Insurance Information Institute

The Financial Services Roundtable

The Financial Services Fact Book

2009

The Financial Services Fact Book 2009

INSURANCE
INFORMATION
INSTITUTE

THE FINANCIAL
SERVICES
ROUNDTABLE

TO THE READER

Since its inception in 2002, the Financial Services Fact Book, a partnership between The Financial Services Roundtable and the Insurance Information Institute, has provided reporters, businesses and researchers with insight into the trends and statistics shaping the financial services industry. This role is especially pivotal in light of recent turmoil in the credit and mortgage markets.

The 2009 edition includes a host of new material to shed light on this challenging environment, including:

- Trends in bank insolvencies
- Data on credit default swaps
- Information on the Emergency Economic Stabilization Act of 2008, Congress's landmark $700 billion rescue plan for the financial services industry
- Expanded information on mortgage defaults
- New data on mortgage-backed securities

As always, this year's book provides a wealth of tables and charts on the workings of the insurance, banking and securities sectors, all of which continued to provide essential products and services to meet customers' special needs during these demanding economic times.

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 P. Hartwig
President
Insurance Information Institute

Steve Bartlett
President and Chief Executive Officer
The Financial Services Roundtable

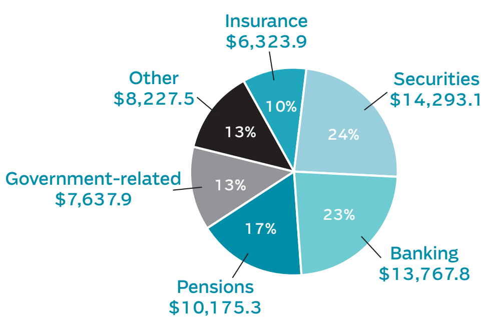
 ISBN 978-0-932387-99-8

Contents

Financial Services at a Glance

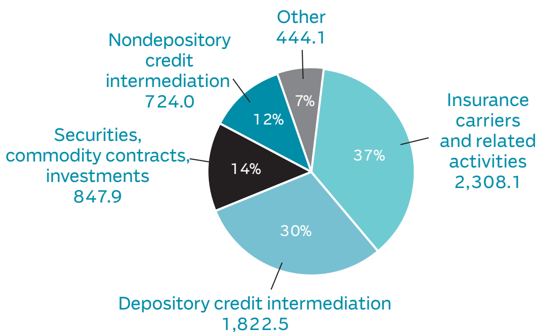
- **The assets of the financial services sector grew 9.0 percent to $60.4 trillion in 2007 from $55.4 trillion in 2006.**
- **The financial services industry's gross domestic product (GDP), excluding the real estate sector, reached $1.1 trillion in 2006, accounting for nearly 8.3 percent of the national GDP.**
- **Financial services employed 6.1 million workers in 2007, accounting for 5.4 percent of total U.S. employment in private industry.**
- **Financial assets of the personal sector grew 67.5 percent to $40.7 trillion in 2007 from $24.3 trillion in 1997. This sector includes households, nonfarm noncorporate business and farm business.**
- **Financial services mergers were valued at $223 billion in 2007, up 17 percent from $191 billion in 2006.**
- **Household debt rose 6.8 percent and business debt rose 11.1 percent from 2006 to 2007.**
- **Insurance fee income reported by bank holding companies (BHCs) rose slightly from $43.5 billion in 2006 to $43.7 billion in 2007. BHC investment fee income rose 10.3 percent from $56.4 billion in 2006 to $62.2 billion in 2007.**

ASSETS OF FINANCIAL SERVICES SECTORS, 2007
($ billions)



Source: Board of Governors of the Federal Reserve System.

FINANCIAL SERVICES EMPLOYMENT BY INDUSTRY, 2007
(000)



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

Chapter 1: The Financial Services Industry

2008 In Review

The landscape of the financial services industry shifted radically in 2008, as turbulence in the financial markets led to the failure of a number of industry stalwarts and the end of Wall Street as we know it. Among the year's developments:

- The 158-year-old investment bank Lehman Brothers collapsed, marking the largest bankruptcy in U.S. history. Four other major investment banks moved into the traditional banking industry, through acquisition or a change in structure: Merrill Lynch was taken over by Bank of America; Bear Stearns was acquired by JP Morgan Chase; and Morgan Stanley and Goldman Sachs converted to traditional bank holding companies.
- Over a dozen banks went into bankruptcy or receivership, including Washington Mutual, the largest failure ever of a U.S. bank.
- The Federal Reserve Bank acquired nearly an 80 percent stake in the giant insurance and financial services firm American International Group in exchange for an $85 billion loan.
- Congress passed the landmark Emergency Economic Stabilization Act, which allocated $700 billion to rescue the ailing economy.

Also in 2008 the U.S. Treasury proposed a sweeping overhaul of the regulation of the U.S. financial services industry. The proposal includes a consolidation of bank regulation, stronger oversight of mortgage lending, an optional federal charter (OFC) for insurance companies and an increase in the Federal Reserve's authority to investigate the financial industry. If enacted, the Treasury plan would mark the most significant changes to financial services regulation since the Gramm-Leach-Bliley Financial Services Modernization Act, which was passed in 1999 to remove many of the Depression-era barriers that restricted competition between the various financial services sectors, allowing consumers a wider range of options.

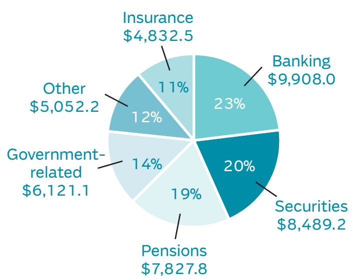
- 1916 National Bank Act limiting bank insurance sales except in small towns
- 1933 Glass-Steagall Act prohibiting commercial banks and securities firms from engaging in each other's business
- 1956 Bank Holding Company Act restricting bank holding company activities
- 1995 VALIC U.S. Supreme Court decision 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
- 2008 Federal government takes over U.S. mortgage giants Fannie Mae and Freddie Mac
- 2008 $700 billion rescue plan for the financial services industry is enacted

The Financial Services Industry

Assets

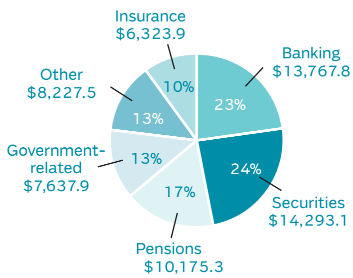
ASSETS OF FINANCIAL SERVICES SECTORS 2003

($ billions)



2007

($ billions)



Note: Percents do not add to 100 percent due to rounding.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

ASSETS OF FINANCIAL SERVICES SECTORS BY INDUSTRY, 2006-2007

($ billions, end of year)

Sector	2006	2007
Banking		
Commercial banking[1]	$10,202.9	$11,194.1
Savings institutions[2]	1,714.9	1,815.0
Credit unions	716.2	758.7
Total	**$12,634.0**	**$13,767.8**
Insurance		
Life insurance companies	4,685.3	4,950.3
All other insurers	1,329.3	1,373.6
Total	**$6,014.6**	**$6,323.9**
Securities		
Mutual and closed-end funds	9,674.7	11,201.1
Securities broker/dealers[3]	2,741.7	3,092.0
Total	**$12,416.4**	**$14,293.1**
Pensions		
Private pension funds[4]	5,679.4	5,821.0
State and local govt retirement funds	3,049.6	3,157.1
Federal govt retirement funds	1,141.1	1,197.2
Total	**$9,870.1**	**$10,175.3**
Government-related		
Government-sponsored enterprises	2,872.9	3,174.2
Federally related mortgage pools	3,837.3	4,463.7
Total	**$6,710.2**	**$7,637.9**
Other		
Finance companies[5]	1,891.3	1,910.1
Real estate investment trusts	403.7	348.4
Asset-backed securities issuers	4,046.7	4,225.7
Funding corporations	1,417.2	1,743.3
Total	**$7,758.9**	**$8,227.5**
Total All Sectors	**$55,404.2**	**$60,425.5**

[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 savings 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, June 5, 2008.

NUMBER AND VALUE OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS BY SECTOR, 2003-2007[1]

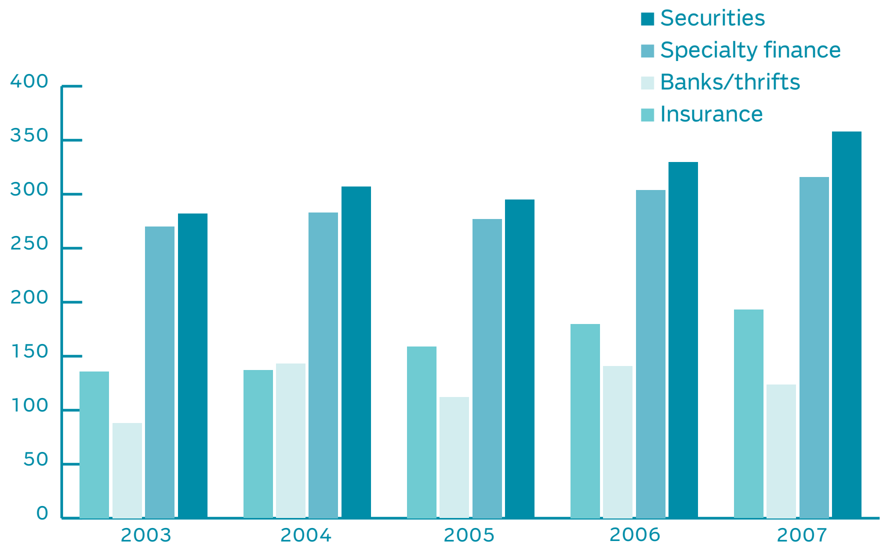
($ billions)

	2003		2004		2005		2006		2007	
	Deals	Value	Deals	Value	Deals	Value	Deals	Value	Deals	Value
Securities[2]	136	$12.8	137	$6.1	159	$20.2	180	$45.7	193	$44.4
Specialty finance[3]	88	20.7	143	18.8	112	58.8	141	22.3	124	47.7
Banks	221	63.8	226	118.0	241	19.5	257	77.7	268	68.7
Thrifts	49	8.7	57	13.6	36	9.8	47	31.2	48	5.1
Insurance	282	55.5	307	14.3	295	49.4	330	13.7	358	34.7
Life/health	29	14.2	25	3.5	25	21.9	33	5.9	29	6.6
Property/casualty	45	18.3	23	0.5	50	10.4	57	4.7	64	15.7
Brokers and agents	198	1.2	241	1.5	207	1.6	223	2.0	251	6.6
Managed care	10	21.8	18	8.9	13	15.5	17	1.2	14	5.9
Total	**776**	**$161.4**	**870**	**$170.7**	**843**	**$157.7**	**955**	**$190.6**	**1,084**	**$223.0**

[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, 2003-2007



Source: SNL Financial LC.

Mergers

TOP TEN FINANCIAL SERVICES ACQUISITIONS ANNOUNCED IN THE UNITED STATES, 2007[1]

($ millions)

Rank	Buyer	Industry	Country	Target	Industry	Country	Deal value[2]
1	Kohlberg Kravis Roberts & Co.	Asset manager	U.S.	First Data Corporation	Not classified	U.S.	$26,264.3
2	Blackstone Group L.P.	Asset manager	U.S.	Hilton Hotels Corporation	Not classified	U.S.	20,546.1
3	Citigroup Inc.	Bank	U.S.	Nikko Cordial Corporation	Broker/ dealer	Japan	7,700.0
4	Wachovia Corporation	Bank	U.S.	A.G. Edwards, Inc.	Broker/ dealer	U.S.	6,936.3
5	Terra Firma Capital Partners	Asset manager	U.K.	Pegasus Aviation Finance Company	Specialty lender	U.S.	5,200.0
6	Citigroup Inc.	Bank	U.S.	Nikko Cordial Corporation	Broker/ dealer	Japan	4,540.3
7	Berkshire Hathaway Inc.	Insurance	U.S.	Marmon Group, LLC	Not classified	U.S.	4,500.0
8	Loews Corporation	Insurance	U.S.	Onshore gas and oil E&P operations from Dominion Resources	Not classified	U.S.	4,025.0
9	Power Corporation of Canada	Not classified	Canada	Putnam LLC	Asset manager	U.S.	3,900.0
10	Morgan Stanley	Broker/ dealer	U.S.	Investa Property Group	Not classified	Australia	3,841.2

[1]Includes transactions where the target or the buyer 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 2007.
[2]At announcement.

Source: SNL Financial LC.

Employment

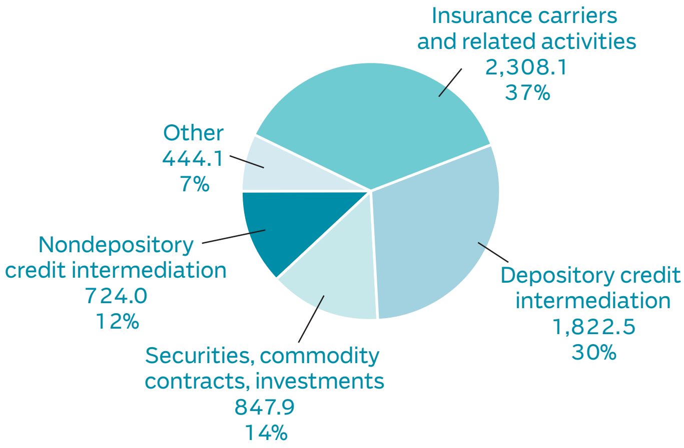
From 2003 to 2007 employment in the financial services industry averaged 5.4 percent of total U.S. employment in private industry.

EMPLOYMENT IN THE FINANCIAL SERVICES INDUSTRY, 2003-2007
(000)

Year	Monetary authorities	Depository credit inter-mediation	Non-depository credit inter-mediation	Activities related to credit inter-mediation	Securities, commodity contracts, investments	Insurance carriers and related activities	Funds/ trusts	Total
2003	22.6	1,748.5	749.9	294.0	757.7	2,266.0	80.4	5,919.1
2004	21.8	1,751.5	756.9	308.7	766.1	2,258.6	81.7	5,945.3
2005	20.8	1,769.2	769.9	329.9	786.1	2,259.3	83.7	6,018.9
2006	21.2	1,802.0	776.3	346.6	818.3	2,303.7	87.9	6,156.0
2007	21.1	1,822.5	724.0	335.2	847.9	2,308.1	87.8	6,146.6

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

FINANCIAL SERVICES EMPLOYMENT BY INDUSTRY, 2007
(000)



- Employment in private industry grew from 108.4 million in 2003 to 115.4 million in 2007.

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

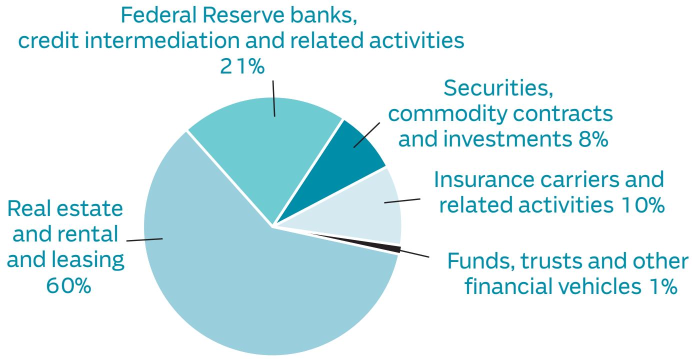
Gross Domestic Product

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., leasing, renting, management and sales services) are included, financial services accounted for 21.0 percent of the GDP in 2006, compared with 20.6 percent in 2005.

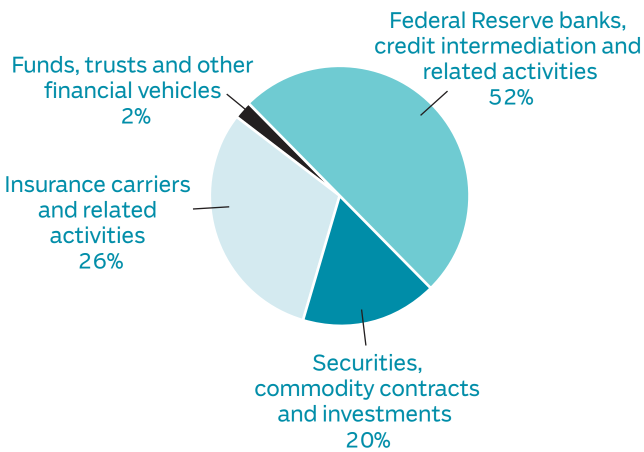
GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, INCLUDING REAL ESTATE, 2006



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

- With real estate excluded, the remaining financial services industries accounted for 8.3 percent of the GDP in 2006, compared with 8.0 percent in 2005.

GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, EXCLUDING REAL ESTATE, 2006



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

GROSS DOMESTIC PRODUCT OF THE FINANCIAL SERVICES INDUSTRY, 2002-2006[1]

($ billions)

	2002	2003	2004	2005	2006
Total GDP	**$10,398.4**	**$10,886.2**	**$11,607.0**	**$12,346.9**	**$13,119.9**
Total financial services industry	**2,141.9**	**2,244.6**	**2,378.8**	**2,549.0**	**2,756.6**
Industry percent of total GDP	20.6%	20.6%	20.5%	20.6%	21.0%
Finance and insurance	$822.7	$864.6	$907.9	$982.5	$1,093.7
Insurance carriers and related activities	237.4	255.0	267.7	264.5	280.9
Federal Reserve banks, credit intermediation and related activities	417.4	445.0	457.8	506.1	569.7
Securities, commodity contracts and investments	148.4	145.9	158.3	183.8	217.8
Funds, trusts and other financial vehicles	19.5	18.7	24.1	28.1	25.4
Real estate and rental and leasing	1,319.2	1,380.0	1,470.9	1,566.5	1,662.8

[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, 2002-2006[1]

	Percent of total gross domestic product				
	2002	2003	2004	2005	2006
Finance, insurance, real estate, and rental and leasing	**20.6%**	**20.6%**	**20.5%**	**20.6%**	**21.0%**
Finance and insurance	7.9	7.9	7.8	8.0	8.3
Federal Reserve banks, credit intermediation and related activities	4.0	4.1	3.9	4.1	4.3
Insurance carriers and related activities	2.3	2.3	2.3	2.1	2.1
Securities, commodity contracts and investments	1.4	1.3	1.4	1.5	1.7
Funds, trusts and other financial vehicles	0.2	0.2	0.2	0.2	0.2
Real estate and rental and leasing	12.7	12.7	12.7	12.7	12.7

[1]Includes real estate and rental and leasing.

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

The Financial Services Industry

Gross Domestic Product

FINANCIAL SERVICES VS. TOTAL U.S. GROSS DOMESTIC PRODUCT GROWTH, 2002-2006

($ 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
2002	$10,398.4	3.4%	$2,141.9	4.0%	$822.7	5.1%
2003	10,886.2	4.7	2,244.6	4.8	864.6	5.1
2004	11,607.0	6.6	2,378.8	6.0	907.9	5.0
2005	12,346.9	6.4	2,549.0	7.2	982.5	8.2
2006	13,119.9	6.3	2,756.6	8.1	1,093.7	11.3

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

FINANCIAL SERVICES PERCENTAGE SHARE OF GROSS STATE PRODUCT, 2007[1]

State	Percent	State	Percent	State	Percent
Alabama	5.4%	Louisiana	3.1%	Oklahoma	4.2%
Alaska	2.8	Maine	6.6	Oregon	5.2
Arizona	8.4	Maryland	5.7	Pennsylvania	7.5
Arkansas	4.0	Massachusetts	10.6	Rhode Island	12.1
California	6.6	Michigan	6.1	South Carolina	5.0
Colorado	5.9	Minnesota	9.4	South Dakota	19.6
Connecticut	16.5	Mississippi	4.2	Tennessee	5.8
Delaware	32.5	Missouri	5.9	Texas	5.7
D.C.	5.0	Montana	4.9	Utah	9.4
Florida	7.1	Nebraska	8.4	Vermont	5.9
Georgia	6.5	Nevada	7.3	Virginia	6.5
Hawaii	4.0	New Hampshire	8.1	Washington	5.4
Idaho	4.7	New Jersey	8.3	West Virginia	4.0
Illinois	9.5	New Mexico	3.2	Wisconsin	6.9
Indiana	5.4	New York	17.9	Wyoming	2.4
Iowa	10.7	North Carolina	12.7	**United States**	**8.1%[2]**
Kansas	5.6	North Dakota	5.7		
Kentucky	4.7	Ohio	8.1		

[1]Excludes real estate.

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

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

LARGEST U.S. FINANCIAL SERVICES FIRMS BY REVENUES, 2007
($ millions)

				Profits as a percent of			
Rank	Company	Revenues	Profits	Revenues	Assets	Industry	Employees
1	General Electric	$176,656	$22,208	13%	3%	Diversified financial	327,000
2	Citigroup	159,229	3,617	2	0	Banking	380,500
3	Bank of America Corp.	119,190	14,982	13	1	Banking	209,718
4	Berkshire Hathaway	118,245	13,213	11	5	Insurance	232,781
5	J.P. Morgan Chase & Co.	116,353	15,365	13	1	Banking	180,667
6	American International Group	110,064	6,200	6	1	Insurance	116,000
7	Goldman Sachs Group	87,968	11,599	13	1	Securities	30,522
8	Morgan Stanley	87,879	3,209	4	0	Securities	48,256
9	Merrill Lynch	64,217	-7,777	-12	-1	Securities	64,200
10	State Farm Insurance Cos.	61,612	5,464	9	3	Insurance	67,346
11	Lehman Brothers Holdings	59,003	4,192	7	1	Securities	28,556
12	Wachovia Corp.	55,528	6,312	11	1	Banking	121,890
13	Wells Fargo	53,593	8,057	15	1	Banking	159,800
14	MetLife	53,150	4,317	8	1	Insurance	49,000
15	Fannie Mae	43,355	-2,050	-5	0	Diversified financial	5,700
16	Freddie Mac	43,104	-3,094	-7	0	Diversified financial	5,338
17	Allstate	36,769	4,636	13	3	Insurance	38,500
18	Prudential Financial	34,401	3,704	11	1	Insurance	40,703
19	American Express	32,316	4,012	12	3	Diversified financial	67,700
20	GMAC	31,490	-2,332	-7	-1	Diversified financial	26,700
21	New York Life Insurance	29,280	1,142	4	1	Insurance	14,894
22	TIAA-CREF	27,526	1,439	5	0	Insurance	7,457
23	Travelers Cos.	26,017	4,601	18	4	Insurance	33,300
24	Liberty Mutual Insurance Group	25,961	1,518	6	2	Insurance	40,000
25	Hartford Financial Services	25,916	2,949	11	1	Insurance	31,000

Source: Fortune.

Corporate Social Responsibility

Financial services firms 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. These three segments of the financial services industry made combined donations of $1.14 billion, making financial services the second largest contributor by industry, topped only by pharmaceuticals.

LARGEST GIVERS TO U.S. BENEFICIARIES BY INDUSTRY, 2006

Rank	Industry	Number of companies	Total U.S. contributions
1	Pharmaceuticals	11	$2,926,705,480
2	**Banks**	**25**	**921,649,453**
3	Computers and technology	16	672,253,381
4	Petroleum, gas and mining	9	589,992,374
5	Food, beverage and tobacco	8	521,911,281
6	Printing, publishing and media	5	516,204,605
7	Retail and wholesale trade	10	481,895,935
8	Other services[1]	15	353,423,498
9	Other manufacturing[2]	14	217,495,171
10	Utilities	22	162,932,408
11	**Insurance**	**20**	**147,119,275**
12	Precision instruments	9	101,734,465
13	Chemicals	10	98,137,384
14	Transportation equipment	4	74,989,440
15	**Finance**	**4**	**67,771,687**
16	Industrial machinery and construction	7	57,515,265
	Total	**189**	**$7,911,731,102**

[1]Includes telecommunications, transportation and other diversified services.
[2]Includes aerospace and defense, electrical equipment and appliances, paper and allied products and other diversified manufacturing.

Source: The Conference Board.

Savings, Investment and Debt Ownership

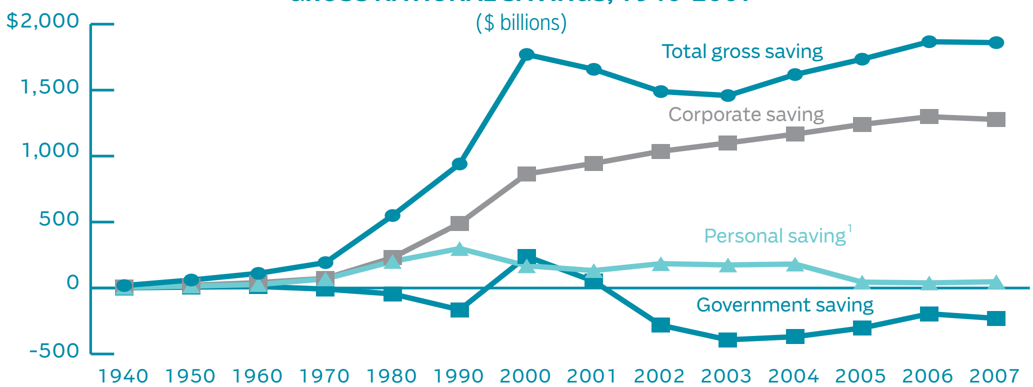
Individuals and businesses seek to increase their assets through savings and investments. They also borrow to purchase assets or finance business opportunities. The financial services industry exists to manage these activities by bringing savers, investors and borrowers together, a process known as financial 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 and again in 2007. Beginning in 2002, total government saving turned negative due to federal personal income tax refunds and rising expenditures at all levels of government. In 2007 all levels of government spent $230 billion more than they received, compared with $195 billion in 2006. Personal saving—the excess of personal disposable income over spending—declined dramatically from $181.7 billion in 2004 to $44.6 billion in 2005, and fell further to $38.8 billion in 2006. In 2007 personal saving rose to $47.8 billion but was still far below the peak of $299.4 billion reached in 1990.

