. household, 18
retail, bank sales of, 54
retirement assets, 44
top ten, 51, 143

N

NASD, 123, 139
NASDAQ, 139
National Bank Act of 1916, 1, 97
National Credit Union Administration, 97, 118
National Credit Union Share Insurance Fund, 118
national full line companies, 126
New York City-area regionals, 126
New York Stock Exchange (NYSE), 139, 140
noncash payments, distribution of, 175
noncash payments, number of, 174
nondepository institutions, concentration, 152
nonlife insurance. *See also* property/casualty insurance
assets, 71
global, top ten companies, 180
premiums, world, 70

O

Office of the Comptroller of the Currency, 97
Office of Thrift Supervision, 60, 97
online banking, growth in, 171
online insurance sales, 172
online payments. *See* electronic payments
options contracts, 138
over-the-counter (OTC) stocks, 139

P

Pension Benefit Guaranty Corporation (PBGC), 38, 39
legislation, 38
pension funds, assets, 2, 34
distribution of, 37
premiums
by type of insurer, 66
direct written
credit insurance companies, top ten, 82
financial guaranty, top ten, 81
world, 70
growth in, 66
life, 91
net written, by line, 75-76, 77
private equity firms, top ten global, by capital raised, 184
private mortgage insurance (PMI), 78
private mortgage insurance companies, top ten, 78
private placements, 134
profitability
commercial banks, 99

credit unions, 99
finance companies, 148
insurance, 65
savings banks, 99
securities industry, 125, 126
property/casualty insurance, 71-86
annual rate of return, 65
asset distribution, 71
capital and surplus, 72
combined ratio, 72
companies, top 20, U.S., 73
top ten, global, 180
concentration, 75
distribution channels, 74
income analysis, 72
information technology spending, 169-170
market share trends, 75
net premiums written, by line, 75-76, 77
premiums, 67
growth in, 66
profitability, 65
reinsurers, top ten, 83

R

rankings
asset managers, global, 184
ATM owners, 178
bank and thrift deals, 98
bank holding companies, 47, 48, 49
insurance brokerage income, 49
insurance premiums written, 48
investment fee income, 50
mutual fund and annuity income, 50
underwriting fee income, 49
banks
annuity income, 59
insurance brokerage fee income, 58
insurance fee income, 57
investment fee income, 58
mutual fund income, 59
proprietary mutual fund and annuities assets, 59
underwriting income, 57
catastrophe bond transactions, top ten, 84
college savings plans, 22
commercial and savings banks, global, 182
commercial banks
by assets, 111
by revenues, 110
global, 182
commercial finance companies, 154
commercial insurance brokers, 74
consumer and commercial finance companies, 153
consumer finance companies, 153
corporate donations to U.S. beneficiaries, by industry, 10
credit card issuers, 29
credit insurance companies, 82
credit unions, 121
diversified financial firms, global, 183
educational savings plans, 22
equity index annuities, producers of, 93
federal student loans, originators, 23
federally chartered banks by assets, 98
finance companies, 153-154
financial guaranty insurers, 81
financial services companies, global, 179
by revenues, 9
cross-industry acquisitions, 4
fixed annuities, sales through banks, 62
global insurance companies, 179-182
industrial banks, 122
insurance brokers, commercial, 74
insurance companies, thrift assets, 60-61
insurance-related mergers and acquisitions, 65
leading insurers, sales through banks, 61
life insurance sales, 61
life/health insurance companies
by revenues, 89
global, 180
long-term insurers, 96
mergers and acquisitions
financial services cross industry, 4
insurance-related, 65
securities industry, 124
specialty lenders, 145
metropolitan areas, 188
mortgage finance companies, 158
mortgage guaranty companies, 78
mutual fund companies, 143
nonlife insurers, global, 180
private equity firms, by capital raised, 184
private mortgage insurance companies, 78
property/casualty insurance companies
by revenues, U.S., 73
global, 180
property/casualty reinsurers, 83
reinsurance companies, global, 181
residential mortgage lenders, 161
savings banks, global, 182
securities firms
by assets, 131
by revenues, 130
by total capitol, 130

global, 183
mergers and acquisitions, 124
specialty lender mergers and acquisitions, 145
state-chartered banks, by assets, 98
surety companies, 80
thrift companies
by assets, 116
by revenues, 117
U.S. financial services firms, 9
U.S. life/health companies, 89
U.S. property casualty companies, 73
variable annuities
sales through banks, 62
writers of, 62, 92
rate of return
life/health insurance, 65
property/casualty insurance, 65
real estate
gross domestic product, 6
receivables, 149-151
regional brokers, 126
regulation
banking, 97
insurance, 63
securities industry, 123
reinsurance, 83
brokers, top ten, global, 181
companies, top ten, global, 181
property/casualty reinsurers, top ten, U.S., 83
remittances, 117-118
transfer mechanisms, 118
rent, by state, 193
retirement assets, by type, 33
retirement funds, 33-44
retirement plans, types of, 36
return on average assets, credit unions, 99
return on equity. *See* profitability
revenues, largest U.S. financial firms, 9
reverse mortgages, 168
Roth IRA, 36

S

Sarbanes-Oxley Act, 123
savings, 11
savings banks
branches and offices, 103
employment, 101
net income, 99
profitability, 99
top ten, global, 182
savings institutions
FDIC insured, 112
top ten, global, 182
Section 529 college savings plans, 21
providers, top ten, 22
securities, 123
asset-backed, 135-136
assets, 2
FDIC insured commercial banks, 108
foreign, U.S. holdings, 135
U.S., foreign holdings, 134
Securities Act of 1933, 123
Securities and Exchange Commission (SEC), 123
securities firms, 123
by assets, top ten, 131
by revenues, top six, 183
global, top six, 183
IT spending, 169
U.S., top ten, 130
securities industry
assets, 2
assets, 128
brokers/dealers, 126, 128
concentration, by capital, 130
concentration, by revenues, 129
employment, 129
income statement, 127
liabilities, 128
mergers and acquisitions, top ten, 124
pretax return on equity, 125
profitability, 125, 126
top companies
U.S., by revenues, 130
U.S., by assets, 131
separately managed accounts (SMAs), 144
short-term trade receivables, 82
specialty lenders, top ten, 145
Stafford Loan Program, 22
state by state tables
domestic insurance companies, 68-69
gross state product, 8
health insurance, uninsured persons, 194
homeownership costs, income spent, 190
household income, 189
identity theft victims, 32
median housing values, 191
migration, 186
owner occupied housing units, 192
rent and utilities costs, 193
state insurance departments, 63
state-chartered loan companies. *See* industrial banks
statutory accounting principles (SAP), 63, 196

stock market performance indices, 140
student credit card usage, 29
student loans, 22, 23. *See also* education savings plans and loans
subprime loans, 160
surety bonds, 79
surety companies, top ten, 80

T

thrift industry
- balance sheet, 114
- income statement, 113
- investment securities, 115
- mortgage lending activity, 116
- top companies
  - by assets, 116
  - by revenues, 117

thrift institutions, 112
- owned by insurance companies, 60-61

title insurance, 79

U

U.S. public debt securities, ownership of, 16
U.S. Treasury securities, average daily trading, 16
utilities costs, by state, 193

V

VALIC U.S. Supreme Court decision, 1
variable annuities, 54, 62, 92, 93

W

weather risk products, 86
weather-related hedges, 85

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