GROSS NATIONAL SAVINGS, 1940-2007

($ 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, 2003-2007[1]

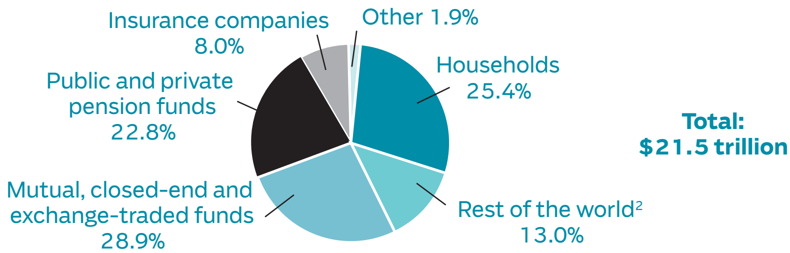
($ billions, market value, end of year)

	2003	2004	2005	2006	2007	Percent change 2003-2007
Total	**$15,618.5**	**$17,389.3**	**$18,512.0**	**$20,909.3**	**$21,477.2**	**37.5%**
Household sector	5,767.5	5,938.1	5,874.9	6,178.9	5,454.1	-5.4
State and local governments	84.7	90.0	95.5	102.4	107.4	26.8
Rest of the world[2]	1,674.6	1,904.6	2,039.1	2,454.7	2,797.1	67.0
Commercial banking	15.0	20.3	24.1	35.3	41.5	176.7
Savings institutions	30.4	28.2	26.2	24.9	25.3	-16.8
Property/casualty insurance companies	178.4	196.6	199.5	227.0	235.3	31.9
Life insurance companies	919.3	1,053.9	1,161.8	1,364.8	1,491.5	62.2
Private pension funds	2,096.6	2,333.5	2,537.0	2,755.3	2,766.3	31.9
State and local govt retirement funds	1,421.0	1,600.9	1,715.8	1,927.5	1,987.1	39.8
Federal govt retirement funds	79.9	99.2	112.6	138.1	149.2	86.7
Mutual funds	3,051.3	3,693.6	4,175.7	4,989.6	5,476.9	79.5
Closed-end funds	53.0	82.3	105.6	122.5	146.9	177.2
Exchange-traded funds	146.3	219.0	285.8	402.0	573.7	292.1
Brokers and dealers	100.5	129.1	158.3	186.4	224.8	123.7

[1]Excludes open-end mutual fund shares.
[2]Holdings of U.S. issues by foreign residents.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

HOLDINGS OF U.S. CORPORATE EQUITIES, 2007[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, June 5, 2008.

HOLDINGS OF U.S. CORPORATE AND FOREIGN BONDS, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007	Percent change, 2003-2007
Total	**$6,986.6**	**$7,860.0**	**$8,585.2**	**$9,747.0**	**$10,711.4**	**53.3%**
Household sector	1,138.3	1,282.7	1,311.9	1,542.0	1,627.3	43.0
State and local governments	111.3	118.2	125.6	133.6	140.4	26.1
Rest of the world[1]	1,330.6	1,559.1	1,764.0	2,201.4	2,497.7	87.7
Commercial banking	481.2	563.6	687.0	780.3	978.7	103.4
Savings institutions	71.9	59.2	80.2	89.2	138.3	92.4
Credit unions	24.3	25.0	23.5	30.6	34.6	42.4
Property/casualty insurance companies	218.9	245.3	262.8	277.0	285.6	30.5
Life insurance companies	1,620.2	1,768.0	1,840.7	1,841.9	1,889.7	16.6
Private pension funds	274.8	267.1	288.1	297.0	313.6	14.1
State and local govt retirement funds	207.4	213.5	227.9	265.6	257.5	24.2
Federal govt retirement funds	3.2	3.0	2.9	2.9	3.0	-6.3
Money market mutual funds	258.7	261.0	263.2	368.3	377.1	45.8
Mutual funds	548.3	622.8	699.2	813.3	972.3	77.3
Closed-end funds	58.8	67.6	68.7	75.1	74.6	26.9
Exchange-traded funds	2.4	3.3	5.3	7.6	13.8	475.0
Government-sponsored enterprises	277.4	414.8	465.7	482.7	464.4	67.4
REITs[2]	19.2	36.8	63.6	80.9	37.3	94.3
Brokers and dealers	228.3	252.2	337.7	397.2	435.6	90.8
Funding corporations	111.3	96.8	67.5	60.4	170.0	52.7

[1]Holdings of U.S. issues by foreign residents. [2]Real Estate Investment Trusts.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

HOLDINGS OF U.S. MUNICIPAL SECURITIES AND LOANS, 2003-2007
($ billions, end of year)

	2003	2004	2005	2006	2007	Percent change, 2003-2007
Total	**$1,900.5**	**$2,031.0**	**$2,225.9**	**$2,403.2**	**$2,618.2**	**37.8%**
Household sector	704.1	742.7	821.4	877.4	912.6	29.6
Nonfinancial corporate business	35.4	31.8	32.1	29.0	32.6	-7.9
Nonfarm noncorporate business	2.7	4.3	4.4	5.0	5.7	111.1
State and local governments	4.4	4.7	4.9	5.3	5.6	27.3
Rest of the world	19.5	26.0	29.0	31.0	33.0	69.2
Commercial banking	132.7	140.8	157.7	180.2	192.4	45.0
Savings institutions	6.3	7.1	8.6	10.7	10.6	68.3
Property/casualty insurance companies	224.2	267.8	313.2	335.2	368.7	64.5
Life insurance companies	26.1	30.1	32.5	36.6	35.3	35.2
State and local govt retirement funds	4.4	1.8	1.7	1.7	0.9	-79.5
Money market mutual funds	292.1	313.8	336.8	370.3	473.5	62.1
Mutual funds	290.2	294.3	311.7	344.4	372.2	28.3
Closed-end funds	89.3	89.1	89.4	89.4	91.6	2.6
Government-sponsored enterprises	44.4	44.6	39.7	36.1	33.3	-25.0
Brokers and dealers	24.9	32	42.9	50.9	50.1	101.2

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

Mutual Fund Investments

The household sector holds the largest share of the $7.8 trillion mutual fund industry, according to the Federal Reserve. Mutual funds represent a substantial part of individuals' financial holdings. In 2007, 51 million U.S. households owned mutual funds, accounting for 44 percent of households. (See page 149 for further information on the mutual fund sector.)

MUTUAL FUNDS BY HOLDER, 2003 AND 2007[1]

($ billions, market value, end of year)

	2003		2007	
	Amount	Percent of total	Amount	Percent of total
Household sector	$2,904.3	62.4%	$5,135.6	65.6%
Private pension funds	1,126.9	24.2	1,611.1	20.6
State and local govt retirement funds	207.9	4.5	296.6	3.8
Nonfinancial corporate business	125.9	2.7	224.8	2.9
Life insurance companies	91.7	2.0	161.4	2.1
State and local governments	25.9	0.6	32.8	0.4
Commercial banking	17.1	0.4	29.6	0.4
Property/casualty insurance companies	4.3	0.1	7.7	0.1
Credit unions	4.1	0.1	2.1	[2]
Rest of the world	146.1	3.1	327.3	4.2
Total	**$4,654.2**	**100.0%**	**$7,829.0**	**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, June 5, 2008.

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 $523.5 billion in May 2008, according to the Securities Industry and Financial Markets Association.

ESTIMATED OWNERSHIP OF U.S. PUBLIC DEBT SECURITIES, 1998-2007
($ 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]
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	13.3	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	12.2	5.9	1.8	3.4	7.4	16.4	8.9	41.5	2.4
2005	4,678.0	11.3	5.6	1.1	3.4	7.2	15.9	9.9	42.4	3.2
2006	4,861.7	9.7	5.4	1.0	3.3	7.1	16.0	10.2	43.5	3.7
2007	5,099.2	6.2	7.5	1.6	2.7	7.3	14.5	10.3	45.7	4.2

[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, June 5, 2008.

Household Assets

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, 1987-2007[1]

($ billions, end of year)

	Value			Percent of total		
	1987	1997	2007	1987	1997	2007
Total financial assets	**$9,378.8**	**$24,307.8**	**$40,706.5**	**100.0%**	**100.0%**	**100.0%**
Foreign deposits	9.8	37.2	81.1	0.1	0.2	0.2
Checkable deposits and currency	502.5	567.3	470.2	5.4	2.3	1.2
Time and savings deposits	2,234.5	2,677.2	6,313.6	23.8	11.0	15.5
Money market fund shares	267.7	625.2	1,453.9	2.9	2.6	3.6
Securities	2,986.3	11,190.0	14,571.6	31.8	46.0	35.8
Open market paper	55.3	77.1	159.7	0.6	0.3	0.4
U.S. savings bonds	101.1	186.5	196.4	1.1	0.8	0.5
Other Treasury securities	220.6	648.9	190.8	2.4	2.7	0.5
Agency- and GSE[2]-backed securities	32.8	398.9	889.4	0.3	1.6	2.2
Municipal securities	516.6	500.8	918.3	5.5	2.1	2.3
Corporate and foreign bonds	172.7	613.9	1,627.3	1.8	2.5	4.0
Corporate equities[3]	1,462.6	6,815.2	5,454.1	15.6	28.0	13.4
Mutual fund shares	424.5	1,948.8	5,135.6	4.5	8.0	12.6
Private life insurance reserves	289.5	632.7	1,156.1	3.1	2.6	2.8
Private insured pension reserves	348.6	1,116.3	2,526.8	3.7	4.6	6.2
Private noninsured pension reserves	1,386.0	3,759.9	5,855.2	14.8	15.5	14.4
Govt insurance and pension reserves	790.3	2,510.8	4,428.3	8.4	10.3	10.9
Miscellaneous and other assets	563.7	1,191.1	3,849.7	6.0	4.9	9.5

(table continues)

Household Assets

ASSETS AND LIABILITIES OF THE PERSONAL SECTOR, 1987-2007[1] (Cont'd)

($ billions, end of year)

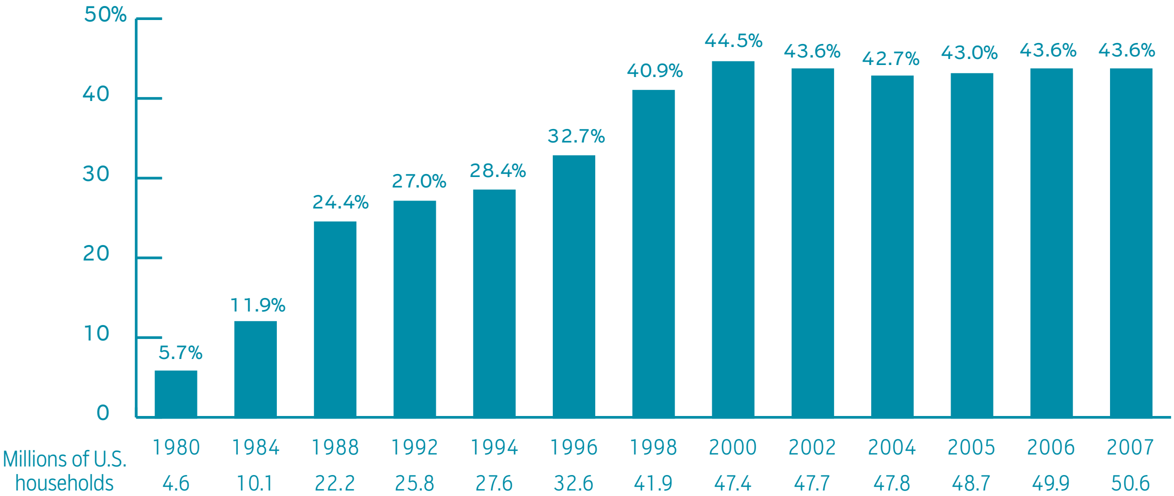
	Value			Percent of total		
	1987	1997	2007	1987	1997	2007
Total liabilities	**$4,140.8**	**$7,633.5**	**$19,607.0**	**100.0%**	**100.0%**	**100.0%**
Mortgage debt on nonfarm homes	1,919.2	3,910.5	11,116.1	46.3	51.2	56.7
Other mortgage debt[4]	781.5	909.8	2,353.1	18.9	11.9	12.0
Consumer credit	698.6	1,344.2	2,556.6	16.9	17.6	13.0
Policy loans	55.3	104.6	114.5	1.3	1.4	0.6
Security credit	41.8	131.2	325.5	1.0	1.7	1.7
Other liabilities[4]	644.3	1,233.2	3,141.2	15.6	16.2	16.0

[1]Combined statement for household sector, nonfarm noncorporate business and farm business.
[2]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.
[4]Includes corporate farms.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980-2007

(Percent of all U.S. households)



Source: Investment Company Institute; U.S. Bureau of the Census.

The following two charts are based on the Survey of Consumer Finances, undertaken every three years by the Federal Reserve. The 2007 survey data will be released in 2009.

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	82.9	41.6	5.1	3.3	6.9	5.5	88.6	96.5
35 to 44	89.4	68.3	9.4	6.4	13.9	6.0	93.0	97.7
45 to 54	88.8	77.3	16.3	11.4	15.7	9.7	94.7	98.3
55 to 64	88.6	79.1	19.5	12.8	15.8	9.2	92.6	97.5
65 to 74	89.1	81.3	19.9	10.6	8.0	9.0	95.6	99.5
75 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 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

Percentage 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	86.4	5.6	15.3	[9]	13.3	8.3	40.2	11.0	14.5	90.1
35 to 44	90.8	6.7	23.3	0.6	18.5	12.3	55.9	20.1	13.7	93.6
45 to 54	91.8	11.9	21.0	1.8	23.2	18.2	57.7	26.0	18.3	93.6
55 to 64	93.2	18.1	15.2	3.3	29.1	20.6	62.9	32.1	16.6	95.2
65 to 74	93.9	19.9	14.9	4.3	25.4	18.6	43.2	34.8	20.9	96.5
75 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 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.

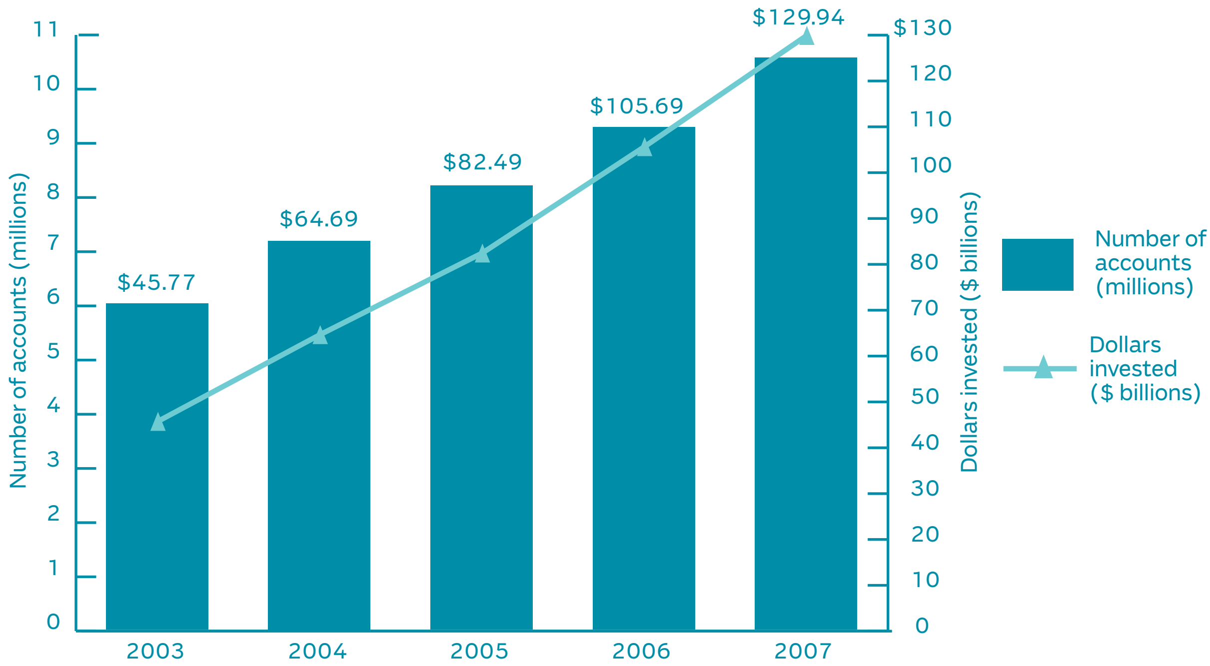
Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

Educational Plans and Loans

To encourage households to save for college education, states have developed the Section 529 college savings plan, named after a part of the Internal Revenue tax code that allows earnings to accumulate free of federal income tax and to be withdrawn taxfree to pay for college costs. Slow to gain acceptance initially, these plans are now growing rapidly. 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 10.6 million 529 plan accounts in 2007, compared with 6.0 million in 2003, according to the National Association of State Treasurers.

NUMBER OF AND DOLLARS INVESTED IN 529 PLAN ACCOUNTS, 2003-2007



Source: National Association of State Treasurers.

Educational Plans and Loans

- The top 10 providers accounted for 72 percent of 529 plan assets in 2007.

TOP TEN 529 SAVINGS PLAN PROVIDERS BY ASSETS, 2007

($ billions, end of year)

Rank	Provider	Assets
1	American Funds	$25.2
2	Vanguard	17.6
3	Fidelity	14.6
4	Alliance	8.4
5	Merrill Lynch	5.5
5	Putnam	5.5
7	T. Rowe Price	4.8
8	TIAA-CREF	4.7
9	Oppenheimer	4.3
10	Legg Mason	2.5
	Top 10 Providers	**$93.1**

Source: National Association of State Treasurers.

TOP TEN STATES FOR 529 PLANS BY ASSETS UNDER MANAGEMENT, 2007

Rank	State	Assets under management
1	Virginia	$27,845,564,744
2	Rhode Island	8,410,735,161
3	New Hampshire	8,030,282,682
4	New York	7,911,682,891
5	Florida	6,627,516,918
5	Ohio	6,348,854,945
7	Maine	5,495,242,113
8	Nevada	4,688,262,815
9	Illinois	3,701,798,222
10	Colorado	3,401,858,359

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). 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 government but are made by banks, credit unions or other private lenders participating in the program.

TOP 20 PRIVATE LENDERS OF FEDERAL STUDENT LOANS, 2006-2007[1]
($ millions)

		New guarantees	
Rank	Lender name	Fiscal year 2006	Fiscal year 2007
1	SLM Corporation (Sallie Mae)	$6,961.7	$9,002.3
2	Citibank, Student Loan Corp.	3,871.3	4,764.3
3	Bank of America	2,897.4	3,261.6
4	JPMorgan Chase Bank	1,574.7	3,064.7
5	Wells Fargo Education Financial Services	2,653.6	2,954.8
6	Wachovia Education Finance Inc.	2,573.9	2,934.5
7	College Loan Corporation	1,414.9	1,493.3
8	U.S. Bank	1,159.2	1,332.5
9	Edamerica	1,087.0	1,303.7
10	Access Group	935.7	1,124.9
11	NorthStar Guarantee	836.9	1,062.1
12	Student Loan Xpress	804.8	1,020.5
13	Suntrust Bank	834.4	948.3
14	National Ed Loan Network (Nelnet)	767.8	891.5
15	Pittsburgh National Corp. (PNC)	852.0	838.9
16	Citizens Bank	663.5	716.0
17	College Foundation Inc.	627.6	662.2
18	Regions Bank	242.9	647.1
19	AES/PHEAA	601.5	624.1
20	Fifth Third Bank	99.2	567.2

[1]Includes Stafford (FFEL and Direct) and PLUS (FFEL and Direct) Loans.
Note: Does not include direct federal government loans.

Source: National Student Loan Data System.

Savings, Investment and Debt Ownership

Consumer and Business Debt

- Household debt rose 6.8 percent from 2006 to 2007, compared with 11.1 percent for business debt. Over the 10 years, 1998-2007, household debt rose 133.8 percent, compared with a rise of 65.9 percent for business debt.

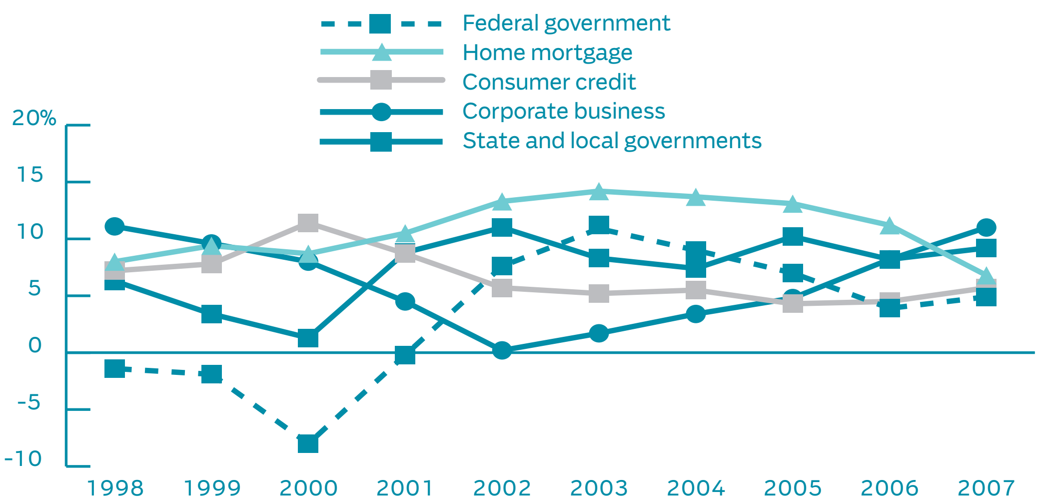
CREDIT MARKET DEBT OUTSTANDING, OWED BY SECTOR, 1998-2007[1]
($ billions, end of year)

Year	Household sector	Nonfinancial corporate business
1998	$5,920.6	$3,816.1
1999	6,416.2	4,218.1
2000	7,011.4	4,554.7
2001	7,683.2	4,741.2
2002	8,516.1	4,750.2
2003	9,499.5	4,860.3
2004	10,578.2	5,026.0
2005	11,759.2	5,269.6
2006	12,956.1	5,699.8
2007	13,839.7	6,331.0

[1]Excludes corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

DEBT GROWTH BY SECTOR, 1998-2007
(Percent change from prior year)



Source: Board of Governors of the Federal Reserve System, June 5, 2008.

The following two charts are based on the Survey of Consumer Finances, undertaken every three years by the Federal Reserve. The 2007 survey data will be available in 2009.

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	37.7	2.1	59.4	47.5	2.2	6.2	79.8
35 to 44	62.8	4.0	55.7	58.8	1.5	11.3	88.6
45 to 54	64.6	6.3	50.2	54.0	2.9	9.4	88.4
55 to 64	51.0	5.9	42.8	42.1	0.7	8.4	76.3
65 to 74	32.1	3.2	27.5	31.9	0.4	4.0	58.8
75 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 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.

Savings, Investment and Debt Ownership

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, 1998-2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Commercial banks										
New automobiles (48 months)	8.73%	8.44%	9.34%	8.50%	7.62%	6.93%	6.60%	7.08%	7.72%	7.77%
Personal (24 months)	13.76	13.39	13.90	13.22	12.54	11.95	11.89	12.05	12.41	12.39
Credit card plans	15.71	15.21	15.78	14.87	13.40	12.30	12.72	12.51	13.21	13.38
Finance companies										
New automobiles	6.30	6.66	6.61	5.65	4.29	3.81	4.92	6.02	4.99	4.87
Used automobiles	12.64	12.60	13.55	12.18	10.74	9.86	8.81	8.81	9.61	9.24

Source: Board of Governors of the Federal Reserve System.

HOUSEHOLD DEBT-SERVICE PAYMENTS AND FINANCIAL OBLIGATIONS AS A PERCENTAGE OF DISPOSABLE INCOME, 1980-2007[1]

		Financial obligations ratio[2]		
Year	Household debt service ratio[3]	Total	Renter	Homeowner
1980	10.58	15.37	23.62	13.33
1990	11.98	17.37	24.71	15.50
2000	12.89	18.25	30.52	15.78
2002	13.62	18.89	29.07	16.82
2003	13.55	18.58	26.77	16.92
2004	13.58	18.48	26.13	16.99
2005	14.11	19.06	26.03	17.70
2006	14.49	19.49	26.00	18.22
2007	14.32	19.35	26.14	18.02

[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 data will be available in 2009.

FAMILIES WITH CREDIT CARDS, 2001 AND 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	30.3%	28.8%
20 to 39.9	44.5	42.9
40 to 59.9	52.8	55.1
60 to 79.9	52.6	56.0
80 to 89.9	50.3	57.6
90 to 100	33.1	38.5
Median amount of credit card balance ($000)		
By percentile of income		
Less than 20	$1.1	$1.0
20 to 39.9	1.3	1.9
40 to 59.9	2.1	2.2
60 to 79.9	2.4	3.0
80 to 89.9	4.0	2.7
90 to 100	3.0	4.0

[1]All 2001 dollars adjusted to 2004 dollars.
Note: Latest data available. Based on surveys conducted every three years.
Source: Survey of Consumer Finances, Board of Governors of the Federal Reserve System.

GRADUATE STUDENT CREDIT CARD USAGE, 1998-2006

	1998	2000	2003	2006
Students with credit cards	95%	95%	96%	92%
Average number of credit cards	6.00	4.00	6.00	5.25
Average credit card debt	$4,925	$4,776	$7,831	$8,612

Source: Nellie Mae.

- In 2004, 76 percent of undergraduates had credit cards; the average balance was $2,169 (latest available data).

DELINQUENCY RATES, RESIDENTIAL AND CONSUMER CREDIT CARD LOANS, 1998-2007[1]

Year	Residential[2]	Credit cards	Year	Residential[2]	Credit cards
1998	2.07%	4.70%	2003	1.78%	4.43%
1999	1.97	4.50	2004	1.38	4.03
2000	2.28	4.56	2005	1.63	3.53
2001	2.23	4.69	2006	1.93	3.95
2002	1.97	4.85	2007	3.00	4.59

[1]All figures are for the fourth quarter and are based on loans at commercial banks, measured as a percentage of loans.
[2]Residential real estate loans include loans secured by one- to four-family properties, including home equity lines of credit.

Source: Board of Governors of the Federal Reserve System.

- Delinquency rates for residential loans were 3.00 percent at the end of 2007, the highest since the third quarter of 1992, when they were 3.02 percent.
- By the first quarter of 2008, residential delinquency rates rose to 3.68 percent, the highest since the Federal Reserve began record-keeping in 1991.

TOP TEN CREDIT CARD ISSUERS BY CREDIT AND DEBT OUTSTANDING, 2006-2007[1]

($ millions, end of year)

Rank	Company	2006	2007
1	Citigroup Inc.	$176,440.0	$196,811.0
2	Bank of America Corp.	170,732.4	183,691.1
3	JPMorgan Chase & Co.	146,967.0	148,391.0
4	Capital One Financial Corp.	64,102.6	62,432.6
5	HSBC North America Holdings Inc.	48,819.0	51,412.3
6	American Express Banks	40,327.9	49,251.6
7	Discover Bank	47,384.7	48,916.4
8	Wells Fargo & Co.	15,754.0	19,533.0
9	USAA Savings Bank	10,189.1	12,116.0
10	Washington Mutual Inc.	12,953.9	11,506.9

[1]Credit card loans managed basis includes direct credit card loans to consumers and securitized loan portfolios that the banks manage. Based on bank regulatory filings with the FDIC and Federal Reserve.

Source: SourceMedia's *PaymentsSource*.

Bankruptcy

There are three major types of bankruptcies: Chapter 7 is a liquidation, under which assets are distributed by a court-appointed trustee. 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), which was 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 but rebounded in 2007, increasing by 38 percent.

BANKRUPCTY PETITIONS FILED BY TYPE, 2003-2007

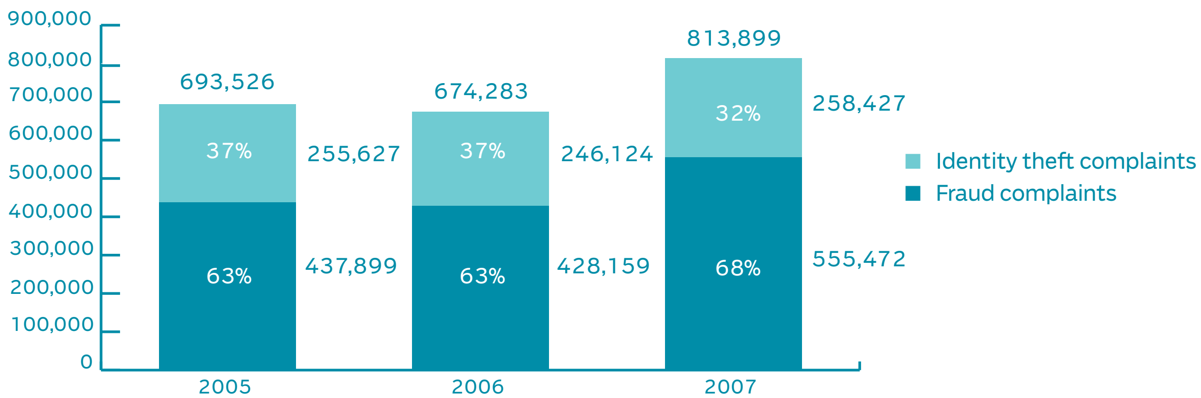
Year	Business	Percent change	Nonbusiness	Percent change	Total	Percent change
2003	35,037	-9.1%	1,625,208	5.6%	1,660,245	5.2%
2004	34,317	-2.1	1,563,145	-3.8	1,597,462	-3.8
2005	39,201	14.2	2,039,214	30.5	2,078,415	30.1
2006	19,695	-49.8	597,965	-70.7	617,660	-70.3
2007	28,322	43.8	822,590	37.6	850,912	37.8

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, 2005-2007[1]



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

Source: Federal Trade Commission.

HOW VICTIMS’ INFORMATION IS MISUSED, 2007[1]

Type of identity theft fraud	Percent
Credit card fraud	23%
Phone or utilities fraud	18
Employment-related fraud	14
Bank fraud[2]	13
Government documents or benefits fraud	11
Attempted identity theft	5
Loan fraud	5
Other identity theft	25

[1]Percentages are based on the total number of complaints in the Federal Trade Commission’s Identity Theft Data Clearinghouse (258,427 in 2007). Percentages total to more than 100 because some victims reported experiencing more than one type of identity theft (16% in 2007).

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

Source: Federal Trade Commission.

IDENTITY THEFT VICTIMS BY STATE, 2007

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	69.6	3,221	17	Montana	40.8	391	44
Alaska	47.0	321	38	Nebraska	44.7	793	40
Arizona	137.1	8,688	1	Nevada	114.2	2,930	3
Arkansas	56.5	1,601	33	New Hampshire	48.9	643	37
California	120.1	43,892	2	New Jersey	79.0	6,864	12
Colorado	89.0	4,328	8	New Mexico	87.5	1,723	9
Connecticut	68.8	2,409	19	New York	100.1	19,319	6
Delaware	69.7	603	16	North Carolina	67.0	6,069	22
Florida	105.6	19,270	5	North Dakota	28.5	182	50
Georgia	91.6	8,744	7	Ohio	62.6	7,178	27
Hawaii	45.9	589	39	Oklahoma	63.9	2,312	25
Idaho	49.2	737	36	Oregon	68.1	2,552	20
Illinois	80.2	10,304	11	Pennsylvania	72.5	9,016	14
Indiana	63.4	4,026	26	Rhode Island	56.0	592	34
Iowa	35.6	1,063	48	South Carolina	60.6	2,670	30
Kansas	61.0	1,694	29	South Dakota	30.8	245	49
Kentucky	43.3	1,836	42	Tennessee	64.7	3,986	24
Louisiana	62.3	2,674	28	Texas	107.9	25,796	4
Maine	40.2	530	45	Utah	57.8	1,529	31
Maryland	85.8	4,821	10	Vermont	38.1	237	47
Massachusetts	66.5	4,292	23	Virginia	69.0	5,319	18
Michigan	70.3	7,079	15	Washington	76.4	4,942	13
Minnesota	55.0	2,857	35	West Virginia	40.2	729	46
Mississippi	57.3	1,673	32	Wisconsin	43.7	2,450	41
Missouri	67.4	3,962	21	Wyoming	42.5	222	43

[1]Population figures are based on the 2007 U.S. Census population estimates.
[2]Ranked by victims per 100,000 population. The District of Columbia had 133.2 victims per 100,000 population and 784 victims.

Source: Federal Trade Commission.

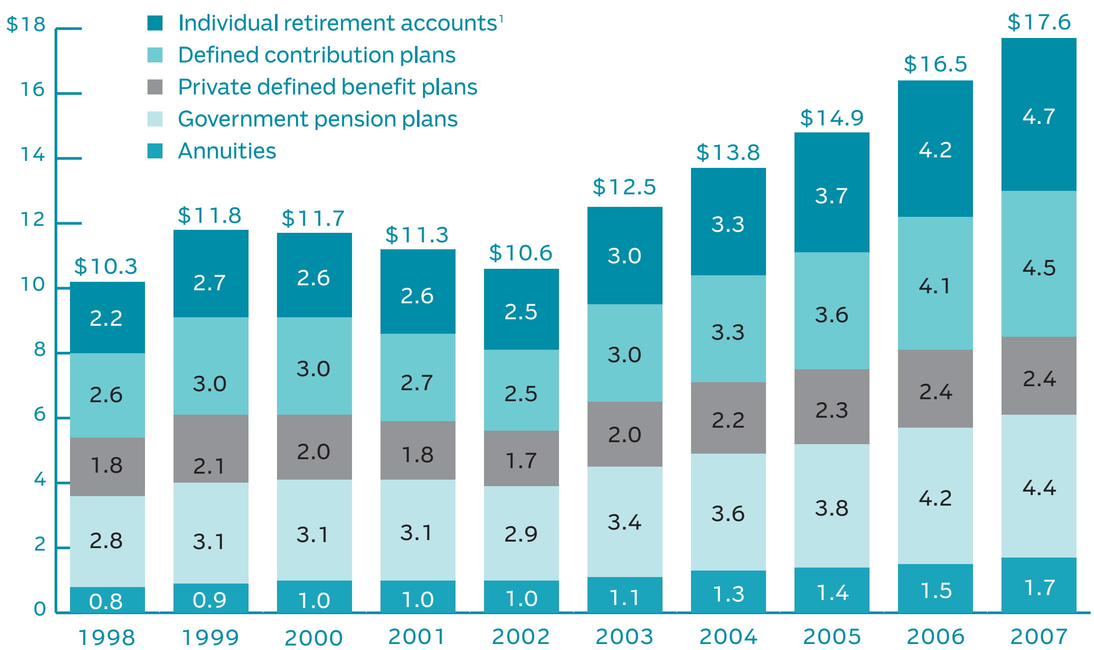
Retirement Funds

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 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 7 percent from 2006 to $17.6 trillion in 2007. These assets accounted for nearly 40 percent of U.S. household financial assets, compared with 25 percent twenty years ago, according to the Investment Company Institute. Nearly two-thirds of retirement assets (63.8 percent) were in an employer-sponsored retirement plan (including government and private plans). About one-quarter (26.6 percent) of such assets were in individual retirement accounts and 9.6 percent were in annuities.

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 16.8 percent of total financial services assets in 2007.

U.S. RETIREMENT ASSETS, BY TYPE, 1998-2007

($ trillions, end of year)



[1]Data for 2003, 2005, 2006 and 2007 are estimates.

Source: Investment Company Institute.

Retirement Funds

ASSETS OF PRIVATE PENSION FUNDS BY TYPE OF ASSET, 2003-2007[1]

($ billions, end of year)

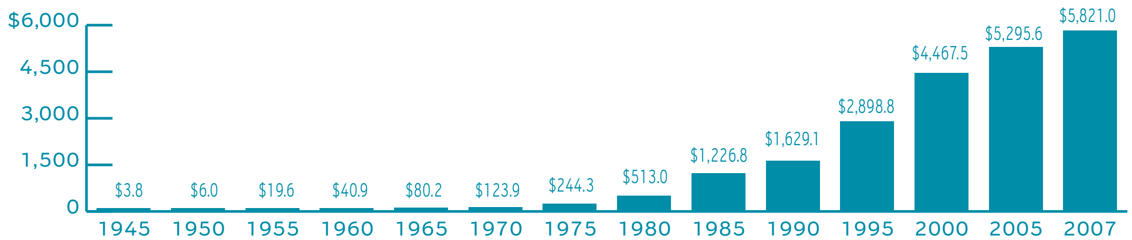
	2003	2004	2005	2006	2007
Total financial assets	**$4,520.1**	**$4,915.2**	**$5,295.6**	**$5,679.4**	**$5,821.0**
Checkable deposits and currency	10.3	10.5	10.8	11.2	11.8
Time and savings deposits	60.4	55.8	62.0	63.1	65.9
Money market fund shares	84.3	84.9	86.7	90.1	94.1
Security repurchase agreements[2]	20.5	26.5	28.2	31.5	43.7
Credit market instruments	646.5	646.1	690.6	704.6	738.2
Open market paper	26.0	26.4	28.5	31.6	28.0
U.S. government securities	335.3	342.6	364.2	366.5	386.9
Treasury securities	113.9	109.8	112.8	116.4	121.2
Agency- and GSE[3]-backed securities	221.4	232.8	251.4	250.1	265.7
Corporate and foreign bonds	274.8	267.1	288.1	297.0	313.6
Mortgages	10.2	10.0	9.8	9.5	9.7
Corporate equities	2,096.6	2,333.5	2,537.0	2,755.3	2,766.3
Mutual fund shares	1,126.9	1,278.2	1,399.0	1,528.6	1,611.1
Miscellaneous assets	474.8	479.6	481.3	495.1	489.8
Unallocated insurance contracts[4]	317.0	328.4	338.4	363.9	355.3
Contributions receivable	49.8	46.6	44.8	42.8	49.8
Other	108.0	104.5	98.2	88.4	84.7
Pension fund reserves (liabilities)[5]	4,561.6	4,955.8	5,334.8	5,717.1	5,855.2

[1]Private defined benefit plans and defined contribution plans (including 401(k) type plans).
[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, June 5, 2008.

ASSETS OF PRIVATE PENSION FUNDS, 1945-2007

($ billions, end of year)



Source: Board of Governors of the Federal Reserve System, June 5, 2008.

ASSETS OF STATE AND LOCAL GOVERNMENT EMPLOYEE RETIREMENT FUNDS BY TYPE OF ASSET, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$2,349.2**	**$2,577.5**	**$2,721.4**	**$3,049.6**	**$3,157.1**
Checkable deposits and currency	13.7	16.3	15.8	13.3	15.6
Time and savings deposits	0.8	1.4	1.3	0.8	1.0
Money market fund shares	13.4	11.6	11.7	13.0	15.3
Security repurchase agreements[1]	23.4	20.2	19.7	22.6	26.7
Credit market instruments	657.5	675.3	693.4	769.7	799.8
Open market paper	41.6	35.2	35.2	40.1	47.4
U.S. government securities	383.7	409.8	412.2	448.1	481.7
Treasury	148.6	151.0	153.8	153.0	164.5
Agency- and GSE[2]-backed securities	235.1	258.8	258.4	295.1	317.2
Municipal securities	4.4	1.8	1.7	1.7	0.9
Corporate and foreign bonds	207.4	213.5	227.9	265.6	257.5
Mortgages	20.4	15.1	16.4	14.1	12.4
Corporate equities	1,421.0	1,600.9	1,715.8	1,927.5	1,987.1
Mutual fund shares	207.9	235.9	248.4	287.7	296.6
Miscellaneous assets	11.3	15.9	15.4	15.1	15.0
Pension fund reserves (liabilities)[3]	2,399.1	2,625.6	2,765.2	3,086.9	3,185.7

[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, June 5, 2008.

Retirement Funds

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. 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.

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

(Percent)

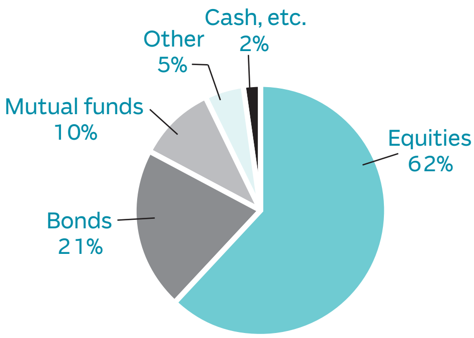
Percent of all workers participating	1990-1991	2000	2003	2004	2005	2006
Defined benefit pension plans	35%	19%	20%	21%	21%	20%
Defined contribution plans	34	36	40	42	42	43

[1]All private industry.

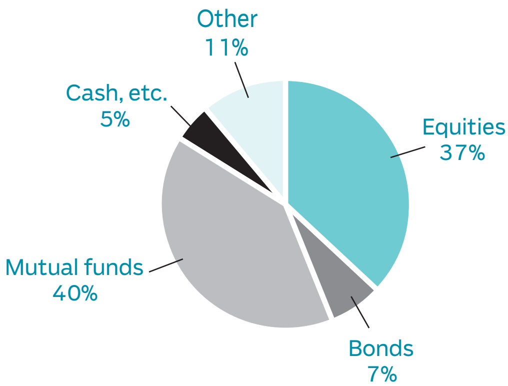
Source: U.S. Bureau of Labor Statistics.

RETIREMENT FUNDS ASSET MIX, 2007

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 fell from 63 percent in 2006 to 62 percent in 2007, while investments in bonds rose from 19 percent in 2006 to 21 percent in 2007.
- In defined contribution plans, the share of the investments in mutual funds rose from 39 percent in 2006 to 40 percent in 2007. Investments in equities fell from 38 percent to 37 percent in 2007 and investments in other assets held steady.

DISTRIBUTION OF PRIVATE PENSION FUND ASSETS, 1985-2007

		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	2,921	50.8	49.2
2000	4,490	44.5	55.5
2005	5,318	43.2	56.8
2006	5,702	41.9	58.1
2007	5,842	40.3	59.7

Source: Securities Industry and Financial Markets Association.

Retirement Assets

Retirement Funds

INVESTMENT MIX OF PRIVATE DEFINED BENEFIT PLAN ASSETS, 2003-2007
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2003	$1,171	$459	$197	$55	$131	$2,013
2004	1,294	449	234	50	124	2,151
2005	1,393	482	253	58	114	2,300
2006	1,429	436	246	59	121	2,388
2007	1,471	485	226	58	112	2,353

Source: Securities Industry and Financial Markets Association.

INVESTMENT MIX OF PRIVATE DEFINED CONTRIBUTION PLAN ASSETS, 2003-2007
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
2003	$926	$184	$929	$147	$344	$2,529
2004	1,039	193	1,045	154	356	2,787
2005	1,144	202	1,146	159	367	3,018
2006	1,265	224	1,282	169	374	3,314
2007	1,296	244	1,385	187	378	3,489

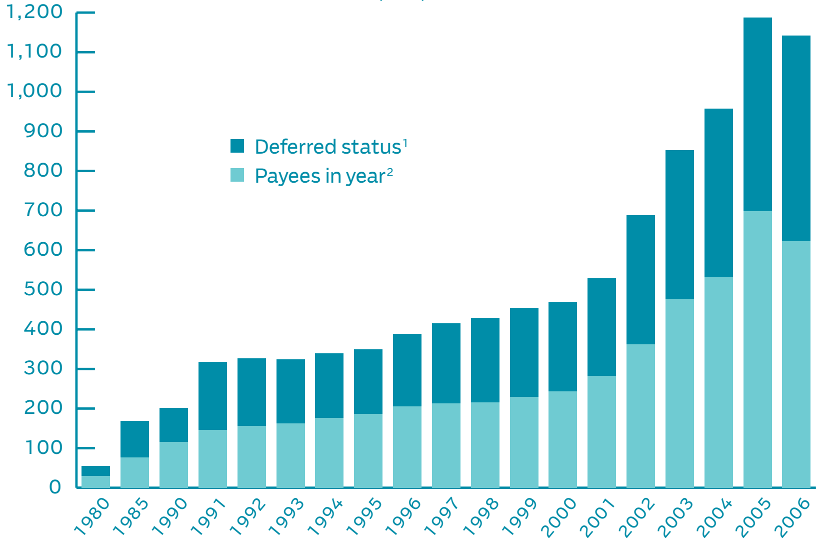
Source: Securities Industry and Financial Markets Association.

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 workers in private defined benefit plans. The PBGC operates two pension programs. The Single-Employer Program, set up by individual companies, covers nearly 34 million workers and retirees in about 28,900 pension plans. The Multiple-Employer program, usually set up by two or more unrelated employers from the same industry, protects 10 million workers and retirees in about 1,530 pension plans. In 2006 Congress passed the Pension Protection Act, landmark pension reform legislation enacted to close shortfalls in employers' funding of defined benefit pension plans. The act gave employers seven years to fully fund their plans but gave some airlines in bankruptcy proceedings an extra 10 years to meet their obligations.

NUMBER OF PAYEES, PENSION BENEFIT GUARANTY CORPORATION PAYMENTS, SINGLE-EMPLOYER PROGRAM, 1980-2006

(000)



[1]Deferred status refers to individuals eligible for future payments.
[2]Payees are retired participants or their beneficiaries receiving payments.

Source: Pension Benefit Guaranty Corporation.

- The PBGC's Single-Employer Program for pension plans reported a deficit of $13.1 billion in fiscal year 2007, a $5 billion improvement over the previous year's $18.1 billion shortfall.
- Overall single employer benefit payments increased to $4.3 billion in 2007, up from $4.1 billion in 2006.
- In 2007 the PBGC Single-Employer Program covered 110 newly terminated pension plans, up from 94 new terminations in 2006.

IRA MARKET SHARES BY HOLDER, 2003-2007

($ billions, amounts outstanding, end of year)

Holder	2003	2004	2005	2006	2007
Commercial banking	$166.1	$168.0	$175.3	$202.0	$210.7
Saving institutions	54.8	53.7	53.8	57.6	71.2
Credit unions	46.8	47.7	49.3	53.2	58.2
Life insurance companies	338.4	347.0	381.0	406.0	435.0
Money market mutual funds	163.0	148.0	157.0	189.0	234.0
Mutual funds	1,093.0	1,277.0	1,433.0	1,698.0	1,907.0
Other self-directed accounts	1,130.9	1,257.7	1,402.6	1,614.2	1,830.9
Total	**$2,993.0**	**$3,299.1**	**$3,652.0**	**$4,220.0**	**$4,747.0**

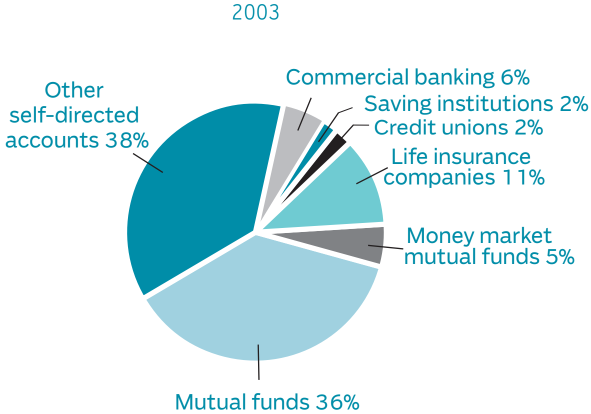
Source: Board of Governors of the Federal Reserve System, June 5, 2008.

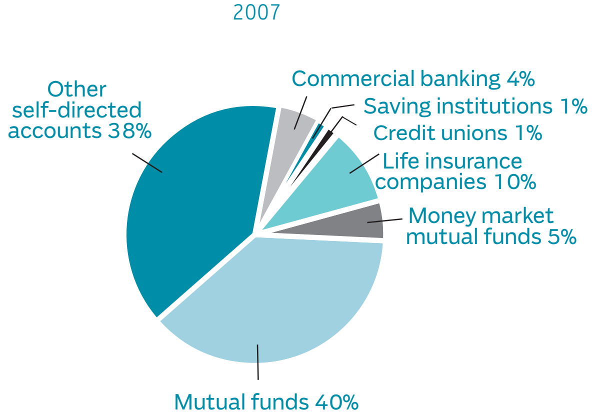
- In 2007 most IRAs were held by mutual funds, followed closely by "other self-directed accounts," generally brokerage accounts in which the investor has considerable control over the direction of investments.

Retirement Assets

Retirement Funds

IRA MARKET SHARES BY HOLDER, 2003 AND 2007



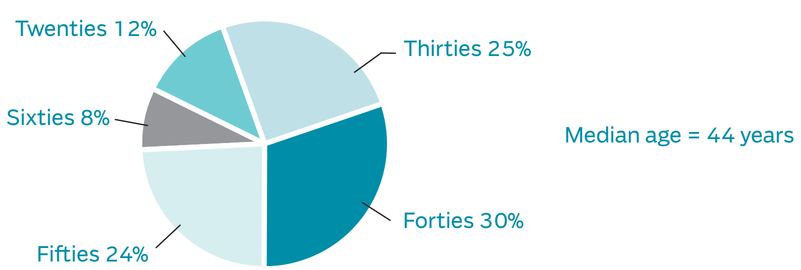


Source: Board of Governors of the Federal Reserve System, June 5, 2008.

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

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 today's 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.

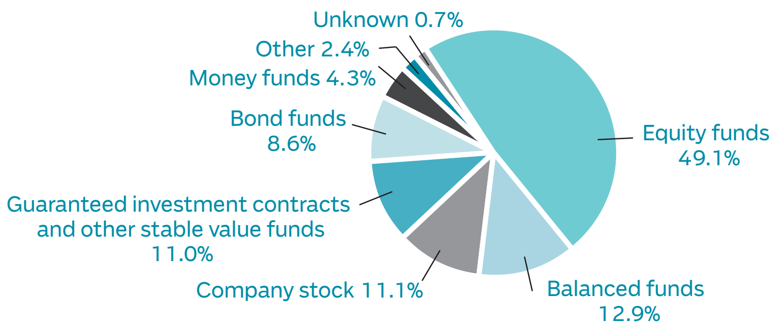
ASSETS IN 401(k) PLANS, 1998-2007
($ billions, end of year)

Year	Mutual fund 401(k) plan assets[1]	Other 401(k) plan assets	Total
1998	$618	$923	$1,541
1999	812	978	1,790
2000	823	901	1,725
2001	799	883	1,682
2002	709	864	1,573
2003	923	999	1,922
2004	1,093	1,095	2,189
2005	1,242	1,154	2,396
2006	1,482	1,288[2]	2,770[2]
2007	1,674	1,372[2]	3,047[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. There are a variety of fixed annuities. One example, the equity-indexed annuity, is a hybrid of the features of fixed and variable annuities. It credits a minimum rate of interest, just as other fixed annuities do, but its value is also based on the performance of a specified stock index—usually computed as a fraction of that index's total return. Annuities can also be classified by marketing channel, in other words, whether they are sold to groups or individuals. (See the Premiums by Line table, page 99.)

- Variable annuity sales decreased 12.9 percent in 2007 after increasing 33.9 percent in 2006.
- Fixed annuity sales increased 7.6 percent in 2007, compared with a decrease of 7.7 percent in 2006.

INDIVIDUAL ANNUITY CONSIDERATIONS, 2003-2007[1]

($ billions)

			Total	
Year	Variable	Fixed	Amount	Percent change from prior year
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	184.2	72.8	257.0	18.7
2007	160.4	78.3	238.7	-7.1

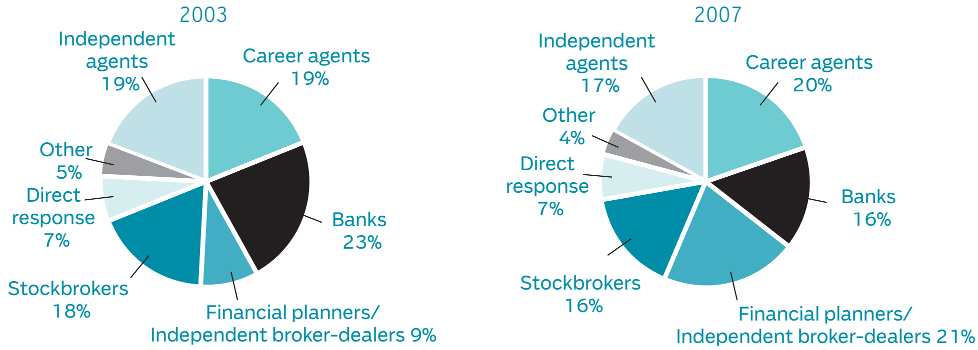
[1]Based on LIMRA's estimates of the total annuity sales market. Includes some considerations (i.e., premiums) that though bought in group settings involve individual buying decisions.

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.

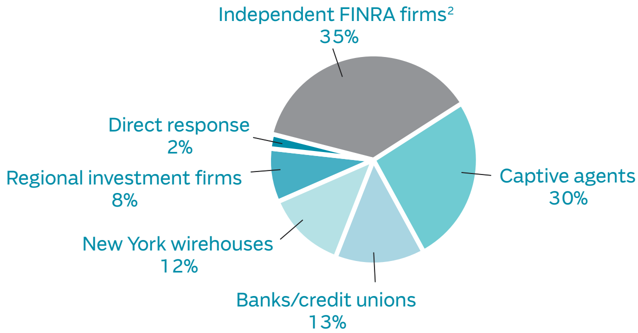
SALES OF INDIVIDUAL ANNUITIES BY DISTRIBUTION CHANNELS, 2003 AND 2007[1]



[1]Preliminary.

Source: LIMRA International.

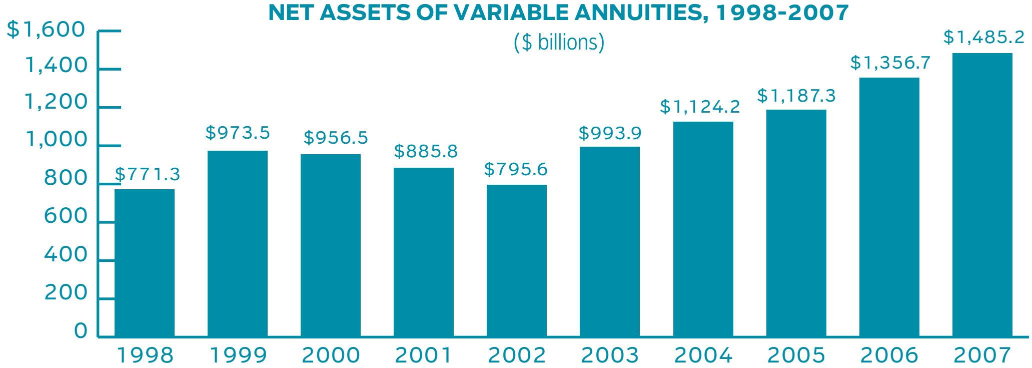
VARIABLE ANNUITY TOTAL SALES BY DISTRIBUTION CHANNEL, 2007[1]



[1]As of December 31, 2007.
[2]Regulated by the Financial Industry Regulatory Authority.

Source: Morningstar, Inc.

NET ASSETS OF VARIABLE ANNUITIES, 1998-2007



Source: Morningstar, Inc.

Retirement Assets

Mutual Funds

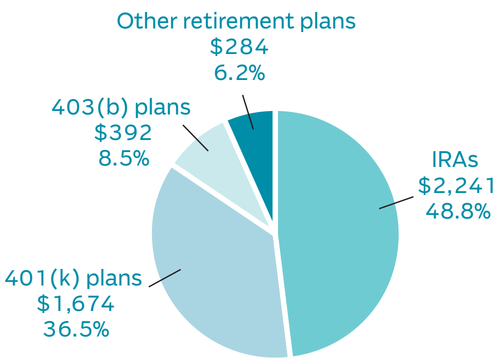
MUTUAL FUND RETIREMENT ASSETS, 1998-2007[1]
($ billions)

Year	Employer-sponsored accounts[2]	IRAs	Total retirement
1998	$984	$961	$1,944
1999	1,280	1,256	2,536
2000	1,257	1,231	2,488
2001	1,188	1,166	2,354
2002	1,048	1,043	2,091
2003	1,358	1,309	2,667
2004	1,584	1,491	3,075
2005	1,780	1,663	3,443
2006	2,110	1,975	4,085
2007	2,350	2,241	4,591

[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, 2007[1]
($ billions)



- Of the total $4.6 trillion in mutual fund assets held in retirement plans, 68 percent were invested in equity funds, including 52 percent in domestic funds and 16 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. Prior to GLB, 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.

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 robust market for financial products. Banks have tended to concentrate on distributing insurance products by buying existing agencies and brokers rather than by setting up their own agencies or purchasing insurers. For their part, insurance companies have set up thrift or banking divisions rather than buying existing banks.

GLB permits banks, securities firms and insurance companies to affiliate with each other through the financial holding company (FHC) structure. 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 also allows banks owned by BHCs to expand into financial services activities by creating financial subsidiaries. The activities permitted by these subsidiaries are not as broad as those of the FHCs. For example, financial subsidiaries of banks may not engage in insurance underwriting. 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 firms outside the financial services sector, such as automakers and department stores as well as financial services businesses, such as finance companies, insurers and securities firms. (See page 68.)

NUMBER OF FINANCIAL HOLDING COMPANIES, 2003-2007[1]

	2003	2004	2005	2006	2007
Number of domestic FHCs[2]	612	600	591	599	597
Number of foreign FHCs[3]	32	36	38	44	43
Total number of FHCs	**644**	**636**	**629**	**643**	**640**

[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.

- As of April 2008 there were 647 BHCs with financial holding company status, including 49 foreign and 598 domestic BHCs.

Bank Holding Companies/ BHCs: Securities Activities

Bank Holding Companies

Each year Michael White-Symetra benchmarks and ranks the insurance, securities, and mutual fund and annuity fee income programs of banks and bank holding companies (BHCs), based on data reported to the FDIC and the Federal Reserve. The charts on pages 46-54 show data from institutions with insurance and/or investment operations located within BHC subsidiaries. The charts on pages 55-56 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.

- The top 10 BHCs or their parents all have financial holding companies status, allowing them to engage in expanded financial services activities.

TOP TEN BANK HOLDING COMPANIES, 2007
($ millions)

Rank	Company	Assets
1	Citigroup Inc.	$2,187,631
2	Bank of America Corporation	1,720,688
3	JPMorgan Chase & Co.	1,562,147
4	Wachovia Corporation	782,896
5	Taunus Corporation[1]	668,199
6	Wells Fargo & Company	575,442
7	HSBC North America Holdings Inc.[2]	487,755
8	U.S. Bancorp	237,615
9	The Bank of New York Mellon Corporation	197,839
10	Suntrust Banks, Inc.	179,574

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

Source: Board of Governors of the Federal Reserve System.

BHCs: Securities Activities

BHCs recorded $43.7 billion in investment, banking, advisory and underwriting income in 2007.

BANK HOLDING COMPANY INVESTMENT BANKING, ADVISORY AND UNDERWRITING INCOME, 2007

	Reporting investment banking, advisory and underwriting income		Investment banking, advisory and underwriting income ($ billions)	Mean investment banking, advisory and underwriting income	Median investment banking, advisory and underwriting income
Year	Number	Percent			
2007	282	30.1%	$43.70	$154,971,830	$356,000

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

TOP TEN BANK HOLDING COMPANIES IN INVESTMENT BANKING, ADVISORY AND UNDERWRITING INCOME, 2007[1]

($000)

			Investment banking, advisory and underwriting income		
Rank	Bank holding company	State	Amount	Percent of noninterest income	Assets
1	Citigroup Inc.	NY	$16,278,000	48.49%	$2,187,631,000
2	JPMorgan Chase & Co.	NY	7,965,000	17.68	1,562,147,000
3	Franklin Resources, Inc.	CA	6,270,861	96.90	9,626,705
4	Wachovia Corporation	NC	4,942,000	36.62	782,896,000
5	Bank of America Corporation	NC	2,915,766	10.06	1,720,688,423
6	Taunus Corporation	NY	1,345,000	58.89	668,199,000
7	PNC Financial Services Group	PA	621,504	16.37	138,976,249
8	Barclays Group US Inc.	DE	400,696	60.74	343,735,670
9	Wells Fargo & Company	CA	391,000	2.22	575,442,000
10	HSBC North America Holdings	IL	364,223	5.04	487,754,828

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BANK HOLDING COMPANY INVESTMENT FEE INCOME, 2003-2007[1]

	Reporting investment fee income				
Year	Number	Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
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
2007	678	72.4	62.20	91,744,066	468,000

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

[2]Due to a 2006 redefinition of what constitutes a “small” bank holding company, 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 - 2008.

BHCs: Securities Activities

TOP TEN BANK HOLDING COMPANIES IN INVESTMENT FEE INCOME, 2006-2007

($000)

Rank	Bank holding company	State	Investment fee income 2006	Investment fee income 2007	Percent change	Percent of noninterest income, 2007	2007 Assets
1	Citigroup Inc.	NY	$14,309,000	$16,464,000	15.06%	49.04%	$2,187,631,000
2	JPMorgan Chase & Co.	NY	8,455,000	10,831,000	28.10	24.04	1,562,147,000
3	Wachovia Corporation	NC	4,622,000	7,538,000	63.09	55.85	782,896,000
4	Bank of America Corporation	NC	6,021,395	6,876,276	14.20	23.73	1,720,688,423
5	Franklin Resources, Inc.	CA	5,103,886	6,270,861	22.86	96.90	9,626,705
6	Taunus Corporation	NY	2,781,000	2,509,000	-9.78	109.85	668,199,000
7	Wells Fargo & Company	CA	1,723,000	1,985,000	15.21	11.25	575,442,000
8	Barclays Group US Inc.	DE	381,912	976,274	155.63	147.98	343,735,670
9	PNC Financial Services Group	PA	1,437,717	899,920	-37.41	23.71	138,976,249
10	Regions Financial Corp.	AL	637,651	822,092	28.93	29.76	141,043,932

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BANK HOLDING COMPANY SECURITIES BROKERAGE INCOME, 2007

Year	Reporting securities brokerage income: Number	Reporting securities brokerage income: Percent	Securities brokerage income ($ billions)	Mean securities brokerage income	Median securities brokerage income
2007	540	57.7%	$16.48	$30,514,404	$320,500

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

TOP TEN BANK HOLDING COMPANIES IN SECURITIES BROKERAGE INCOME, 2007[1]
($000)

			Securities brokerage income		
Rank	Bank holding company	State	Amount	Percent of noninterest income	Assets
1	Bank of America Corporation	NC	$3,834,979	13.24%	$1,720,688,423
2	JPMorgan Chase & Co.	NY	2,703,000	6.00	1,562,147,000
3	Wachovia Corporation	NC	2,113,000	15.66	782,896,000
4	Wells Fargo & Company	CA	1,478,000	8.37	575,442,000
5	Taunus Corporation	NY	1,164,000	50.96	668,199,000
6	The Bank of New York Mellon Corporation	NY	792,000	8.55	197,839,000
7	Regions Financial Corp.	AL	680,773	24.64	141,043,932
8	Barclays Group US Inc.	DE	575,578	87.24	343,735,670
9	Stifel Financial Corp.	MO	430,897	58.71	1,490,571
10	BB&T Corporation	NC	237,972	8.57	132,617,601

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BHCs: Insurance Activities

During 2007, 637 bank holding companies (or 68.1 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared with 642 in 2006. BHC insurance brokerage fee income increased 1.0 percent, from $12.13 billion in 2006 to a record $12.26 billion in 2007, as 632 bank holding companies (or 67.5 percent of all top-level BHCs reporting) engaged in sales activities that produced insurance brokerage fee income. BHCs recorded total insurance revenue of $43.7 billion in 2007, a 0.5 percent rise from 2006.

BHCs: Insurance Activities

BANK HOLDING COMPANY INSURANCE BROKERAGE, UNDERWRITING AND TOTAL INSURANCE FEE INCOME, 2003-2007

	Insurance brokerage fee income[1]				
	Reporting insurance brokerage fee income				
Year	Number	Percent	Insurance brokerage fee income ($ billions)	Mean insurance brokerage fee income	Median insurance brokerage fee income
2003	1,319	63.2%	$8.37	$6,338,246	$65,000
2004	1,408	62.7	9.63	6,841,733	65,000
2005	1,423	63.1	10.98	7,714,739	65,000
2006[2]	637	66.8	12.13	19,047,485	209,000
2007	632	67.5	12.26	19,397,464	152,500

	Insurance underwriting fee income[3]				
	Reporting insurance underwriting fee income				
Year	Number	Percent	Insurance underwriting fee income ($ billions)	Mean insurance underwriting fee income ($ millions)	Median insurance underwriting fee income
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
2007	74	7.9	31.42	$424.6	609,500

	Total insurance fee income				
	Reporting total insurance fee income				
Year	Number	Percent	Total insurance fee income ($ billions)	Mean total insurance fee income ($ millions)	Median total insurance fee income
2003	1,367	64.3%	$33.50	$24.51	$69,000
2004	1,422	63.3	37.06	26.06	67,000
2005	1,428	63.3	44.06	30.85	67,000
2006[2]	642	67.4	43.48	67.72	235,500
2007	637	68.1	43.68	68.57	179,000

[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]Due to a 2006 redefinition of what constitutes a "small" bank holding company, 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 - 2008.

TOP TEN BANK HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME, 2006-2007[1]

($000)

			Insurance brokerage fee income				
Rank	Bank holding company	State	2006	2007	Percent change	Percent of noninterest income, 2007	2007 Assets
1	MetLife, Inc.	NY	$5,084,652	$5,616,982	10.47%	15.57%	$558,563,489
2	Citigroup Inc.	NY	1,723,000	2,016,000	17.01	6.01	2,187,631,000
3	Wells Fargo & Company	CA	1,071,000	1,272,000	18.77	7.21	575,442,000
4	BB&T Corporation	NC	805,869	842,087	4.49	30.33	132,617,601
5	Bank of America Corporation	NC	340,381	317,948	-6.59	1.10	1,720,688,423
6	HSBC North America Holdings Inc.	IL	51,273	170,026	231.61	2.35	487,754,828
7	Wachovia Corporation	NC	386,000	156,000	-59.59	1.16	782,896,000
8	JPMorgan Chase & Co.	NY	401,000	138,000	-65.59	0.31	1,562,147,000
9	Regions Financial Corp.	AL	83,406	97,176	16.51	3.52	141,043,932
10	Commerce Bancorp, Inc.	NJ	83,084	84,624	1.85	11.89	49,372,382

[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 - 2008.

TOP TEN BANK HOLDING COMPANIES IN INSURANCE UNDERWRITING NET INCOME, 2007

($000)

Rank	Bank holding company	State	Total insurance underwriting net income	Total net income/loss	Insurance net income as a percent of total net income	Assets
1	MetLife, Inc.	NY	$4,010,000	$4,316,856	92.89%	$558,563,489
2	Citigroup Inc.	NY	849,000	3,617,000	23.47	2,187,631,000
3	Wells Fargo & Company	CA	818,000	8,057,000	10.15	575,442,000
4	HSBC North America Holdings Inc.	IL	145,131	-5,934,533	-2.45	487,754,828
5	JPMorgan Chase & Co.	NY	136,000	15,365,000	0.89	1,562,147,000
6	Bank of America Corporation	NC	131,560	14,981,646	0.88	1,720,688,423
7	Wachovia Corporation	NC	74,000	6,312,000	1.17	782,896,000
8	Old National Bancorp	IN	41,289	74,890	55.13	7,847,799
9	SunTrust Banks, Inc.	GA	30,146	1,634,015	1.84	179,573,933
10	National City Corporation	OH	24,749	313,975	7.88	150,383,641

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BHCs: Insurance Activities/Annuities Activities

TOP TEN BANK HOLDING COMPANIES IN TOTAL INSURANCE PREMIUMS UNDERWRITTEN, 2006-2007

($000)

Rank	Bank holding company	State	Total insurance premiums 2006	Total insurance premiums 2007	Percent change	2007 Assets
1	MetLife, Inc.	NY	$26,412,139	$27,894,694	5.61%	$558,563,489
2	Citigroup Inc.	NY	1,479,000	1,518,000	2.64	2,187,631,000
3	HSBC North America Holdings Inc.	IL	991,386	680,151	-31.39	487,754,828
4	Bank of America Corporation	NC	201,852	312,537	54.83	1,720,688,423
5	JPMorgan Chase & Co.	NY	399,000	286,000	-28.32	1,562,147,000
6	Wells Fargo & Company	CA	251,000	258,000	2.79	575,442,000
7	National City Corporation	OH	103,705	97,650	-5.84	150,383,641
8	Wachovia Corporation	NC	62,000	93,000	50.00	782,896,000
9	SunTrust Banks, Inc.	GA	37,114	43,288	16.64	179,573,933
10	U.S. Bancorp	MN	37,000	36,000	-2.73	237,615,000

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BHCs: Annuities Activities

BANK HOLDING COMPANY MUTUAL FUND AND ANNUITY INCOME, 2003-2007

Year	Reporting mutual fund and annuity income: Number	Reporting mutual fund and annuity income: Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
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
2007	595	63.6	22.82	38,353,528	385,000

[1]Due to a 2006 redefinition of what constitutes a "small" bank holding company, 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 - 2008.

TOP TEN BANK HOLDING COMPANIES IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2006-2007

($000)

			Proprietary mutual fund and annuities assets under management			
Rank	Bank holding company	State	2006	2007	Percent change	2007 Assets
1	Franklin Resources, Inc.	CA	$396,509,433	$643,745,115	62.35%	$9,626,705
2	JPMorgan Chase & Co.	NY	248,178,000	608,517,000	145.19	1,562,147,000
3	MetLife, Inc.	NY	527,733,795	558,563,489	5.84	558,563,489
4	The Bank of New York	NY	221,637,000[1]	300,691,000	35.67	197,839,000
5	Bank of America Corporation	NC	257,732,649	290,074,305	12.55	1,720,688,423
6	Wells Fargo & Company	CA	126,140,000	154,892,000	22.79	575,442,000
7	Taunus Corporation	NY	127,855,000	132,260,000	3.45	668,199,000
8	Citigroup Inc.	NY	5,022,000	117,678,000	2,243.25	2,187,631,000
9	Wachovia Corporation	NC	108,038,000	113,600,000	5.15	782,896,000
10	U.S. Bancorp	MN	72,937,000	88,108,000	20.80	237,615,000

[1]Represents the sum of the proprietary mutual fund and annuity assets under management held by both The Bank of New York Company, Inc. and Mellon Financial Corporation at the end of 2006 and prior to their merger on July 1, 2007.
Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

TOP TEN BANK HOLDING COMPANIES IN MUTUAL FUND AND ANNUITY FEE INCOME, 2006-2007

($000)

			Mutual fund and annuity fee income				
Rank	Bank holding company	State	2006	2007	Percent change	Percent of non-interest income, 2007	2007 Assets
1	Franklin Resources, Inc.	CA	$2,325,129	$5,789,149	148.98%	89.46%	$9,626,705
2	MetLife, Inc.	NY	2,931,469	3,542,355	20.84	9.82	558,563,489
3	Wachovia Corporation	NC	1,858,000	2,567,000	38.16	19.02	782,896,000
4	Bank of America Corp.	NC	1,786,783	2,116,594	18.46	7.31	1,720,688,423
5	JPMorgan Chase & Co.	NY	1,746,000	1,890,000	8.25	4.19	1,562,147,000
6	Citigroup Inc.	NY	1,533,000	1,752,000	14.29	5.22	2,187,631,000
7	Wells Fargo & Company	CA	384,000	1,429,000	272.14	8.10	575,442,000
8	Taunus Corporation	NY	486,000	513,000	5.56	22.46	668,199,000
9	U.S. Bancorp	MN	327,000	385,000	17.74	5.38	237,615,000
10	The Bank of New York Mellon Corporation	NY	1,111,852[1]	360,000	-67.62	3.89	197,839,000

[1]Represents the sum of the proprietary mutual fund and annuity income earned by both The Bank of New York Company, Inc. and Mellon Financial Corporation in 2006 and prior to their merger on July 1, 2007.
Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

BHCs: Annuities Activities

BANK HOLDING COMPANY ANNUITY COMMISSIONS, 2007

	Reporting annuity commissions				
Year	Number	Percent	Annuity commissions ($ billions)	Mean annuity commissions	Median annuity commissions
2007	398	42.5%	$2.02	$5,082,018	$203,000

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

TOP TEN BANK HOLDING COMPANIES IN ANNUITY COMMISSIONS, 2007[1]

($000)

			Annuity commissions		
Rank	Bank holding company	State	Amount	Percent of noninterest income	Assets
1	Wachovia Corporation	NC	$483,000	3.58%	$782,896,000
2	JPMorgan Chase & Co.	NY	163,000	0.36	1,562,147,000
3	Bank of America Corporation	NC	125,531	0.43	1,720,688,423
4	Wells Fargo & Company	CA	116,000	0.66	575,442,000
5	SunTrust Banks, Inc.	GA	114,903	3.63	179,573,933
6	Citigroup Inc.	NY	106,000	0.32	2,187,631,000
7	U.S. Bancorp	MN	91,000	1.27	237,615,000
8	PNC Financial Services Group	PA	68,446	1.80	138,976,249
9	HSBC North America Holdings Inc.	IL	58,025	0.80	487,754,828
10	BancWest Corporation	HI	46,804	6.48	74,209,491

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Holding Company Fee Income Report - 2008.

Banks: Securities Activities

The preceding charts highlighted insurance and securities income generated by bank holding companies based on an analysis by Michael White-Symetra. The Michael White-Symetra charts in the following section focus on institutions that have generated such income, either directly or through bank subsidiaries, insurance and investment income and report the data at the bank level, rather than at the bank holding company level.

Banks recorded investment fee income of $14 billion in 2007, up from $10 billion in 2003.

BANK INVESTMENT BANKING, ADVISORY AND UNDERWRITING INCOME, 2007

	Reporting investment banking, advisory and underwriting income		Investment banking, advisory and underwriting income ($ billions)	Mean investment banking, advisory and underwriting income	Median investment banking, advisory and underwriting income
Year	Number	Percent			
2007	717	9.3%	$6.42	$8,956,393	$63,000

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN INVESTMENT BANKING, ADVISORY AND UNDERWRITING INCOME, 2007[1]

($000)

			Investment banking, advisory and underwriting income		
Rank	Bank	State	Amount	Percent of noninterest income	Assets
1	JPMorgan Chase Bank, N.A.	OH	$3,700,000	11.69%	$1,318,888,000
2	Wachovia Bank, N.A.	NC	566,000	6.30	653,269,000
3	Bank of America, N.A.	NC	403,394	2.16	1,312,794,218
4	U.S. Bank, N.A.	OH	194,814	2.91	232,759,503
5	PNC Bank, N.A.	PA	156,364	7.07	124,782,289
6	Deutsche Bank Trust Company Americas	NY	145,000	8.98	35,425,000
7	Fifth Third Bank	OH	127,033	5.73	61,462,778
8	Keybank, N.A.	OH	119,114	6.64	95,861,810
9	Capital One, N.A.	VA	111,296	9.33	97,517,902
10	Wells Fargo Bank, N.A.	SD	92,000	0.66	467,861,000

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Fee Income Report - 2008.

Banks: Securities Activities

- From 2003 to 2007, banks bought an average of 53 securities firms each year. (See Chapter 7: Mergers and Acquisitions of U.S. Securities Firms.)

BANK INVESTMENT FEE INCOME, 2003-2007[1]

Year	Reporting investment fee income: Number	Reporting investment fee income: Percent	Investment fee income ($ billions)	Mean investment fee income	Median investment fee income
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
2007	2,216	28.8	14.21	6,412,762	110,000

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

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN INVESTMENT FEE INCOME, 2006-2007[1]

($000)

Rank	Bank	State	Investment fee income: 2006	Investment fee income: 2007	Investment fee income: Percent change	Investment fee income: Percent of noninterest income, 2007	2007 Assets
1	JPMorgan Chase Bank, N.A.	OH	$4,609,000	$5,546,000	20.33%	17.52%	$1,318,888,000
2	Bank of America, N.A.	NC	2,913,251	3,442,038	18.15	18.44	1,312,794,218
3	Wachovia Bank, N.A.	NC	540,000	582,000	7.78	6.48	653,269,000
4	Wells Fargo Bank, N.A.	SD	427,000	460,000	7.73	3.28	467,861,000
5	PNC Bank, N.A.	PA	239,621	291,334	21.58	13.18	124,782,289
6	Fifth Third Bank	OH	158,021	228,072	44.33	10.29	61,462,778
7	The Bank of New York	NY	395,000	214,000	-45.82	4.58	115,672,000
8	Citibank, N.A.	NV	0	213,000	NA	1.93	1,251,715,000
9	U.S. Bank N.A.	OH	171,697	194,814	13.46	2.91	232,759,503
10	Keybank N.A.	OH	108,047	179,373	66.01	10.00	95,861,810

[1]Income from broker-dealer activities such as investment banking, advisory and underwriting; securities brokerage; and annuity commissions.

NA= Not applicable.

Source: Michael White-Symetra Bank Fee Income Report - 2008.

BANK SECURITIES BROKERAGE INCOME, 2007

	Reporting securities brokerage income				
Year	Number	Percent	Securities brokerage income ($ billions)	Mean securities brokerage income	Median securities brokerage income
2007	1,624	21.1%	$6.85	$4,217,010	$90,500

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN SECURITIES BROKERAGE INCOME, 2007[1]

($000)

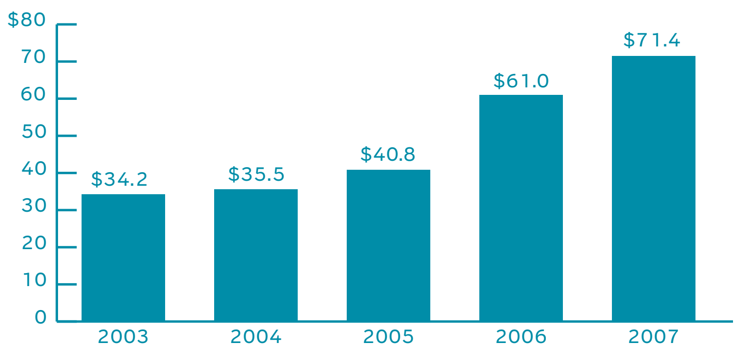
			Securities brokerage income		
Rank	Bank	State	Amount	Percent of noninterest income	Assets
1	Bank of America, N.A.	NC	$2,917,015	15.62%	$1,312,794,218
2	JPMorgan Chase Bank, N.A.	OH	1,846,000	5.83	1,318,888,000
3	Wells Fargo Bank, N.A.	SD	368,000	2.62	467,861,000
4	The Bank of New York	NY	206,000	4.41	115,672,000
5	PNC Bank, N.A.	PA	92,309	4.18	124,782,289
6	Chase Bank USA, N.A.	DE	83,880	1.42	77,748,330
7	Citibank, N.A.	NV	80,000	0.72	1,251,715,000
8	Mellon Bank, N.A.	PA	71,018	6.32	39,674,139
9	First Tennessee Bank, N.A.	TN	64,034	7.77	36,725,591
10	Fifth Third Bank	OH	58,703	2.65	61,462,778

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Fee Income Report - 2008.

BANK SALES OF RETAIL MUTUAL FUNDS, 2003-2007[1]

($ billions)



- Bank sales of retail mutual funds reached a record $71.4 billion in 2007. This marks a 17.0 percent increase from the previous year.

[1]Estimated.

Source: Kehrer-LIMRA.

Banks: Insurance Activities

BANK HOLDING COMPANY INSURANCE BROKERAGE, UNDERWRITING AND TOTAL INSURANCE FEE INCOME, 2003-2007

	Insurance brokerage fee income[1]				
	Reporting Insurance brokerage fee income[1]				
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
2007	3,519	45.7	4.04	1,149,359	18,000

	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
2007	247	3.2	414.9	1,679,781	8,000

	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
2007	3,625	47.0	4.46	1,230,207	18,000

[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 Holding Company Fee Income Report - 2008.

TOP TEN BANKS IN INSURANCE BROKERAGE FEE INCOME, 2006-2007

($000)

			Insurance brokerage fee income				
Rank	Bank	State	2006	2007	Percent change	Percent of noninterest income, 2007	2007 Assets
1	Citibank, N.A.	NV	$973,000	$1,185,000	21.79%	10.74%	$1,251,715,000
2	Branch Banking and Trust Company	NC	799,385	836,932	4.70	34.30	127,698,351
3	FIA Card Services, N.A.	DE	190,069	256,643	35.03	2.77	161,691,777
4	Bank of America, N.A.	NC	186,127	176,778	-5.02	0.95	1,312,794,218
5	Commerce Bank/North	NJ	83,084	84,624	1.85	57.19	4,856,937
6	National City Bank	OH	59,537	71,607	20.27	3.25	138,755,343
7	BancorpSouth Bank	MS	68,555	71,560	4.38	31.37	13,192,320
8	Union Bank of California, N.A.	CA	73,234	70,509	-3.72	8.65	55,156,870
9	TD BankNorth, N.A.	ME	56,102	56,040	-0.11	12.04	45,485,973
10	Associated Bank, N.A.	WI	53,543	41,765	-22.00	14.66	21,335,735

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN INSURANCE UNDERWRITING INCOME, 2007

($000)

			Insurance underwriting income			
Rank	Bank	State	Amount	Percent of total insurance income	Percent of noninterest income	Assets
1	JPMorgan Chase Bank, N.A.	OH	$94,000	96.91%	0.30%	$1,318,888,000
2	Wells Fargo Bank, N.A.	SD	92,000	97.87	0.66	467,861,000
3	Bank of America, N.A.	NC	43,901	19.89	0.24	1,312,794,218
4	SunTrust Bank	GA	37,698	94.84	1.28	175,107,526
5	Wells Fargo Financial Bank	SD	32,083	100.00	34.40	5,716,486
6	U.S. Bank, N.A.	OH	23,865	97.55	0.36	232,759,503
7	Wachovia Bank, N.A.	NC	21,000	61.76	0.23	653,269,000
8	HSBC Bank USA, N.A.	DE	11,781	38.98	0.74	184,491,526
9	First Tennessee Bank, N.A.	TN	9,052	22.41	1.10	36,725,591
10	Fifth Third Bank	OH	8,021	40.13	0.36	61,462,778

Source: Michael White-Symetra Bank Fee Income Report - 2008.

Banks: Insurance Activities

TOP TEN BANKS IN TOTAL INSURANCE FEE INCOME, 2006-2007
($000)

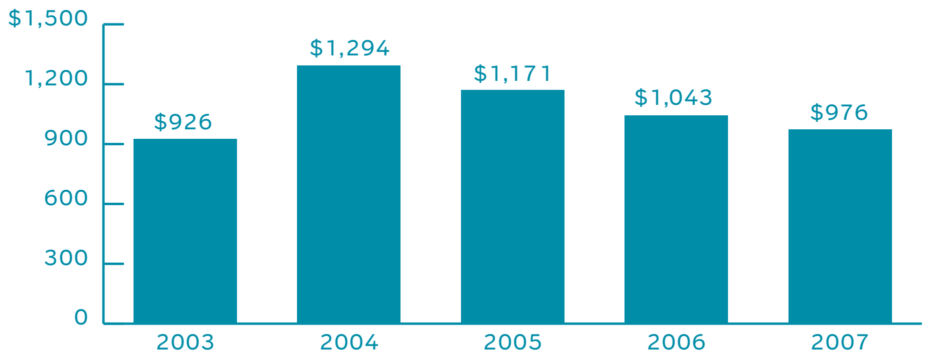
			Insurance fee income				
Rank	Bank	State	2006	2007	Percent change	Percent of noninterest income, 2007	2007 Assets
1	Citibank, N.A.	NV	$974,000	$1,185,000	21.66%	10.74%	$1,251,715,000
2	Branch Banking and Trust Company	NC	804,207	840,380	4.50	34.44	127,698,351
3	FIA Card Services, N.A.	DE	190,069	256,643	35.03	2.77	161,691,777
4	Bank of America, N.A.	NC	225,935	220,679	-2.33	1.18	1,312,794,218
5	JPMorgan Chase Bank, N.A.	OH	81,000	97,000	19.75	0.31	1,318,888,000
6	Wells Fargo Bank, N.A.	SD	90,000	94,000	4.44	0.67	467,861,000
7	Commerce Bank/North	NJ	83,084	84,624	1.85	57.19	4,856,937
8	BancorpSouth Bank	MS	68,804	71,616	4.09	31.40	13,192,320
9	National City Bank	OH	59,537	71,607	20.27	3.25	138,755,343
10	Union Bank of California, N.A.	CA	73,234	70,509	-3.72	8.65	55,156,870

Source: Michael White-Symetra Bank Fee Income Report - 2008.

Banks In Insurance Surveys

The preceding pages show Michael White-Symetra data on the insurance activities of banks and bank holding companies, based on the firm's analysis of Federal Reserve and FDIC data. The charts on pages 60-62 provide data on banks in insurance, based on research by Kehrer-LIMRA, SNL and the American Bankers Insurance Association.

BANK INDIVIDUAL LIFE INSURANCE SALES, 2003-2007
($ millions)



Source: Kehrer-LIMRA.

WEIGHTED BANK SALES OF INDIVIDUAL LIFE INSURANCE, 2003-2007[1]

Year	Sales ($ millions)	Share of industry annualized premium
2003	$242	2.1%
2004	288	2.3
2005	274	2.2
2006	261	2.0
2007	226	1.6

[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 13.4 percent in 2007.

BANK PURCHASES OF INSURANCE AGENCIES, 2004-2007[1]

	2004	2005	2006	2007
Number of deals	64	44	64	56
Deal value[2] ($ millions)	$113.5	$212.3	$33.8	$94.8

[1]Does not include terminated deals. [2]At announcement.

Source: SNL Financial LC.

- The number of bank/agency deals fell 13 percent from 2006 to 2007, but the value of those deals increased by 181 percent.

Bank insurance premiums totaled about $80.1 billion in 2005, according to a 2006 survey by the American Bankers Insurance Association (ABIA), based on the responses of 525 banks. A 2007 ABIA survey of banks in the insurance distribution business found that individual life and health products dominate banks sales, with 87 percent of the 71 respondents selling such products.

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%**

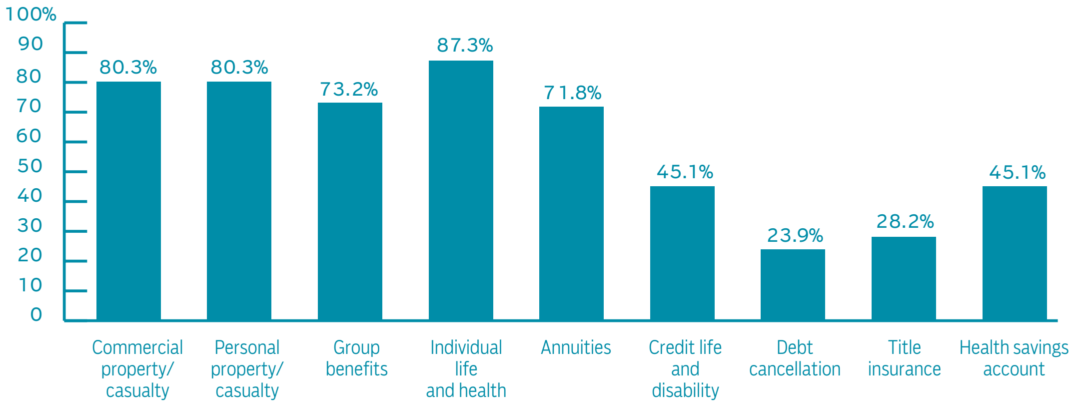
[1]Agency originated by the bank without acquisition of a platform agency. [2]Joint venture or marketing alliance with an insurance agency.

Source: American Bankers Insurance Association.

Convergence

Banks: Insurance Activities

BANK INSURANCE DISTRIBUTION ACTIVITY, 2007[1]

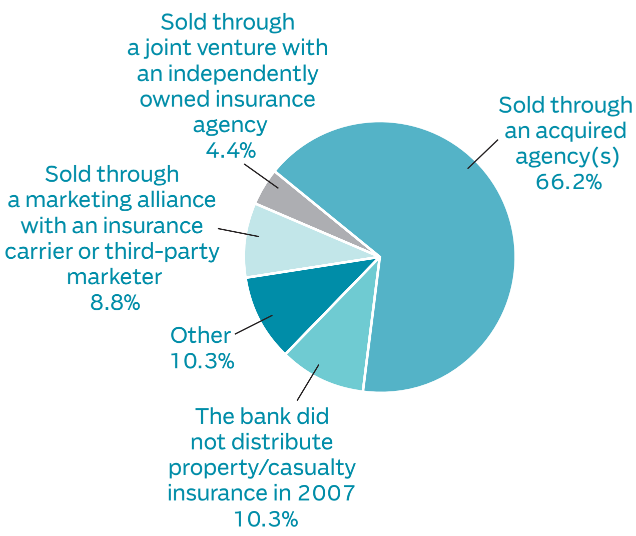


[1]Percent of surveyed banks distributing these insurance products.

Source: American Bankers Insurance Association.

PREMIUM PROPERTY/CASUALTY DISTRIBUTION METHOD, 2007

($ billions)



Source: American Bankers Insurance Association.

Banks: Annuities Activities

BANK MUTUAL FUND AND ANNUITY INCOME, 2003-2007

Year	Reporting mutual fund and annuity income: Number	Reporting mutual fund and annuity income: Percent	Mutual fund and annuity income ($ billions)	Mean mutual fund and annuity income	Median mutual fund and annuity income
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
2007	1,841	23.9	5.80	3,152,999	112,000

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN MUTUAL FUND AND ANNUITY INCOME, 2006-2007

($000)

Rank	Bank	State	Mutual fund and annuity income: 2006	Mutual fund and annuity income: 2007	Mutual fund and annuity income: Percent change	Percent of noninterest income, 2007	2007 Assets
1	Bank of America, N.A.	NC	$1,786,783	$2,107,472	17.95%	11.29%	$1,312,794,218
2	Wachovia Bank, N.A.	NC	581,000	618,000	6.37	6.88	653,269,000
3	JPMorgan Chase Bank, N.A.	OH	526,000	428,000	-18.63	1.35	1,318,888,000
4	Wells Fargo Bank, N.A.	SD	364,000	366,000	0.55	2.61	467,861,000
5	U.S. Bank, N.A.	OH	171,697	194,814	13.46	2.91	232,759,503
6	PNC Bank, N.A.	PA	111,341	153,032	37.44	6.92	124,782,289
7	The Bank of New York	NY	245,000	153,000	-37.55	3.28	115,672,000
8	Fifth Third Bank	OH	143,160	143,794	0.44	6.49	61,462,778
9	Keybank, N.A.	OH	96,034	104,004	8.30	5.80	95,861,810
10	Chase Bank USA, N.A.	DE	20,349	85,307	319.22	1.45	77,748,330

Source: Michael White-Symetra Bank Fee Income Report - 2008.

BANK ANNUITY COMMISSIONS, 2007

Year	Reporting annuity commissions: Number	Reporting annuity commissions: Percent	Annuity commissions ($ billions)	Mean annuity commissions	Median annuity commissions
2007	1,074	13.9%	$940.50	$875,718	$63,000

Source: Michael White-Symetra Bank Fee Income Report - 2008.

Banks: Annuities Activities

TOP TEN BANKS IN ANNUITY COMMISSIONS, 2007[1]

($000)

Rank	Bank	State	Annuity commissions: Amount	Annuity commissions: Percent of noninterest income	Assets
1	Bank of America, N.A.	NC	$121,629	0.65%	$1,312,794,218
2	Citibank, N.A.	NV	106,000	0.96	1,251,715,000
3	PNC Bank, N.A.	PA	42,661	1.93	124,782,289
4	Fifth Third Bank	OH	42,336	1.91	61,462,778
5	Branch Banking and Trust Company	NC	41,859	1.72	127,698,351
6	Keybank, N.A.	OH	41,783	2.33	95,861,810
7	National City Bank	OH	38,111	1.73	138,755,343
8	Bank of the West	CA	37,825	6.64	61,829,845
9	Manufacturers and Traders Trust Co.	NY	33,753	3.44	64,072,546
10	RBS Citizens, N.A.	RI	28,295	1.99	128,863,082

[1]Data not available prior to 2007.

Source: Michael White-Symetra Bank Fee Income Report - 2008.

TOP TEN BANKS IN PROPRIETARY MUTUAL FUND AND ANNUITIES ASSETS UNDER MANAGEMENT, 2006-2007

($000)

Rank	Bank	State	Proprietary mutual fund and annuities assets under management: 2006	Proprietary mutual fund and annuities assets under management: 2007	Percent change	2007 Assets
1	Bank of America, N.A.	NC	$257,732,649	$280,892,887	8.99%	$1,312,794,218
2	Wachovia Bank, N.A.	NC	104,900,000	113,600,000	8.29	653,269,000
3	U.S. Bank, N.A.	OH	72,937,340	88,108,365	20.80	232,759,503
4	JPMorgan Chase Bank, N.A.	OH	248,178,000	85,159,000	-65.69	1,318,888,000
5	The Northern Trust Company	IL	68,379,068	80,266,774	17.39	58,398,420
6	State Street Bank and Trust Company	MA	29,767,869	38,887,996	30.64	134,001,964
7	United States Trust Company, N.A.	NY	20,562,185	23,692,630	15.22	13,149,170
8	HSBC Bank USA, N.A.	DE	11,080,296	23,605,645	113.04	184,491,526
9	The Bank of New York	NY	17,636,000	23,001,000	30.42	115,672,000
10	National City Bank	OH	19,205,903	19,449,488	1.27	138,755,343

Source: Michael White-Symetra Bank Fee Income Report - 2008.

BANK SHARE OF FIXED AND VARIABLE ANNUITY PREMIUMS, 1998-2007

($ billions)

	Fixed annuity premiums			Variable annuity premiums		
Year	Total market	Banks	Bank share	Total market	Banks	Bank share
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	72.4	20.1	27.8	160.4	21.6	13.5
2007	66.7	17.5	26.2	184.2	25.5	13.7

Source: Kehrer-LIMRA.

Insurance Industry: Banking Activities

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

TEN LARGEST THRIFTS OWNED BY INSURANCE COMPANIES BY ASSETS, 2007[1]

($000)

Rank	Insurance company	Thrift owned	State	Thrift assets
1	Stichting Cumulatief Preferente	ING Bank, FSB	DE	$79,986,069
2	United Services Automobile Assoc.	USAA Federal Savings Bank	TX	30,219,506
3	American Express Company	American Express Bank, FSB	UT	25,039,727
4	State Farm Mutual Auto Ins.	State Farm Bank, FSB	IL	15,892,019
5	Principal Financial Group	Principal Bank	IO	1,944,868
6	Acacia Life	Acacia Federal Savings Bank	VA	1,492,439
7	Prudential Financial Inc.	Prudential Bank&Trust, FSB	CT	1,480,635
8	American International Group	AIG Federal Savings Bank	DE	1,338,397
9	Nationwide Mutual Insurance	Nationwide Bank	OH	1,126,185
10	Alfa Mutual Insurance Company	MidCountry Bank	IL	1,027,186

[1]As of December 31, 2007.

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

Insurance Industry: Banking Activities

TOP TEN WRITERS OF FIXED ANNUITIES SOLD THROUGH BANKS, 2006-2007
($ millions)

		Premiums	
Rank	Company	2006	2007
1	AIG Annuity	$5,138	$5,213
2	New York Life	2,518	2,156
3	Allstate Financial	3,266	1,747
4	Principal Financial Group	857	1,583
5	AEGON/Transamerica	1,132	1,350
6	Genworth Financial	1,165	717
7	Jackson National Life	798	571
8	Western-Southern Financial	615	541
9	Symetra Financial	390	523
10	Hartford Life	349	486

Source: Kehrer-LIMRA.

TOP TEN WRITERS OF VARIABLE ANNUITIES SOLD THROUGH BANKS, 2006-2007
($ millions)

		Premiums	
Rank	Company	2006	2007
1	Hartford Life	$4,801	$5,080
2	Pacific Life	3,334	3,761
3	AXA	2,014	2,563
4	Nationwide Financial	1,611	1,876
5	John Hancock	1,279	1,712
6	ING	988	1,617
7	RiverSource Life Insurance	1,143	1,182
8	Jackson National Life	676	1,066
9	AIG/SunAmerica	1,003	985
10	Lincoln Financial	654	955

Source: Kehrer-LIMRA.

TOP TEN UNDERWRITERS OF BANK LIFE PREMIUMS BY TOTAL NEW PREMIUM, 2007
($ millions)

Rank	Company	Premiums
1	Liberty Life of Boston	$155.3
2	Allstate	140.4
3	Transamerica	140.3
4	Hartford	131.2
5	OneAmerica	72.9
6	Lincoln	70.0
7	Nationwide	32.6
8	Aviva	28.6
9	Protective	20.3
10	AIG	17.8

Source: Kehrer-LIMRA.

Nonbank Ownership of 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 $260 billion in 2008. There were 53 FDIC-insured ILCs as of March 2008, with 44 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 banks and 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. In 2003 California and Colorado passed laws that prohibit nonfinancial firms from owning ILCs.

Industrial Banks

- All of the top 10 largest industrial banks are owned by financial services companies. However, a wide variety of firms own ILCs, including Harley Davidson, BMW and Toyota.

TOP TEN FDIC-INSURED INDUSTRIAL BANKS BY ASSETS, 2008[1]

($ millions)

Rank	Institution	Total assets	State	Parent	Sector of parent
1	Merrill Lynch Bank USA	$63,002.7	UT	Merrill Lynch	Securities
2	Morgan Stanley Bank	38,472.0	UT	Morgan Stanley	Securities
3	GMAC Bank	30,329.3	UT	Cerberus/ GMAC	Private equity/ diversified financial
4	UBS Bank USA	27,989.1	UT	UBS AG	Bank
5	Goldman Sachs Bank USA	25,573.2	UT	Goldman Sachs	Securities
6	American Express Centurion Bank	24,310.3	UT	American Express	Diversified financial
7	Capmark Bank	7,745.0	UT	Capmark Financial Group/GMAC	Diversified financial
8	Lehman Brothers Commercial Bank	6,481.6	UT	Lehman Brothers Holdings Inc.	Securities
9	Fremont Investment & Loan	6,047.6	CA	Fremont General Corporation/ Diamond A. Ford	Bank/private investment
10	USAA Savings Bank	5,730.9	NV	USAA Life Company	Insurance

[1]As of March 31, 2008.

Source: Federal Deposit Insurance Corporation.

Overview

The insurance industry safeguards the assets of its policyholders by transferring risk from an individual or business to an insurance company. 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 insurance companies and is also available through government programs. Some insurers have expanded 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. 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. The National Association of Insurance Commissioners develops model rules and regulations for the industry, many of which must be approved by state legislatures.

The McCarran-Ferguson Act, passed by Congress in 1945, refers to continued state regulation of the insurance industry as being in the public interest. Under the 1999 Gramm-Leach-Bliley Financial Services Modernization Act, insurance activities—whether conducted by banks, broker-dealers or insurers—are regulated by the states. However, there have been, and continue to be, challenges to state regulation from some segments of the federal government as well as from some financial services firms.

In March 2008 the Treasury Department proposed a sweeping overhaul of the regulation of the U.S. financial services industry, aimed at strengthening consumer protections, promoting market stability and enhancing financial innovation. The proposal included a provision supporting the establishment of an optional federal charter (OFC) for insurers. An OFC would allow insurance firms to opt for a system of federal chartering, licensing, regulation and supervision or to continue to be regulated by individual states.

Accounting

Insurers are required to use statutory accounting principles (SAP) when filing annual financial reports with state regulators and the Internal Revenue Service. SAP, which evolved to enhance the industry's financial stability, is more conservative than the generally accepted accounting principles (GAAP), established by the independent Financial Accounting Standard Boards. The Securities and Exchange Commission (SEC) requires publicly owned companies to report their financial results using GAAP rules. Insurers outside the United States use standards that differ from SAP and GAAP. As global markets developed, the need for more uniform accounting standards became clear. In 2001 the International Accounting Standards Board (IACB), an independent international accounting standards setting organization based in London, began work on a set of standards that it hopes will be used around the world. In November 2007, the SEC voted to stop requiring non-U.S. companies that use International Financial Reporting Standards (IFRS) to re-issue their financial reports for U.S. investors using GAAP. The IACB is also working on a separate set of international accounting standards for the insurance industry.

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 2008, up from 10.2 percent in 2003. 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 7.1 percent from 2008 to 2013.

DIRECT MARKETING ADVERTISING SALES IMPACT FOR INSURANCE CARRIERS AND AGENTS, 2003-2013[1]

($ billions)

						Compound annual growth (percent)	
	2003	2007	2008[2]	2009[2]	2013[2]	2003-2008	2008-2013
Total industry sales	$457.1	$528.0	$566.0	$622.1	$774.6	4.4%	6.5%
Direct marketing-driven sales	46.8	54.5	59.0	65.3	83.1	4.8	7.1
Direct marketing percent of total sales	10.2%	10.3%	10.4%	10.5%	10.7%	NA	NA
Direct marketing advertising expenditures	$5.6	$6.6	$7.0	$7.6	$9.3	4.5	5.8

[1]Includes insurance of all types including life/health and property/casualty. [2]Estimated. NA=Not applicable.

Source: Direct Marketing Association's "Power of Direct Marketing, 2008-2009 edition."

Mergers and Acquisitions

THE TOP TEN INSURANCE-RELATED MERGERS AND ACQUISITIONS REPORTED IN 2007[1]

Rank	Buyer	Target	Deal value[2]
1	Berkshire Hathaway Inc.	Marmon Group, LLC.	$4,500.0
2	Loews Corporation	Onshore gas and oil E&P operations from Dominion Resources, Inc.	4,025.0
3	Liberty Mutual Holding Company Inc.	Ohio Casualty Corporation	2,744.0
4	UnitedHealth Group Incorporated	Sierra Health Services, Inc.	2,533.5
5	ACE Limited	Combined Insurance Company of America	2,400.0
6	Fundación Mapfre	Commerce Group, Inc.	2,274.1
7	Maple Tree Acquisition Corp.	Hub International Limited	1,757.8
8	CIGNA Corporation	Great-West Healthcare Holdings Inc.	1,500.0
9	American International Group, Inc.	Bulgarian Telecommunications Company AD	1,472.6
10	Muenchener Rueckversicherungs-Gesellschaft AG	Midland Company	1,330.4

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

Source: SNL Financial LC.

- The number of insurance mergers from 2003 to 2007 fluctuated from a low of 282 in 2003 to a high of 358 in 2007. During the same period, the value of deals fluctuated from a high of $55.5 billion in 2003 to a low of $13.7 billion in 2006.
- Insurance deal value rose from $13.7 billion in 2006 to $34.7 billion in 2007 while the number of deals rose from 330 in 2006 to 358 in 2007.

Profitability

ANNUAL RATE OF RETURN, GAAP ACCOUNTING, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1998-2007

Year	Property/casualty[1]	Life/health[2]	Year	Property/casualty[1]	Life/health[2]
1998	8.5%	11.0%	2003	8.8%	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	12.7	12.0
2002	2.1	1.0	2007	10.7	11.0

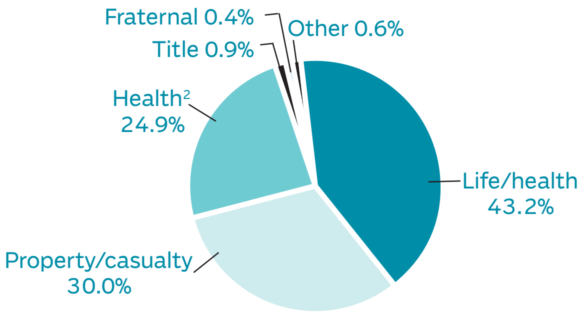
[1]Return on average net worth, ISO.
[2]Combined stock and mutual companies from data reported by Fortune as calculated by the Insurance Information Institute.

Source: ISO; Fortune.

Insurance

All Sectors

PREMIUMS BY TYPE OF INSURER, 2007[1]

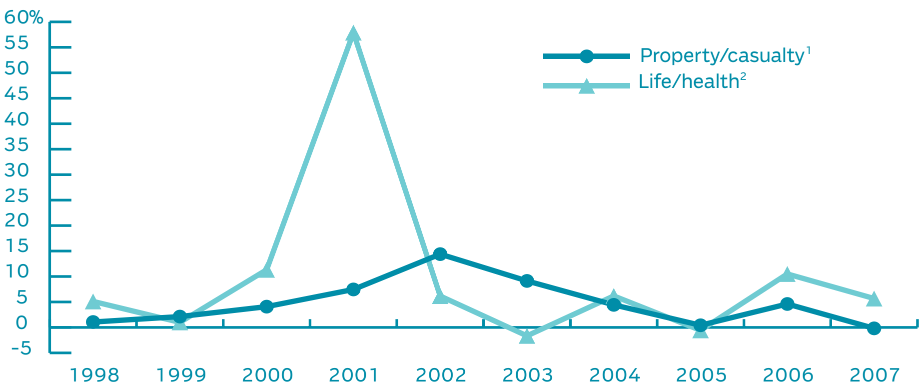


[1]Gross direct premiums. Total premiums for 2007 were $1,580 billion.
[2]Blue Cross/Blue Shield, HMOs and hospital, medical and dental indemnity.

Source: National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

GROWTH IN U.S. PREMIUMS, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1998-2007

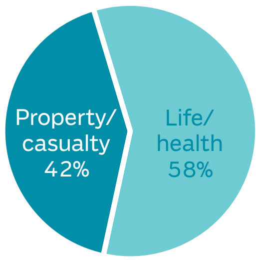
(Percent change from prior year)



[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, 2007[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, 1998-2007

(000)

Year	Insurance companies[1]		Reinsurers	Insurance agencies, brokerages and related services[2]	Total industry
	Life, health and medical	Property/ casualty			
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	2,233.2
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	787.4	597.4	28.0	890.8	2,303.7
2007	782.3	588.6	27.7	909.5	2,308.1

[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, 2007

State	Life/health	Property/ casualty	Health[1]	Fraternal[2]	Title	Risk retention group	Other[3]
Alabama	10	22	5	1	1	1	4
Alaska	0	6	1	0	0	0	2
Arizona	186	47	18	0	0	23	81
Arkansas	33	11	9	0	2	0	13
California	19	119	2	5	11	0	23
Colorado	11	16	21	2	4	2	6
Connecticut	27	69	7	1	1	0	0
Delaware	33	86	8	2	0	5	11
D.C.	2	9	7	1	0	34	37
Florida	39	144	73	0	5	1	263
Georgia	17	38	15	0	0	0	40
Hawaii	3	19	4	0	0	15	148
Idaho	1	9	6	0	0	0	1
Illinois	61	190	22	16	0	1	81
Indiana	38	72	17	3	3	10	38
Iowa	26	60	10	1	0	7	110
Kansas	12	24	8	0	2	0	2
Kentucky	9	8	12	0	0	4	44
Louisiana	48	37	11	2	3	0	30
Maine	2	17	5	0	0	0	0
Maryland	6	42	24	0	1	0	0
Massachusetts	19	52	13	2	3	0	0
Michigan	29	75	41	2	0	0	7
Minnesota	12	47	18	5	1	0	87
Mississippi	21	15	3	2	3	0	1
Missouri	31	51	26	1	3	0	101

(table continues)

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, 2007 (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	31	3	1	6	1	31
Nevada	3	13	16	0	0	33	85
New Hampshire	3	32	6	1	0	0	0
New Jersey	4	81	18	4	2	0	0
New Mexico	4	8	9	0	0	0	0
New York	78	194	57	4	11	0	253
North Carolina	6	69	12	0	1	0	0
North Dakota	3	17	5	0	0	0	14
Ohio	38	132	25	10	9	0	42
Oklahoma	26	47	6	0	5	2	4
Oregon	4	13	20	0	3	0	5
Pennsylvania	37	194	37	23	4	0	0
Rhode Island	4	25	4	0	0	0	1
South Carolina	12	24	15	0	2	46	120
South Dakota	2	19	5	0	1	0	18
Tennessee	14	19	9	1	1	1	18
Texas	144	231	53	8	5	2	16
Utah	15	11	10	0	1	72	92
Vermont	2	14	4	0	0	82	489
Virginia	10	15	14	0	1	1	22
Washington	10	20	19	2	2	0	3
West Virginia	1	17	5	0	0	1	0
Wisconsin	28	183	39	8	0	0	123
Wyoming	0	2	2	0	1	0	0
United States[4]	**1,190**	**2,723**	**801**	**108**	**99**	**352**	**2,500**

[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]Total also includes territories and possessions.

Source: Insurance Department Resources Report, 2007, published by the National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

Insurance

All Sectors

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 2007 world insurance premium volume, including the life and nonlife sectors combined, totaled $4.06 trillion, up 10.5 percent from 2006, according to a survey of world insurance premiums conducted by Swiss Re. The United States, with $1.23 trillion in premiums, was the largest insurance market in 2007, followed by the United Kingdom and Japan with $464 billion and $424 billion in premiums, respectively.

From 2005 to 2007 total world insurance premiums grew 17.8 percent. Nonlife premiums grew 15.6 percent. Life business grew 19.4 percent.

- The inflation-adjusted growth rate from 2006 to 2007 was 3.3 percent for the total world insurance market, compared with 4.0 percent from 2005 to 2006. These growth rates were calculated using local currencies.

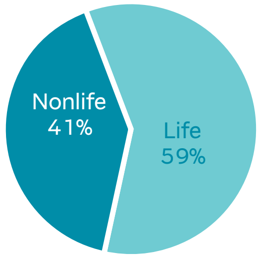
WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2005-2007[1]
(Direct premiums written, U.S. $ millions)

Year	Nonlife[2]	Life	Total
2005	$1,442,258	$2,003,557	$3,445,816
2006	1,549,100	2,125,791	3,674,892
2007	1,667,780	2,393,089	4,060,870

[1]Before reinsurance transactions.
[2]Includes accident and health insurance.

Source: Swiss Re, *sigma* database.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2007



Source: Swiss Re, *sigma*, No. 3/2008.

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 a man-made disaster such as a terrorist attack.

PROPERTY/CASUALTY INSURER FINANCIAL ASSET DISTRIBUTION, 2003-2007

($ billions)

	2003	2004	2005	2006	2007
Total financial assets	$1,059.7	$1,162.2	$1,243.8	$1,329.3	$1,373.6
Checkable deposits and currency	34.6	25.9	21.0	29.9	42.7
Security repurchase agreements[1]	52.8	63.1	68.9	66.0	53.8
Credit market instruments	625.2	698.8	765.8	813.5	840.0
U.S. government securities	180.1	183.4	187.1	197.8	180.9
Treasury	64.7	71.3	69.2	75.8	55.1
Agency- and GSE[2]-backed securities	115.4	112.1	117.9	122.0	125.8
Municipal securities	224.2	267.8	313.2	335.2	368.7
Corporate and foreign bonds	218.9	245.3	262.8	277.0	285.6
Commercial mortgages	2.1	2.4	2.7	3.5	4.8
Corporate equities	178.4	196.6	199.5	227.0	235.3
Trade receivables	79.3	79.6	82.1	87.0	85.4
Miscellaneous assets	85.0	93.0	100.7	99.0	108.7

[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, June 5, 2008.

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 $531.3 billion at year-end 2007, up from $499.4 billion at year-end 2006, according to Highline Data.

The significant increase in surplus in recent years demonstrates that insurers are reinvesting the majority of their profits in the property/casualty insurance industry, bolstering industry claims-paying resources so that it can withstand costly future losses. Insurers use various measures to gauge financial performance. The combined ratio after dividends is a measure of underwriting profitability. It reflects the percentage of each premium dollar an insurer spends on claims and expenses. The combined ratio does not take investment income into account. A combined ratio above 100 indicates an underwriting loss. In 2007 the combined ratio was 95.7 after dividends. This follows a combined ratio after dividends of 92.4 in 2006. While underwriting results were profitable in these two years, in many years the industry does not show an overall underwriting profit.

- The U.S. property/casualty industry posted a $19.0 billion net gain on underwriting in 2007, down $12.1 billion from a $31.1 billion gain in 2006, reflecting a weakness in premiums and increases in the cost of providing insurance protection, according to ISO.

P/C INSURANCE INDUSTRY INCOME ANALYSIS, 2003-2007[1]

($ billions)

	2003	2004	2005	2006	2007
Net written premiums	$404.4	$424.1	$425.5	$443.5	$440.8
Percent change	9.4%	4.9%	0.3%	4.2%	-0.6%
Earned premiums	$386.3	$413.8	$417.6	$435.5	$439.1
Losses incurred	238.7	247.8	256.5	231.3	246.2
Loss adjustment expenses incurred	50.0	53.1	55.1	52.6	52.4
Other underwriting expenses	100.7	106.8	109.8	117.1	119.0
Policyholder dividends	1.9	1.7	1.9	3.4	2.4
Underwriting gain/loss	-4.9	4.3	-5.6	31.1	19.0
Investment income	38.6	40.0	49.7	52.3	54.6
Miscellaneous income/loss	0.0	-0.3	1.0	1.2	-1.0
Operating income/loss	33.8	44.0	45.1	84.6	72.7
Realized capital gains/losses	6.6	9.1	9.7	3.5	9.0
Incurred federal income taxes/credit	10.3	14.6	10.7	22.4	19.7
Net income after taxes	30.0	38.5	44.2	65.8	61.9

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

Source: ISO.

The ranking below is based on Fortune magazine's annual analysis of the 500 largest U.S. companies, based on revenues. Fortune organizes the 500 companies into broad industry categories. Each company is assigned one category, even though some companies are involved in several industries. For example, some of the leading property/casualty insurance companies also write significant amounts of life insurance.

TOP TWENTY U.S. PROPERTY/CASUALTY COMPANIES BY REVENUES, 2007[1]

($ millions)

Rank	Group	Revenues	Assets
1	Berkshire Hathaway	$118,245	$273,160
2	American International Group (AIG)	110,064	1,060,505
3	State Farm Insurance Cos.	61,612	181,422
4	Allstate	36,769	156,408
5	Travelers Cos.	26,017	115,224
6	Liberty Mutual Insurance Group	25,961	94,679
7	Hartford Financial Services	25,916	360,361
8	Nationwide	22,962	161,090
9	Loews (CNA)	17,920	76,079
10	Progressive	14,687	18,843
11	United Services Automobile Association (USAA)	14,418	67,177
12	Chubb	14,107	50,574
13	Assurant	8,454	26,750
14	First American Corp.	8,196	8,648
15	American Family Insurance Group	6,969	16,004
16	Safeco	6,209	12,640
17	W.R. Berkley	5,554	16,832
18	Fidelity National Financial	5,524	7,556
19	Auto-Owners Insurance	5,129	13,680
20	Erie Insurance Group	4,737	14,215

[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 2007 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 less than 1 percent, according to A.M. Best.
- In the personal lines market, direct writers accounted for 67.6 percent of net premiums written in 2007, agency writers accounted for 32.3 percent and other types of writers accounted for less than 1 percent.
- The same year agency writers accounted for 71.1 percent of commercial P/C net premiums written, direct writers accounted for 28.5 percent and other types of writers accounted for less than 1 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, 2007[1]

($ millions)

Rank	Company	Brokerage revenues
1	Marsh & McLennan Cos. Inc.	$5,527.7
2	Aon Corp.[2]	2,696.5
3	Arthur J. Gallagher & Co.	1,282.4
4	Wells Fargo Insurance Services Inc.	1,282.1
5	Willis Group Holdings Ltd.[3]	1,059.1
6	BB&T Insurance Services Inc.	877.4
7	Brown & Brown Inc.	757.6
8	Hilb Rogal & Hobbs Co.[3]	725.4
9	USI Holdings Corp.	617.1
10	Lockton Cos. L.L.C.	502.5[4]

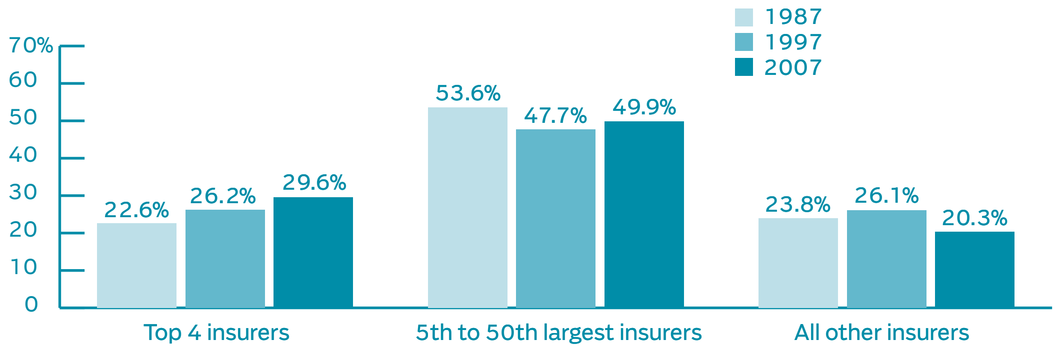
[1]Companies that derive more than 20 percent of revenues generated by U.S.-based clients, from commercial retail brokerage. Excludes revenue from the placement of employee benefits. [2]In 2008 Aon agreed to acquire Benfield. [3]In 2008 Willis acquired Hib Rogal & Hobbs Co. [4]Fiscal year ending April 30.

Source: Business Insurance, July 21, 2008.

Property/Casualty Insurance Industry Concentration

According to ISO, concentration in the property/casualty insurance sector increased from 229 in 1980 to 347 in 2007 on the Herfindahl scale, 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, 1987-2007[1]



[1]Based on net premiums written, excluding state funds.

Source: ISO.

Premiums By Line

In 2007 commercial lines net premiums written totaled $231.2 billion, or 51.6 percent, of P/C net premiums written. Personal lines totaled $216.7 billion, or 48.4 percent.

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2006-2007[1]

($000)

Lines of insurance	2006	2007	Percent change, 2006-2007	Percent of total, 2007
Private passenger auto				
Liability	$95,326,525	$94,996,837	-0.3%	21.2%
Collision and comprehensive	65,127,199	64,675,357	-0.7	14.4
Total private passenger auto	160,453,724	159,672,194	-0.5	35.6
Commercial auto				
Liability	19,704,064	18,995,816	-3.6	4.2
Collision and comprehensive	6,949,355	6,657,227	-4.2	1.5
Total commercial auto	26,653,419	25,653,043	-3.8	5.7
Fire	9,363,902	9,797,519	4.6	2.2

(table continues)

Property/Casualty: Premiums By Line

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2006-2007[1] (Cont'd)

($000)

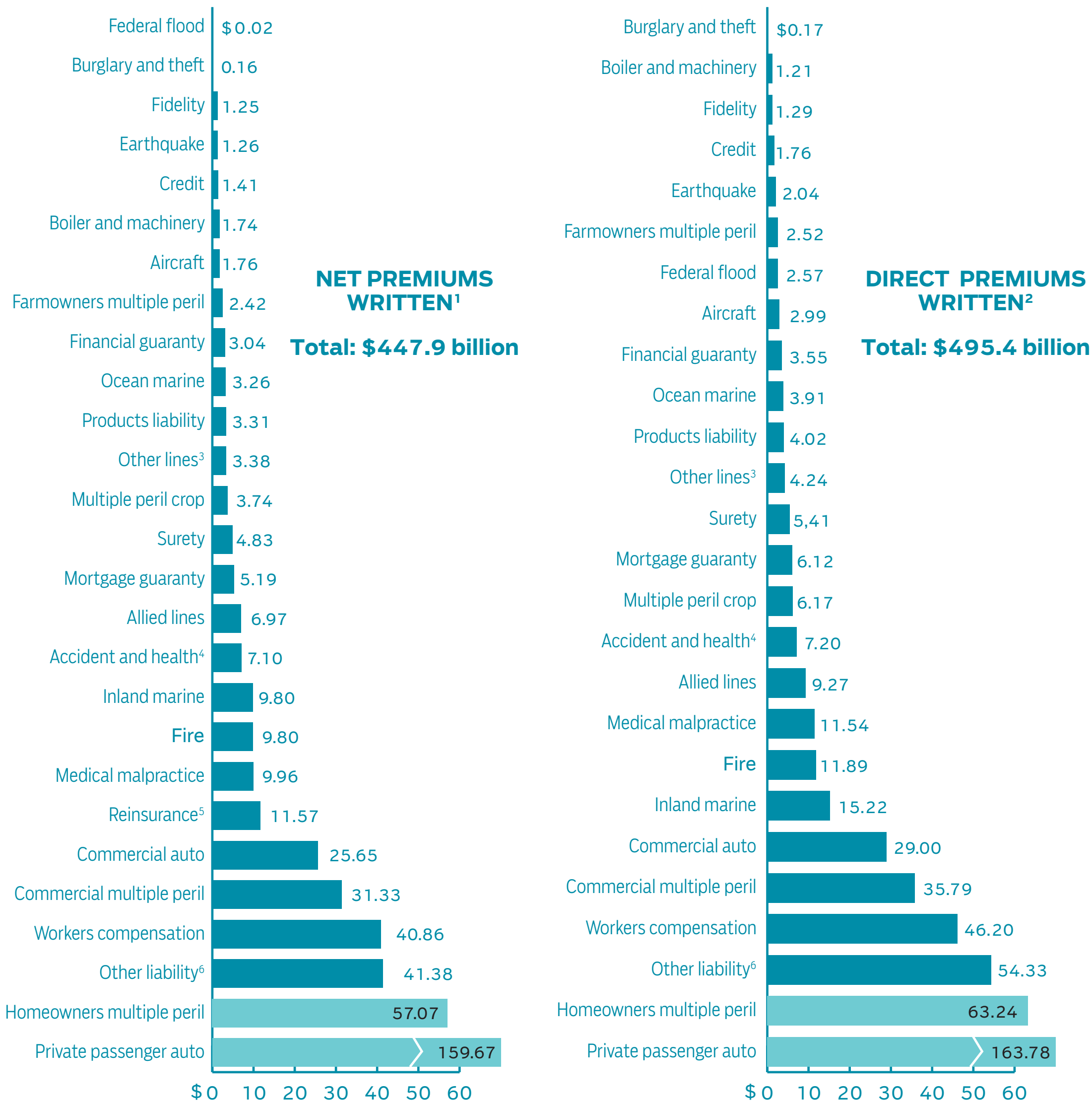
Lines of insurance	2006	2007	Percent change 2006-2007	Percent of total, 2007
Allied lines	$6,592,847	$6,966,059	5.7%	1.6%
Multiple peril crop	2,824,769	3,736,658	32.3	0.8
Federal flood[2]	43,083	16,549	-61.6	[3]
Farmowners mutliple peril	2,310,688	2,423,989	4.9	0.5
Homeowners multiple peril	55,825,118	57,067,891	2.2	12.7
Commercial multiple peril	31,850,051	31,328,917	-1.6	7.0
Mortgage guaranty	4,565,899	5,192,104	13.7	1.2
Ocean marine	3,133,418	3,261,175	4.1	0.7
Inland marine	9,216,442	9,795,551	6.3	2.2
Financial guaranty	2,163,324	3,038,889	40.5	0.7
Medical malpractice	10,378,325	9,960,558	-4.0	2.2
Earthquake	1,315,494	1,260,715	-4.2	0.3
Accident and health[4]	6,665,536	7,096,268	6.5	1.6
Workers compensation	41,820,358	40,858,588	-2.3	9.1
Products liability	3,623,796	3,305,707	-8.8	0.7
Other liability[5]	42,221,055	41,377,084	-2.0	9.2
Aircraft	1,990,593	1,761,470	-11.5	0.4
Fidelity	1,240,822	1,252,838	1.0	0.3
Surety	4,434,780	4,833,956	9.0	1.1
Burglary and theft	143,054	160,603	12.3	[3]
Boiler and machinery	1,675,296	1,741,324	3.9	0.4
Credit	1,090,145	1,405,444	28.9	0.3
International	193,622	136,678	-29.4	[3]
Reinsurance[6]	12,862,594	11,570,114	-10.0	2.6
Other lines[7]	3,161,734	3,238,709	2.4	0.7
Total, all lines[8]	**$447,813,905**	**$447,910,597**	[3]	**100.0%**

[1]After reinsurance transactions, excluding state funds. [2]Provided by FEMA through participating private insurers. [3]Less than 0.1 percent. [4]Premiums from certain insurers that write health insurance but file financial statements with state regulators on a property/casualty basis. [5]Coverages protecting against legal liability resulting from negligence, carelessness or failure to act. [6]Only includes non-proportional reinsurance, an arrangement in which a reinsurer makes payments to an insurer whose losses exceed a predetermined amount. [7]Includes miscellaneous coverages. [8]May not match total premiums shown elsewhere in this book because of the use of different exhibits from Highline Data, LLC.

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.

PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2007

($ billions)



[1]After reinsurance transactions, excluding state funds. [2]Before reinsurance transactions, excluding state funds. May not match total premiums shown elsewhere in this book because of the use of different exhibits from Highline Data LLC. [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.

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.

Property Insurance Requirements for Mortgagors

Some lenders require borrowers to purchase homeowners insurance or other property insurance. Several states have passed laws that prohibit mortgage lenders from requiring a borrower to obtain property insurance coverage that exceeds the replacement value of the buildings and structures on the property as a condition for the loan. These states include Arizona, California, Connecticut, Georgia, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee and Virginia. In states without such a law, borrowers might be forced to take out more coverage than they could be compensated for, as homeowners insurance only covers rebuilding costs, not the value of the land, in the event of a catastrophic fire or other covered peril.

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. The industry's losses rose in 2007, reflecting the economic downturn and the subsequent rise in mortgage defaults.

MORTGAGE GUARANTY INSURANCE, 2003-2007[1]
($000)

	2003	2004	2005	2006	2007
Net premiums written	$3,482,519	$3,411,062	$3,480,174	$3,541,558	$4,180,226
Net premiums earned	3,385,414	3,476,019	3,454,232	3,584,255	4,019,423
Losses	870,861	1,336,605	1,251,554	1,461,243	5,412,163
Expenses	787,649	820,268	842,483	858,599	807,643
Underwriting income/loss	1,375,427	1,319,146	1,360,195	1,264,413	-2,200,384
Loss ratio	25.72%	38.45%	36.23%	40.77%	134.65%
Expense ratio	22.62	24.05	24.21	24.24	19.32
Combined ratio	48.34	62.50	60.44	65.01	153.97

[1]As reported by members of the Mortgage Insurance Companies of America, representing six private mortgage insurance companies in 2003-2006 and five in 2007.

Source: Mortgage Insurance Companies of America.

TOP TEN MORTGAGE GUARANTY INSURANCE GROUPS BY DIRECT PREMIUMS WRITTEN, 2007[1]

Rank	Group/Company	Direct premiums written	Market share
1	MGIC Group	$1,487,489,519	24.4%
2	Radian Group	1,026,923,234	16.9
3	PMI Group	970,961,090	16.0
4	American International Group	788,734,840	13.0
5	Genworth Financial Group	754,684,131	12.4
6	Old Republic Group	637,957,000	10.5
7	Collateral Holdings Group	339,006,491	5.6
8	CUNA Mutual Group	81,101,368	1.3
9	Southern Pioneer Property and Casualty Insurance Co.	297,390	[2]
10	Aztec Insurance Company	23,891	[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.

Property/Casualty: Specialty Lines

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, 1998-2007
($000)

Year	Direct premiums written	Annual percent change	Year	Direct premiums written	Annual percent change
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	4,498,167	5.2
2001	3,591,747	2.4	2006	5,041,185	12.1
2002	3,858,824	7.4	2007	5,450,432	8.1

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 SURETY GROUPS BY DIRECT PREMIUMS WRITTEN, 2007[1]

Rank	Group	Direct premiums written	Market share
1	Travelers Group	$1,007,035,468	18.8%
2	Zurich Insurance Group	444,044,250	8.3
3	Safeco Insurance Group	423,274,038	7.9
4	Liberty Mutual Insurance Group	340,812,681	6.4
5	CNA Insurance Group	327,216,846	6.1
6	Chubb & Son Inc. Group	294,952,541	5.5
7	Hartford Fire & Casualty Group	223,056,687	4.2
8	HCC Insurance Holdings Group	193,316,983	3.6
9	Arch Capital Group	127,081,596	2.4
10	Ace Limited Group	115,608,012	2.2

[1]Before reinsurance transactions, 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.

Financial Guaranty Insurance

Financial guaranty insurance, also known as bond 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. Initially, financial guaranty insurance was considered a special category of surety. It became a separate line of insurance in 1986.

Financial guaranty insurers are specialized, highly capitalized companies that traditionally have had 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.

Over the years financial guaranty insurers have expanded their reach beyond municipal bonds and now provide protection for mortgage-backed securities, pools of credit default swaps and other structured transactions. Recent problems in the credit markets have taken a toll on financial guaranty insurers, as they confront heavy losses related to these structured instruments.

FINANCIAL GUARANTY INSURANCE, 1998-2007[1]
($000)

Year	Direct premiums written	Annual percent change
1998	$1,491,257	20.9%
1999	1,553,400	4.2
2000	1,607,646	3.5
2001	2,189,729	36.2
2002	3,118,469	42.4
2003	3,911,580	25.4
2004	3,608,473	-7.7
2005	3,658,375	1.4
2006	3,413,969	-6.7
2007	3,555,262	4.1

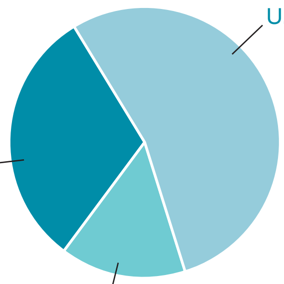
[1]Before reinsurance transactions, excluding state funds.

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.

Diversification of the Bond Insurance Market

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. U.S. public finance bonds, which include municipal bonds, still account for most of their business.

TYPES OF BONDS INSURED BY FINANCIAL GUARANTY INSURERS, 2007[1]



[1]Net par outstanding, December 31, 2007.

Source: Association of Financial Guaranty Insurers.

TOP TEN FINANCIAL GUARANTY INSURANCE GROUPS BY DIRECT PREMIUMS WRITTEN, 2007[1]

Rank	Group/Company	Direct premiums written	Market share
1	Ambac Assurance Group	$791,594,649	25.4%
2	MBIA Group	631,527,782	20.2
3	Financial Security Assurance Group	618,398,728	19.8
4	PMI Group	306,101,620	9.8
5	XL America Group	254,319,008	8.2
6	Radian Group	193,075,167	6.2
7	ACE Ltd. Group	150,057,759	4.8
8	ACA Financial Guaranty Corp.	95,907,150	3.1
9	CIFG Assurance North America Inc.	74,177,674	2.4
10	First Nonprofit Mutual Insurance Co.	2,758,134	0.1

[1]Before reinsurance transactions, 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.

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. This coverage is distinct from other types of credit protection, such as credit default swaps, which protects lenders when companies do not pay their debt.

CREDIT INSURANCE, 2003-2007[1]

($000)

Year	Direct premiums written	Annual percent change
2003	$869,543	18.8%
2004	1,053,996	21.2
2005	1,206,020	14.4
2006	1,398,762	16.0
2007	1,768,912	26.5

[1]Before reinsurance transactions, 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.

TOP TEN CREDIT INSURANCE GROUPS/COMPANIES BY DIRECT PREMIUMS WRITTEN, 2007[1]

Rank	Group/Company	Direct premiums written	Market share
1	American International Group	$304,322,488	17.8%
2	Old Republic Group	232,729,765	13.6
3	Allianz Insurance Group	169,871,308	9.9
4	American National Financial Group	126,132,510	7.4
5	Allstate Insurance Group	114,464,738	6.7
6	Aegon U.S. Holding Group	90,368,687	5.3
7	Swiss Reinsurance Group	81,528,506	4.8
8	Coface North American Insurance Co.	68,913,029	4.0
9	Protective Life Insurance Group	63,553,009	3.7
10	Service Life Group	50,063,204	2.9

[1]Before reinsurance transactions, 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.

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, 56.3 percent of the reinsurance purchased by U.S insurance companies was written by foreign reinsurance companies in 2007. If the domicile of the reinsurance company's parent is taken into account, foreign (or foreign-owned) reinsurance companies accounted for 83.4 percent of the market. This is because many U.S. reinsurance companies are owned by foreign firms.

TOP TEN PROPERTY/CASUALTY REINSURERS OF U.S. BUSINESS BY GROSS PREMIUMS WRITTEN, 2007

($000)

Rank	Company	Country of parent company	Gross premiums written
1	Swiss Reinsurance America Corporation[1]	Switzerland	$4,727,165
2	Transatlantic/Putnam Reinsurance Company	U.S.	3,945,222
3	XL Reinsurance America, Inc.	Bermuda	3,942,082
4	National Indemnity Company (Berkshire Hathaway)	U.S.	3,924,580
5	Munich Re America Corporation[2]	Germany	3,562,992
6	Everest Reinsurance Company	Bermuda	3,061,616
7	Odyssey America Reinsurance Corporation/Odyssey[3]	Canada	2,104,818
8	Berkley Insurance Company	U.S.	1,610,663
9	General Re Group[4]	U.S.	1,594,010
10	Folksamerica Reinsurance Company (White Mountains Insurance Group, Ltd.)	U.S.	1,137,482
	Total, top ten reinsurers		**$29,610,630**
	Total, all reinsurers		**$35,923,522**

[1]Includes the combined results of Swiss Reinsurance America Corporation and Employers Reinsurance Corporation.
[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]Data are for the North American Property/Casualty segment of the General Re Group.

Source: Reinsurance Association of America.

The Securitization of Insurance Risk: Catastrophe Bonds

Catastrophe (cat) bonds are one of a number of innovative 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.

A study by Guy Carpenter, a part of Marsh and McLennan Companies, released in 2008 reveals a high level of transaction activity in 2007, even as rates softened for traditional reinsurance. At year-end, cat bond risk capital outstanding reached $13.8 billion, a 63 percent increase over 2006's record-setting year-end total of $8.5 billion. The study also reports that publicly disclosed cat bond issuances totaled $7 billion in 2007, a 49 percent increase over the record $4.7 billion in 2006. Some 27 transactions were completed in 2007, up from 20 in 2006 and nearly tripling the 10 placed in 2005. Since 1997, 116 cat bonds have been issued with total risk limits of $22.3 billion.

The Guy Carpenter study also reports on the use of "extreme mortality bonds" to transfer mortality risk to the capital markets. In 2007 there was only one such transaction, Swiss Re's sponsorship of a $700 million bond through its Vita Capital III special purpose vehicle. Guy Carpenter expects future capital markets activity in this area to be high.

TOP TEN CATASTROPHE BOND TRANSACTIONS, 2007

($ millions)

Rank	Special purpose vehicle	Sponsor	Risk amount	Peril	Risk location
1	Merna Reinsurance Ltd.	State Farm	$1,058.6	Multiple	U.S./Canada
2	Residential Reinsurance 2007 Limited	USAA	600.0	Multiple	U.S.
3	Longpoint Re Ltd.	The Travelers	500.0	Hurricane	U.S.
4	Redwood Capital X Ltd.	Swiss Re	498.6	Earthquake	California
5	Spinnaker Capital Limited	Swiss Re	380.2	Hurricane	U.S.
6	Blue Fin Ltd.	Allianz SE	290.7	Windstorm	Europe
7	Green Valley Ltd.	Groupama SA	288.0	Windstorm	France
8	Gamut Re Ltd.	Nephila Capital Ltd.	265.0	Multiple	U.S./Europe/Japan
9	Midori Re Ltd.	East Japan Railway[1]	260.0	Earthquake	Japan
10	Calabash Re II Ltd.	Ace American Insurance Company[2]	250.0	Hurricane, earthquake, multiple	U.S.

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

Source: Guy Carpenter: GC Securities.

Property/Casualty: Capital Markets

CATASTROPHE BOND TRANSACTIONS BY SPONSOR TYPE, 1998-2007

($ millions)

	Insurer		Reinsurer		Corporate		Total	
Year	Capital	Number	Capital	Number	Capital	Number	Capital	Number
1998	$575.0	4	$271.1	4	NA	NA	$846.1	8
1999	460.0	4	424.8	5	$100.0	1	984.8	10
2000	469.0	4	670.0	5	NA	NA	1,139.0	9
2001	150.0	1	816.9	6	NA	NA	966.9	7
2002	195.0	2	849.5	4	175.0	1	1,219.5	7
2003	730.0	3	768.0	3	231.8	1	1,729.8	7
2004	600.0	3	542.8	3	NA	NA	1,142.8	6
2005	1,071.0	4	920.1	6	NA	NA	1,991.1	10
2006	2,575.3	12	1,908.2	6	210.0	2	4,693.5	20
2007	3,603.6	10	3,132.7	16	260.0	1	6,996.3	27
Total	**$10,428.9**	**47**	**$10,304.1**	**58**	**$976.8**	**6**	**$21,709.8**	**111**

NA=Data not available.

Source: Guy Carpenter: GC Securities.

CATASTROPHE BOND RISK CAPITAL BY SPECIFIC PERIL, 1998-2007

($ millions)

Year	U.S. earthquake	U.S. hurricane	Europe windstorm	Japan earthquake	Japan typhoon	Other
1998	$145.0	$721.1	NA	NA	$80.0	$45.0
1999	327.8	507.8	$167.0	$217.0	17.0	10.0
2000	486.5	506.5	482.5	217.0	17.0	129.0
2001	696.9	551.9	431.9	150.0	NA	120.0
2002	799.5	476.5	334.0	383.6	NA	NA
2003	803.8	416.1	474.1	691.2	277.5	100.0
2004	803.3	660.8	220.3	310.8	NA	NA
2005	1,269.0	994.0	830.1	138.0	NA	405.0
2006	2,228.7	2,294.9	1,166.0	824.1	400.3	507.5
2007	3,630.0	4,631.6	1,678.9	1,160.0	725.0	1,913.9
Total	**$11,190.5**	**$11,761.2**	**$5,784.8**	**$4,091.7**	**$1,516.8**	**$3,230.4**

NA=Data not available.

Source: Guy Carpenter: GC Securities.

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 91.)

PARTICIPANTS IN THE 2008 WEATHER RISK MANAGEMENT ASSOCIATION SURVEY[1]

Participation by main line of business		Participation by location of respondent	
Banking	1	Asia	1
Energy	4	Europe	5
Insurance	5	North America	6
Other	2		
Total	**12**	**Total**	**12**

[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 95.4 percent of the notional value of weather risk contracts tracked by the Weather Risk Management Association (WRMA) in 2007-2008.

GLOBAL WEATHER RISK PRODUCTS, NOTIONAL VALUE OF CONTRACTS, 2003-2008[1]

($ millions)

Year[2]	Over the counter	Chicago Mercantile Exchange	Total[3]
2003-2004	$2,842	$1,868	$4,710
2004-2005	4,169	5,527	9,696
2005-2006	2,347	42,897	45,244
2006-2007	1,869	17,324	19,193
2007-2008	1,472	30,536	32,008

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association plus Chicago Mercantile Exchange trades. Notional value is the underlying (face) value of a financial instrument.
[2]The surveys run from April to March.
[3]May not add due to rounding.

Source: PricewaterhouseCoopers.

- The Chicago Mercantile Exchange accounted for 99.96 percent of weather contracts tracked by WRMA in 2007-2008.

GLOBAL WEATHER RISK PRODUCTS, NUMBER OF CONTRACTS, 2003-2008[1]

Year[2]	Over the counter	Chicago Mercantile Exchange	Total
2003-2004	3,164	106,675	109,839
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
2007-2008	431	984,319	984,750

[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, 2003-2007

($ billions)

	2003	2004	2005	2006	2007
Total financial assets	**$3,772.8**	**$4,130.3**	**$4,350.7**	**$4,685.3**	**$4,950.3**
Checkable deposits and currency	47.3	53.3	47.7	56.1	58.3
Money market fund shares	151.4	120.7	113.6	162.3	226.6
Credit market instruments	2,488.3	2,661.4	2,765.4	2,806.1	2,890.8
Open market paper	55.9	48.2	40.2	53.1	57.9
U.S. government securities	420.7	435.6	459.7	460.6	467.7
Treasury	71.8	78.5	91.2	83.2	80.2
Agency- and GSE[1]-backed securities	348.9	357.1	368.5	377.4	387.5
Municipal securities	26.1	30.1	32.5	36.6	35.3
Corporate and foreign bonds	1,620.2	1,768.0	1,840.7	1,841.9	1,889.7
Policy loans	104.5	106.1	106.9	110.2	113.9
Mortgages	260.9	273.3	285.5	303.8	326.2
Corporate equities	919.3	1,053.9	1,161.8	1,364.8	1,491.5
Mutual fund shares	91.7	114.4	109.0	148.8	161.4
Miscellaneous assets	74.7	126.6	153.1	147.1	121.6

[1]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

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, etc.). The life/health insurance industry's net income fell 11.7 percent to $32.0 billion in 2007 from $36.2 billion in 2006.

LIFE/HEALTH INSURANCE INDUSTRY: SELECTED OPERATING DATA, 2005-2007

($ millions)

	2005	2006	2007
Net premiums and annuity considerations[1]	$528,143.0	$583,601.8	$616,729.9
Net investment income	154,600.0	160,359.7	168,192.0
Net gain from operations[2]	41,480.7	40,951.1	45,536.9
Federal and foreign income taxes[3]	8,660.0	11,246.8	11,795.6
Net realized capital gains/losses	3,115.1	6,538.3	-1,751.7
Net income	35,935.7	36,242.6	31,989.6
Dividends to policyholders	15,939.5	16,450.2	17,497.1
Capital and surplus (end of year)	231,115.0	244,386.5	252,846.7

[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).

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.

The ranking below is based on Fortune magazine's annual analysis of the 500 largest U.S. companies, based on revenues. Fortune organizes the 500 companies into broad industry categories. Each company is assigned one category, even though some companies are involved in several industries. For example, some of the leading property/casualty insurance companies also write significant amounts of life insurance.

TOP TWENTY U.S. LIFE/HEALTH INSURANCE GROUPS BY REVENUES, 2007[1]

($ millions)

Rank	Group	Revenues	Assets
1	MetLife	$53,150	$558,562
2	Prudential Financial	34,401	485,814
3	New York Life Insurance	29,280	179,621
4	TIAA-CREF	27,526	420,315
5	Massachusetts Mutual Life Insurance	25,268	172,911
6	Northwestern Mutual	22,597	156,547
7	AFLAC	15,393	65,805
8	Genworth Financial	11,443	114,315
9	Principal Financial	10,907	154,520
10	Lincoln National	10,738	191,435
11	Unum Group	10,567	52,433
12	Guardian Life Insurance Company of America	10,071	41,319
13	Thrivent Financial for Lutherans	6,133	57,412
14	Pacific Life	5,325	111,024
15	Western & Southern Financial Group	4,811	30,941
16	Conseco	4,572	33,515
17	Mutual of Omaha Insurance	4,337	17,746
18	CUNA Mutual Group	3,850	14,946
19	Torchmark	3,487	15,241
20	American National Insurance	3,071	18,465

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

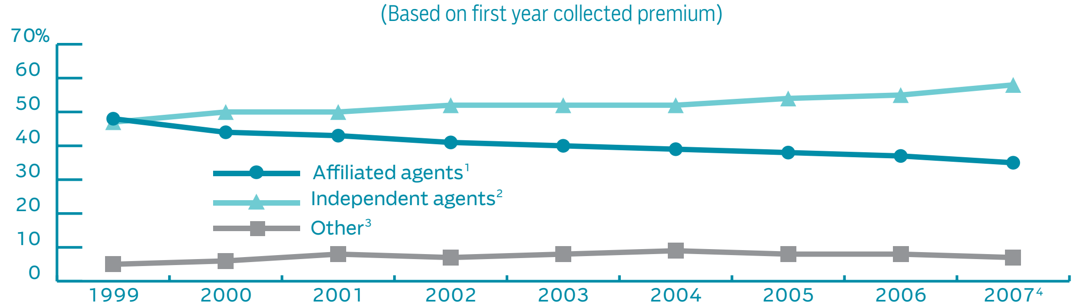
Source: Fortune.

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 2007 affiliated (i.e., captive) agents held 35 percent of new individual life insurance sales, independent agents held 58 percent and others, including stockbrokers, accounted for the remaining 7 percent, according to LIMRA.

U.S. INDIVIDUAL LIFE MARKET SHARE BY CHANNEL, 1999-2007

(Based on first year collected premium)

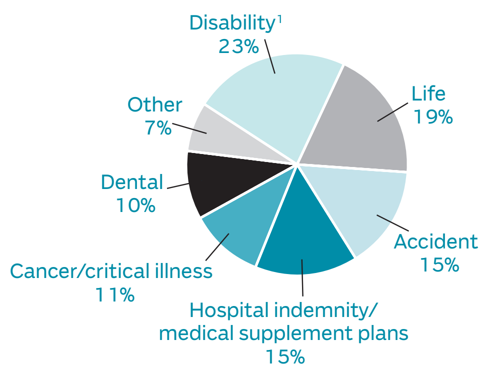


[1]Includes career, multiline exclusive and home service agents.
[2]Includes brokers and personal producing general agents.
[3]Includes stockbrokers, financial institution, worksite and other channels.
[4]Estimate.

Source: LIMRA's U.S. Individual Life Insurance Sales Studies, LIMRA estimates.

- 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.
- Worksite sales of life and health insurance in 2007 totaled $5.0 billion, up almost 7 percent from 2006.

WORKSITE LIFE INSURANCE COMPANY SALES BY LINE OF BUSINESS, 2007[1]



[1]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 (also 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. Other lines include credit life, which pays 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, 2003-2007
($ millions)

	2003		2006		2007	
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	$176,351.7	32.6%	$193,426.5	31.2%	$205,663.7	30.8%
Group annuities	102,641.8	19.0	117,152.7	18.9	121,971.4	18.3
Total	**$278,993.5**	**51.6%**	**$310,579.2**	**50.1%**	**$327,635.1**	**49.1%**
Life						
Ordinary life	111,810.4	20.7	129,203.2	20.8	142,867.0	21.4
Group life	27,274.6	5.0	35,246.9	5.7	39,491.1	5.9
Credit life (group and individual)	1,413.6	0.3	1,555.6	0.3	1,625.8	0.2
Industrial life	272.1	0.1	239.6	[2]	231.1	[2]
Total	**$140,770.8**	**26.1%**	**$166,245.3**	**26.8%**	**$184,215.0**	**27.6%**
Accident and health[3]						
Group	80,235.0	14.8	84,288.2	13.6	88,216.8	13.2
Other	38,800.3	7.2	57,144.5	9.2	65,223.5	9.8
Credit	1,541.5	0.3	1,430.7	0.2	1,399.7	0.2
Total	**$120,576.8**	**22.3%**	**$142,863.4**	**23.1%**	**$154,840.0**	**23.2%**
All other lines	0.0	[2]	0.1	[2]	0.4	[2]
Total, all lines	**$540,341.2**	**100.0%**	**$619,688.0**	**100.0%**	**$666,690.5**	**100.0%**

[1]Before reinsurance transactions.
[2]Less than 0.1 percent.
[3]Does not include accident and health premiums reported on the property/casualty and health annual statements.

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.

Life/Health: Premiums By Line

There are several types of annuities. Fixed annuities guarantee that a specific sum of money will be paid in the future, generally as a monthly benefit, for as long as the annuitant lives. The value of variable annuities fluctuate with the performance of an underlying investment portfolio. The equity indexed annuity is a hybrid product, with features of fixed and variable annuities. Annuities play a key in financing retirement for many Americans. (See also Retirement Assets: Annuities, page 42.)

TOP TEN PRODUCERS OF EQUITY INDEX ANNUITIES BY TOTAL SALES, 2007

($ millions)

Rank	Company	Total sales	Market share
1	Allianz	$5,423.7	21.53%
2	Aviva	4,346.4	17.25
3	American Equity	2,093.6	8.31
4	Old Mutual	1,960.0	7.78
5	Midland National Life	1,655.9	6.57
6	ING	1,312.6	5.21
7	Great American Financial	1,007.1	4.00
8	Jackson National Life	893.5	3.55
9	EquiTrust	878.5	3.49
10	Conseco/Bankers Life	783.9	3.11

Source: AnnuitySpecs.com *Advantage Index Sales & Market Report*.

TOP TEN WRITERS OF VARIABLE ANNUITY CONTRACTS BY NEW SALES, 2007

($ millions, end of year)

Rank	Company	New sales
1	Teachers Insurance & Annuity Association	$13,925
2	RiverSource Life Insurance Company	5,593
3	Jackson National Life Insurance Company	5,136
4	John Hancock Life Insurance Company (USA), Venture III	5,067
5	Variable Annuity Life Insurance Company	4,895
6	Pacific Life Insurance Company	4,266
7	American Skandia Life Assurance Company	3,514
8	Metropolitan Life Insurance	3,269
9	Hartford Life Insurance Company	3,241
10	John Hancock Life Insurance Company (USA), Venture 2006	3,165

Source: VARDS/Morningstar.

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, 1998-2007

($000)

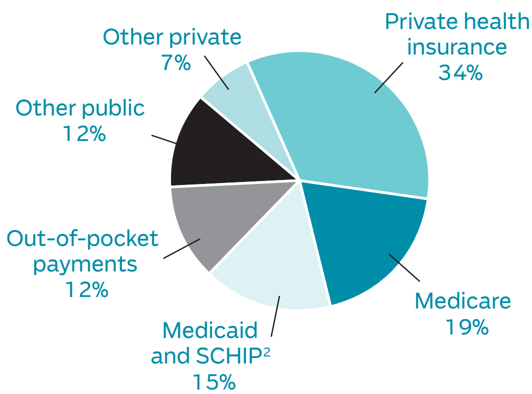
Year	Credit life	Credit accident and health
1998	$1,998,488	$1,798,194
1999	1,971,462	1,724,729
2000	1,849,655	1,675,327
2001	1,632,806	1,551,697
2002	1,251,275	1,331,639
2003	1,046,474	1,119,672
2004	1,150,182	1,156,540
2005	1,257,314	1,135,342
2006	1,091,950	1,012,901
2007	1,131,676	1,033,680

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.

Health Insurance

According to the U.S. Census Bureau's latest health insurance survey, 15.3 percent of the U.S. population lacked coverage in 2007, down from 15.8 percent in 2006.

THE NATION'S HEALTHCARE DOLLAR: 2006
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.

- The number of Americans who had no health insurance fell by 1.3 million people in 2007, and now totals 45.7 million people.
- In 2007, 15.3 percent of Americans had no health insurance, down from 15.8 percent in 2006.
- The number of uninsured children declined from 8.7 million (11.7 percent of all children) in 2006 to 8.1 million (11.0 percent of children) in 2007.

HEALTH INSURANCE COVERAGE STATUS AND TYPE OF COVERAGE, 1999-2007
(000)

		Uninsured		Insured		
Year	Total U.S. population	Number of people	Percent of total population	Private health insurance	Government health insurance	Total
1999	276,804	38,767	14.0%	200,721	67,683	238,037
2000	279,517	38,426	13.7	202,794	69,037	241,091
2001	282,082	39,760	14.1	201,695	71,295	242,322
2002	285,933	42,019	14.7	200,891	73,624	243,914
2003	288,280	43,404	15.1	199,871	76,755	244,876
2004	291,166	43,498	14.9	200,924	79,486	247,669
2005	293,834	44,815	15.3	201,167	80,213	249,020
2006	296,824	46,995	15.8	201,690	80,270	249,829
2007	299,106	45,657	15.3	201,991	83,031	253,449

Source: U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement.

TOP TEN HEALTH INSURANCE GROUPS BY DIRECT PREMIUMS WRITTEN, 2007[1]
($ millions)

Rank	Group	Direct premiums written	Market share
1	UnitedHealth Group	$66,768.8	11.70%
2	WellPoint Inc. Group	55,662.3	9.75
3	Kaiser Foundation Group	43,714.2	7.66
4	Humana Group	21,742.1	3.81
5	Aetna Group	21,722.3	3.81
6	HCSC Group	14,857.9	2.60
7	American Family Corp. Group	11,646.5	2.04
8	Highmark Group	11,448.8	2.01
9	Independence Blue Cross Group	9,832.3	1.72
10	CIGNA Health Group	9,640.8	1.69

[1]Includes data from the property/casualty, life/health, fraternal and health annual statements.

Source: National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

Health Savings Accounts

Established in 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), 2005-2008[1]

	March 2005	January 2006	January 2007	January 2008
Individual market	556,000	855,000	1,106,000	1,502,000
Small group market	147,000	510,000	1,057,000	1,816,000
Large group market	162,000	679,000	2,044,000	2,777,000
Other group[2]	88,000	247,000	291,000	13,000
Other[3]	77,000	878,000	34,000	10,000
Total	**1,031,000**	**3,168,000**	**4,532,000**	**6,118,000**

[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.

- According to America's Health Insurance Plans, 6.1 million people were covered by HSA/HDHP products in January 2008, up 1.6 million from January 2007.
- In 2008 over 90 percent of people in large group or individual HSA/HDHP plans were in preferred provider organizations (PPOs). About 83 percent in small group plans were in PPOs.

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. According to the National Association of Insurance Commissioners, 194 insurers wrote LTC insurance in 2007, including 154 life/health insurers, nine property/casualty insurers, 25 health insurers and six fraternal insurers. Earned LTC premiums rose from $8.8 billion in 2004 to $15.0 billion in 2007. There is a common misconception that LTC is primarily geared toward the elderly. A 2008 survey by Unum found that 57 percent of its group long-term care claimants were under the age of 65.

TOP TEN LONG-TERM CARE INSURANCE COMPANIES BY DIRECT PREMIUMS EARNED, 2007

Rank	Company	State of domicile	Parent group	Direct premiums earned	Market share
1	Continental Casualty Co.	IL	CNA Insurance Group	$6,191,890,133	41.36%
2	Genworth Life Insurance Co.	DE	Genworth Financial Group	1,524,502,260	10.18
3	John Hancock Life Insurance Co.	MA	John Hancock Group	1,153,726,292	7.71
4	Metropolitan Life Insurance Co.	NY	Metropolitan Group	607,119,162	4.06
5	Bankers Life & Casualty Co.	IL	Conseco Group	582,270,687	3.89
6	Unum Life Insurance Co. of America	ME	UnumProvident Corporation Group	487,528,705	3.26
7	Conseco Senior Health Insurance Co.	PA	Conseco Group	260,948,945	1.74
8	Metlife Insurance Co. of CT	CT	Metropolitan Group	259,810,587	1.74
9	Penn Treaty Network America Ins. Co.	PA	Penn Treaty American Group	238,037,037	1.59
10	Life Investors Insurance Co. of America	IA	Aegon Americas	231,660,753	1.55

Source: National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or redistribution strictly prohibited without written permission of NAIC.

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.)

Regulation

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.

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.

In 2008 the Treasury Department unveiled plans for a sweeping overhaul of the regulation of the U.S. financial services industry, aimed at strengthening consumer protections while enhancing the stability of financial markets and global competitiveness. The proposal includes a consolidation of bank regulation, stronger oversight of mortgage lending, an optional federal charter (OFC) for insurance companies and measures that would give the Federal Reserve more authority to investigate the financial industry. In October Congress enacted the Emergency Economic Stabilization Act, a landmark $700 billion rescue plan for the financial services industry. The Treasury later said it would invest up to $250 billion of the funds in banks. (See Appendix, page 201.)

Banking

Overview

Deposit Insurance

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. The FDIC, which is an independent agency within the federal government, protects against the loss of deposits if an FDIC-insured commercial bank or savings association fails. The basic insurance amount is $100,000 per depositor per insured bank. In addition, the FDIC is charged with liquidating failing banks or disposing of their insured liabilities by selling them to solvent institutions. 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. In July 2008 regulators took over the IndyMac Bank, a California savings institution, the largest bank failure since the savings and loan crisis of the late 1980s and early 1990s, when over 1,000 institutions holding over $500 billion in assets collapsed during the savings and loan crisis. This was topped by the record-setting failure of Washington Mutual in September 2008. In October President Bush signed the Emergency Economic Stabilization Act of 2008, which temporarily raised the basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor. The basic deposit insurance limit is set to return to $100,000 after December 31, 2009.

- As of October 2008, the FDIC had closed more than a dozen insured banks, including Washington Mutual, the largest bank to fail in U.S. history. The FDIC sold the thrift's banking assets to JPMorgan Chase & Co. for $1.9 billion.

NUMBER OF BANK FAILURES, 1998-2007[1]

Year	Number of failures
1998	3
1999	8
2000	7
2001	4
2002	11
2003	3
2004	4
2005	0
2006	0
2007	3

[1]Based on failures of banks and savings and loan associations insured by the FDIC.

Source: Federal Deposit Insurance Corporation.

TOP TEN BANK AND THRIFT DEALS ANNOUNCED IN 2007[1]
($ millions)

Rank	Buyer (Location)	Target (State)	Deal value[2]
1	Bank of America Corporation (NC)	LaSalle Bank Corporation (IL)	$21,000.0
2	Banco Bilbao Vizcaya Argentaria, S.A. (FO)[3]	Compass Bancshares, Inc. (AL)	10,163.9
3	Toronto-Dominion Bank (FO)[3]	Commerce Bancorp, Inc. (NJ)	9,157.3
4	State Street Corporation (MA)	Investors Financial Services Corp. (MA)	4,493.6
5	National City Corporation (OH)	MAF Bancorp, Inc. (IL)	1,918.4
6	Merrill Lynch & Co., Inc. (NY)	First Republic Bank (CA)	1,784.3
7	People's United Financial, Inc. (CT)	Chittenden Corporation (VT)	1,753.2
8	Royal Bank of Canada (FO)[3]	Alabama National BanCorporation (AL)	1,670.3
9	Wells Fargo & Company (CA)	Greater Bay Bancorp (CA)	1,476.9
10	Fifth Third Bancorp (OH)	First Charter Corporation (NC)	1,088.6

[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 bank and thrift company. List does not include terminated deals. [2]At announcement. [3]FO=Foreign.

Source: SNL Financial LC.

TOP TEN FEDERALLY CHARTERED AND STATE-CHARTERED BANKS BY ASSETS, 2007[1]
($000)

Rank	Federally chartered bank	Total assets	State-chartered bank	State	Total assets
1	JPMorgan Chase Bank, National Association[2]	$1,318,888,000	SunTrust Bank	GA	$175,107,526
2	Bank of America, National Association[2]	1,312,794,218	Regions Bank	AL	137,049,763
3	Citibank, National Association[2]	1,251,715,000	State Street Bank and Trust Company	MA	134,001,964
4	Wachovia Bank, National Association[2]	653,269,000	Branch Banking and Trust Company	NC	127,698,351
5	Wells Fargo Bank, National Association[2]	467,861,000	The Bank of New York	NY	115,672,000
6	Washington Mutual Bank[3]	325,808,657	Merrill Lynch Bank USA	UT	78,133,893
7	U.S. Bank National Association[2]	232,759,503	Manufacturers and Traders Trust Company	NY	64,072,546
8	HSBC Bank USA, National Association[2]	184,491,526	Comerica Bank	TX	62,539,056
9	FIA Card Services, National Association[2]	161,691,777	Bank of the West	CA	61,829,845
10	National City Bank[3]	138,755,343	Fifth Third Bank	OH	61,450,273

[1]As of December 2007. [2]Chartered by the Office of the Comptroller of the Currency. [3]Chartered by the Office of Thrift Supervision.

Source: Federal Deposit Insurance Corporation.

Banking

All Sectors

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, 2003-2007

	Return on equity		Return on average assets
Year	Savings banks	Commercial banks	Credit unions
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
2007	2.71	9.29	0.65

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

NET INCOME OF SAVINGS INSTITUTIONS, COMMERCIAL BANKS AND CREDIT UNIONS, 1998-2007
($ millions)

	Amount			Percent change from prior year		
Year	Commercial banks[1]	Savings institutions[1]	Credit unions[2]	Commercial banks	Savings institutions	Credit unions
1998	$61,443.2	$10,113.9	$1,424.0	4.6%	15.1%	3.1%
1999	71,008.1	10,872.1	1,566.0	15.6	7.5	10.0
2000	70,274.2	10,701.9	1,859.0	-1.0	-1.6	18.7
2001	73,215.3	13,279.2	2,060.0	4.2	24.1	10.8
2002	89,132.0	15,243.4	2,584.0	21.7	14.8	25.4
2003	102,578.0	18,056.0	2,508.0	15.1	18.5	-2.9
2004	104,724.0	18,246.0	2,439.0	2.1	1.1	-2.8
2005	114,016.0	19,894.0	2,363.0	8.9	9.0	-3.1
2006	128,217.0	17,025.0	2,302.0	12.5	-14.4	-2.6
2007	99,511.0	5,959.0	1,828.0	-22.4	-65.0	-20.6

[1]FDIC-insured.

[2]Federally insured state-chartered credit unions.

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

Assets

FINANCIAL ASSETS OF BANKING INSTITUTIONS, 1980-2007
($ billions, end of year)

Year	Commercial banks	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	7,824.9	1,465.9	617.2
2004	8,559.9	1,649.6	654.7
2005	9,320.1	1,789.4	685.7
2006	10,202.9	1,714.9	716.2
2007	11,194.1	1,815.0	758.7

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

- Assets of commercial banks grew 9.7 percent from 2006 to 2007. Credit unions assets grew 5.9 percent and savings institutions assets grew 5.8 percent.

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 steadily over the past two decades.

CREDIT MARKET ASSET HOLDINGS, 2003-2007[1]
($ billions, amount outstanding, end of year)

	2003	2004	2005	2006	2007	Percent of total, 2007
Financial sectors						
Monetary authority	$666.7	$717.8	$744.2	$778.9	$740.6	1.5%
U.S.-chartered commercial banks	5,390.6	5,961.8	6,469.7	7,122.7	7,638.7	15.6
Foreign banking offices in the U.S.	490.3	513.3	657.8	761.6	963.3	2.0
Bank holding companies	36.4	36.4	32.2	35.6	58.7	0.1
Banks in U.S.-affiliated areas	76.9	90.8	101.0	99.3	96.4	0.2
Savings institutions	1,293.9	1,417.4	1,616.7	1,518.6	1,584.3	3.2
Credit unions	516.6	556.4	592.6	622.7	657.9	1.3
Property/casualty insurance companies	625.2	698.8	765.8	813.5	840.0	1.7
Life insurance companies	2,488.3	2,661.4	2,765.4	2,806.1	2,890.8	5.9
Private pension funds	646.5	646.1	690.6	704.6	738.2	1.5

(table continues)

CREDIT MARKET ASSET HOLDINGS, 2003-2007[1] (Cont'd)

($ billions, amount outstanding, end of year)

	2003	2004	2005	2006	2007	Percent of total, 2007
Public pension funds	721.1	743.5	769.4	854.0	895.9	1.8
Money market mutual funds	1,471.3	1,346.3	1,340.8	1,560.8	1,951.5	4.0
Mutual funds	1,506.4	1,623.0	1,747.1	1,932.0	2,203.1	4.5
Closed-end funds	152.6	163.6	165.1	171.8	172.0	0.4
Exchange-traded funds	4.5	8.2	15.0	20.7	33.5	0.1
Government-sponsored enterprises	2,564.2	2,613.0	2,543.9	2,590.5	2,829.5	5.8
Agency- and GSE[2]-backed mortgage pools	3,326.7	3,374.6	3,541.9	3,837.3	4,463.7	9.1
ABS issuers	2,081.5	2,497.7	3,171.3	3,897.1	4,145.7	8.5
Finance companies	1,204.9	1,419.8	1,537.1	1,626.8	1,636.6	3.3
Real Estate Investment Trusts	97.5	200.1	267.0	324.5	271.4	0.6
Brokers and dealers	424.1	394.9	477.2	583.4	803.1	1.6
Funding corporations	152.0	198.9	246.4	279.9	182.9	0.4
Total financial sectors	**$25,938.1**	**$27,884.0**	**$30,258.2**	**$32,942.3**	**$35,797.7**	**73.3%**
Domestic nonfinancial sectors						
Federal government	273.8	276.5	273.8	277.9	288.3	0.6
Total domestic nonfinancial sectors	**$4,686.6**	**$5,085.8**	**$5,498.0**	**$5,832.2**	**$6,192.3**	**12.7%**
Rest of the world	**$3,836.1**	**$4,634.7**	**$5,188.3**	**$6,040.5**	**$6,867.2**	**14.1%**
Total credit market assets held	**$34,460.9**	**$37,604.5**	**$40,944.6**	**$44,814.9**	**$48,857.2**	**100.0%**

[1]Excluding corporate equities and mutual fund shares. [2]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

- In 2007 employment increased by 2.1 percent at credit unions and by 1.7 percent at commercial banks, while falling 3.1 percent at savings institutions. Overall, banking industry employment rose by 1.1 percent.

EMPLOYMENT IN THE BANKING INDUSTRY, 2003-2007

(000)

Year	Commercial banks	Savings banks	Credit unions	Total
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	1,322.9	236.7	242.4	1,802.0
2007	1,345.8	229.3	247.4	1,822.5

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

BUSINESS LENDING BY LOAN SIZE AND SIZE OF BANK, 2008[1]

Size of loans ($000)	Value of loans ($ millions): Large banks[2]	Small banks
$3 to $99	$1,584	$1,255
$100 to $999	7,128	2,814
$1,000 to $9,999	12,994	2,120
$10,000 and over	16,103	560

[1]Based on a sample of 348 domestically chartered commercial banks, as of May 5-9, 2008.
[2]As of March 31, 2003, assets of large banks were at least $3.7 billion.

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, small farm and community development loans. In 2007, 998 of these institutions reported originations or purchases of about 13.5 million small business loans, totaling $329 billion, and almost 219,000 small farm loans, totaling $13.1 billion. About 75 percent of these lenders, or 746 institutions, extended community development loans in 2007, a 2 percent drop from the number making such loans in 2006. However, the dollar volume of community development loans increased from $56.5 billion to $63.8 billion during the same period.

COMMUNITY DEVELOPMENT LENDING, 2007[1]

	CRA loans				CRA reporting institutions			
	Number		Amount ($000)		Total		Community development loans	
Asset size of lender ($ millions)	Total	Percent	Total	Percent	Number	Percent	Number extending	Percent extending
Less than $100	23	0.1%	$33,824	0.1%	14	1.4%	7	0.9%
$100 to $249	99	0.3	33,817	0.1	28	2.8	11	1.5
$250 to $999	1,975	6.2	1,417,085	2.2	372	37.3	246	33.0
$1,000 or more	29,688	93.4	62,299,608	97.7	584	58.5	482	64.6
Total	**31,785**	**100.0%**	**$63,784,334**	**100.0%**	**998**	**100.0%**	**746**	**100.0%**

[1]As per the Community Reinvestment Act (CRA), 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 1995, both in terms of institutions and branches, and the number of credit unions dropped by 31 percent from 1995 to 2007.

NUMBER OF BANKING OFFICES BY TYPE OF BANK, 1995-2007[1]

	1995	2000	2004	2005	2006	2007
All banking offices	**92,645**	**95,789**	**98,786**	**100,728**	**103,102**	**105,364**
Commercial bank offices[2]	65,321	71,337	75,772	78,030	80,473	83,360
Number of institutions	10,166	8,477	7,692	7,549	7,479	7,350
Number of branches	55,155	62,860	68,080	70,481	72,994	76,010
Savings institution offices[2]	15,637	14,136	14,000	14,003	14,267	13,903
Number of institutions	2,082	1,623	1,361	1,294	1,276	1,244
Number of branches	13,555	12,513	12,639	12,709	12,991	12,659
Credit unions[3]	11,687	10,316	9,014	8,695	8,362	8,101

[1]Includes Puerto Rico and U.S. territories. [2]Data as of end-June. [3]Data as of end-December. Source: Federal Deposit Insurance Corporation; National Credit Union Administration.

ASSETS OF FOREIGN BANKING OFFICES IN THE UNITED STATES, 2003-2007[1]

($ billions, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$750.2**	**$632.7**	**$781.5**	**$785.2**	**$1,003.9**
Reserves at Federal Reserve	0.9	0.7	0.9	0.6	1.0
Total bank credit	599.2	606.3	792.1	946.8	1,151.4
U.S. government securities	86.7	79.6	78.8	81.9	87.5
Treasury	33.7	27.8	27.9	27.1	30.6
Agency- and GSE[2]-backed securities	53.0	51.8	50.9	54.8	56.9
Corporate and foreign bonds	159.8	182.2	262.8	292.5	369.5
Total loans	352.8	344.5	450.6	572.3	694.4
Other bank loans	225.7	234.0	294.7	361.8	466.8
Mortgages	17.5	16.9	20.8	24.9	39.0
Security credit	109.5	93.7	135.1	185.6	188.6
Customers' liability on acceptances	0.6	0.7	0.8	0.4	0.5
Miscellaneous assets	149.5	25.0	-12.3	-162.6	-149.0

[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, June 5, 2008.

Financial Literacy Programs

Many banks have programs aimed at improving the financial management skills of their clients. One such program, the Federal Deposit Corporation's (FDIC) Money Smart training program has been made available through FDIC's partnerships with over 1,400 financial institutions in 2007, including bank trade associations, consumer groups and government agencies. The program, which was originally aimed at teaching financial skills to adults, was expanded to include a component for youth between ages 12 and 20. The U.S. Treasury Department has also been instrumental in fostering financial literacy through its Office of Financial Education and through its leadership of the Financial Literacy and Education Commission, a group of 20 federal agencies that encourages parternships with the private sector. The Consumer Bankers Association periodically surveys U.S. banks about 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.

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.

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

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 180 fewer commercial banks with assets of less than $100 million in 2007 than the previous year, 43 more in the $100 million to $1 billion asset size and 19 more in the $1 billion or more category.

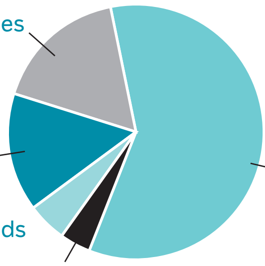
Banking

Commercial Banks

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, 2007



Source: Federal Deposit Insurance Corporation.

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS GROUPED BY ASSET SIZE, 2007

($ millions, end of year)

	Total commercial banks	By asset size: Less than $100 million	By asset size: $100 million to $1 billion	By asset size: $1 billion or more	Foreign offices
Number of institutions	7,283	3,065	3,705	513	NA
Total assets	**$11,176,135**	**$162,871**	**$1,060,902**	**$9,952,362**	**$1,558,936**
Cash and funds due from depository institutions	482,175	8,340	36,890	436,945	184,283
Noninterest-bearing	289,548	5,562	29,031	254,955	NA
Interest-bearing	192,627	2,778	7,859	181,990	NA
Securities	1,590,800	35,714	194,363	1,360,723	NA
Federal funds sold and re-repos[1]	646,114	9,829	28,795	607,489	NA
Loans and leases, net	6,537,544	100,762	739,780	5,697,003	551,290
Plus: allowance for losses and allocated transfer risk reserve	88,853	1,374	9,459	78,021	NA
Loans and leases, total	6,626,398	102,135	749,238	5,775,024	551,531
Assets held in trading accounts[2]	867,558	30	827	866,701	335,734

(table continues)

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS GROUPED BY ASSET SIZE, 2007 (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
Bank premises and fixed assets	$105,014	$3,318	$21,361	$80,334	NA
Other real estate owned	9,789	333	2,293	7,164	NA
Intangible assets	423,100	661	8,430	414,008	NA
All other assets	514,014	3,884	28,135	481,994	NA
Total liabilities, limited-life preferred stock and equity capital	**$11,176,135**	**$162,871**	**$1,060,902**	**$9,952,362**	**NA**
Total liabilities	**$10,033,099**	**$141,087**	**$951,417**	**$8,940,594**	**$2,070,761**
Deposits, total	7,309,818	133,764	854,080	6,321,975	1,502,061
Noninterest-bearing	1,193,607	22,682	123,791	1,047,133	65,288
Interest-bearing	6,116,211	111,081	730,289	5,274,841	1,436,774
Federal funds purchased and repos[1]	765,564	1,370	27,382	736,812	NA
Trading liabilities	342,667	0	61	342,606	NA
Other borrowed money	1,114,953	4,620	59,518	1,050,815	NA
Subordinated notes and debentures	174,905	6	629	174,270	NA
All other liabilities	325,191	1,327	9,748	314,117	NA
Total equity capital	**$1,143,036**	**$21,783**	**$109,484**	**$1,011,768**	**NA**
Perpetual preferred stock	5,015	35	150	4,830	NA
Common stock	35,974	3,940	10,542	21,491	NA
Surplus	738,757	9,701	47,066	681,990	NA
Undivided profits	363,290	8,107	51,726	303,457	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.

DEPOSITS, INCOME AND EXPENSES OF FDIC-INSURED COMMERCIAL BANKS, 2003-2007

($ millions, end of year)

	2003	2004	2005	2006	2007
Number of institutions	7,753	7,615	7,510	7,384	7,265
Total deposits (domestic and foreign) individuals, partnerships, corps.	**$4,487,116**	**$5,010,638**	**$5,485,258**	**$5,991,024**	**$6,477,856**
U.S. government	5,104	4,631	3,272	3,727	4,898
States and political subdivisions	227,377	235,205	257,743	286,564	322,396
All other	272,870	295,930	270,791	392,912	441,275
Total domestic and foreign deposits	**4,992,467**	**5,546,404**	**6,017,064**	**6,674,226**	**7,246,425**
Interest-bearing	4,007,744	4,449,621	4,820,211	5,465,325	6,060,503
Noninterest-bearing	984,722	1,096,783	1,196,852	1,208,901	1,185,922
Domestic office deposits					
Demand deposits	522,686	540,401	535,698	507,714	504,458
Savings deposits	2,497,749	2,772,680	2,946,703	3,094,231	3,185,083
Time deposits	1,231,384	1,367,985	1,614,597	1,879,273	2,055,336
Total domestic deposits	**4,251,819**	**4,681,066**	**5,096,998**	**5,481,219**	**5,744,877**
Transaction	721,532	744,728	735,908	703,605	695,839
Nontransaction	3,530,287	3,936,338	4,361,090	4,777,613	5,049,038
Income and expenses					
Total interest income	331,564	341,742	427,748	541,496	604,702
Total interest expense	93,912	95,330	162,432	259,277	304,171
Net interest income	237,651	246,411	265,316	282,219	300,531
Total noninterest income (fees, etc.)	186,162	184,028	202,081	216,758	210,606
Total noninterest expense	244,487	255,928	274,500	288,349	310,751
Provision for loan and lease losses	34,478	25,815	26,325	25,152	55,846
Pretax net operating income	144,848	148,696	166,572	185,476	144,540
Securities gains (losses)	5,583	3,177	-216	-1,346	-509
Income taxes	49,143	49,131	53,663	59,232	43,109
Net extraordinary items	427	66	239	2,648	-1,746
Net income	101,715	102,807	112,932	127,546	99,175

Source: Federal Deposit Insurance Corporation.

Investments

SECURITIES OF FDIC-INSURED COMMERCIAL BANKS, GROUPED BY ASSET SIZE, 2007

($ 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)	**$1,590,800**	**$35,714**	**$194,363**	**$1,360,723**
Securities held-to-maturity (amortized cost)	96,596	5,367	23,531	67,699
Securities available-for-sale (fair value)	1,494,204	30,348	170,833	1,293,024
By security type[2]:				
U.S. Government securities	949,680	27,699	137,989	783,991
U.S. Treasury securities	30,490	1,087	3,741	25,662
U.S. Government obligations	919,189	26,612	134,248	758,329
Securities issued by states and political subdivisions	141,294	6,929	42,864	91,502
Asset-backed securities	83,951	12	719	83,220
Other domestic debt securities[3]	293,359	819	10,315	282,225
Foreign debt securities[3]	101,482	3	57	101,422
Equity securities	20,988	253	2,372	18,363
Other items[2]				
Pledged securities	885,222	14,459	98,743	772,020
Mortgage-backed securities	971,416	8,182	67,823	895,411
Certificates of participation in pools of residential mortgages	588,511	6,353	44,147	538,011
Issued or guaranteed by the U.S.	568,708	6,335	43,947	518,426
Privately issued	19,802	18	200	19,585
Collateralized mortgage obligations and REMICs[4]	382,905	1,829	23,676	357,400
Issued by FNMA and FHLMC[5]	142,570	1,592	18,927	122,050
Privately issued by GNMA	240,336	237	4,749	235,350

[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.

Banking

Commercial Banks

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 BY ASSET SIZE, 2003 AND 2007

($ billions, end of year)

	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
2003									
Number of banks	3,911	50.3%	3,434	44.2%	341	4.4%	83	1.1%	7,769
Total assets	$200.7	2.6	$910.0	12.0	$947.3	12.5	$5,544.5	72.9	$7,602.5
Total deposits	169.0	3.4	736.8	14.7	645.8	12.8	3,477.3	69.1	5,028.9
Return on assets	0.94	NA	1.27	NA	1.46	NA	1.42	NA	1.40
Return on equity	8.19	NA	12.80	NA	14.00	NA	16.37	NA	15.31
2007									
Number of banks	3,065	42.1%	3,706	50.9%	425	5.8%	86	1.2%	7,282
Total assets	$162.9	1.5	$1,062.1	9.5	$1,112.7	10.0	$8,838.4	79.1	$11,176.1
Total deposits	133.8	1.8	854.8	11.7	792.0	10.8	5,528.4	75.6	7,308.9
Return on assets	0.82	NA	1.06	NA	1.08	NA	0.92	NA	0.95
Return on equity	6.00	NA	10.34	NA	9.47	NA	9.22	NA	9.29

NA=Not applicable.

Source: Federal Deposit Insurance Corporation.

TOP 25 U.S. COMMERCIAL BANKS BY REVENUES, 2007

($ millions)

Rank	Company	Revenues
1	Citigroup	$159,229
2	Bank of America Corp.	119,190
3	JPMorgan Chase & Co.	116,353
4	Wachovia Corp.	55,528
5	Wells Fargo	53,593
6	U.S. Bancorp	20,308
7	Capital One Financial	18,966
8	Bank of New York Mellon Corp.	14,798
9	SunTrust Banks	13,465
10	State Street Corp.	11,818
11	National City Corp.	11,791
12	Regions Financial	10,754
13	BB&T Corp.	10,668
14	PNC Financial Services Group	9,956
15	Fifth Third Bancorp	8,494
16	KeyCorp	7,873
17	Marshall & Ilsley Corp.	5,745
18	Northern Trust Corp.	5,395
19	Comerica	4,618
20	M&T Bank Corp.	4,478
21	Synovus Financial Corp.	4,463
22	Popular	3,823
23	Zions Bancorp	3,618
24	Huntington Bancshares	3,420
25	Commerce Bancorp	3,180

Source: Fortune.

Banking

Commercial Banks

TOP 25 U.S. COMMERCIAL BANKS BY ASSETS, 2007

($ millions)

Rank	Company	City, State	Assets
1	JPMorgan Chase Bank, National Association	Columbus, OH	$1,318,888
2	Bank of America, National Association	Charlotte, NC	1,312,794
3	Citibank, National Association	Las Vegas, NV	1,251,715
4	Wachovia Bank, National Association	Charlotte, NC	653,269
5	Wells Fargo Bank, National Association	Sioux Falls, SD	467,861
6	U.S. Bank, National Association	Cincinnati, OH	232,760
7	HSBC Bank USA, National Association	Wilmington, DE	184,492
8	SunTrust Bank	Atlanta, GA	175,108
9	FIA Card Services, National Association	Wilmington, DE	161,692
10	National City Bank	Cleveland, OH	138,755
11	Regions Bank	Birmingham, AL	137,050
12	State Street Bank & Trust Company	Boston, MA	134,002
13	RBS Citizens, National Association	Providence, RI	128,863
14	Branch Banking and Trust Company (BB&T)	Winston-Salem, NC	127,698
15	PNC Bank, National Association	Pittsburgh, PA	124,782
16	Bank of New York	New York, NY	115,672
17	Capital One, National Association	Mclean, VA	97,518
18	Keybank, National Association	Cleveland, OH	95,862
19	Citibank South Dakota, National Association	Sioux Falls, SD	78,941
20	Chase Bank USA, National Association	Newark, DE	77,748
21	LaSalle Bank, National Association	Chicago, IL	74,424
22	Manufacturers and Traders Trust Company	Buffalo, NY	64,073
23	Comerica Bank	Dallas, TX	62,539
24	Bank of the West	San Francisco, CA	61,830
25	Fifth Third Bank	Cincinnati, OH	61,463

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 June 30, 2007, due mostly to acquisitions by, or conversions to, commercial banks or other savings banks, the number of thrifts had fallen to 1,244. (See page 112.)

SELECTED INDICATORS, FDIC-INSURED SAVINGS INSTITUTIONS, 2003-2007

	2003	2004	2005	2006	2007
Return on assets (%)	1.40	1.30	1.31	1.33	0.95
Return on equity (%)	15.33	13.72	12.88	13.02	9.29
Core capital (leverage) ratio (%)	7.85	7.82	7.91	7.86	7.64
Noncurrent assets plus other real estate owned to assets (%)	0.77	0.55	0.48	0.52	0.85
Net charge-offs to loans (%)	0.89	0.63	0.56	0.41	0.61
Asset growth rate (%)	7.41	10.70	7.44	11.61	10.76
Net interest margin (%)	3.83	3.60	3.55	3.39	3.35
Net operating income growth (%)	15.49	3.43	11.89	11.16	-19.75
Number of institutions reporting	7,770	7,631	7,526	7,401	7,282
Percentage of unprofitable institutions (%)	6.02	5.88	6.31	7.53	10.70
Number of problem institutions	106	72	44	44	58
Assets of problem institutions ($ billions)	29	27	5	4	21
Number of failed/assisted institutions	3	3	0	0	2

Source: Federal Deposit Insurance Corporation.

OTS-REGULATED THRIFT INDUSTRY INCOME STATEMENT DETAIL, 2003-2007

($ millions, end of year)

	2003	2004	2005	2006	2007
Interest income	$51,479	$55,872	$72,290	$90,805	$95,904
Interest expense	20,659	21,301	33,473	49,870	55,283
Net interest income before provisions for losses	30,820	34,572	38,817	40,935	40,621
Provisions for losses for interest bearing assets[1]	2,190	2,601	2,954	3,768	11,638
Net interest income after provisions for losses	28,629	31,970	35,863	37,168	28,983
Noninterest income[2]	18,516	20,106	23,922	25,678	20,121
Noninterest expense	25,766	30,500	34,317	38,665	47,371
Net income before taxes and extraordinary items	21,379	21,576	25,469	24,181	1,733
Taxes	7,634	7,631	9,068	8,289	2,383
Other[3]	-3	19	-1	-26	1
Net income	13,742	13,963	16,400	15,866	-649
Other items					
Preferred and common stock cash dividends	10,843	NA	NA	NA	NA
Reinvested earnings[4]	2,903	NA	NA	NA	NA
Gross profits of profitable thrifts	14,020	14,312	16,610	16,342	11,425
Gross profits of unprofitable thrifts	-278	-348	-209	-492	-12,074

[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, 2003-2007

($ millions, end of year)

	2003	2004	2005	2006	2007
Number of thrifts	1,411	1,345	1,307	1,279	1,251
Assets					
Cash and invested securities	$167,839	$129,432	$133,882	$146,178	$186,345
Mortgage-backed securities	206,454	234,309	242,692	223,422	264,624
1 to 4 family loans	678,486	845,363	919,208	828,639	840,243
Multifamily development	71,991	81,041	90,175	86,710	92,111
Construction and land loans	40,695	46,887	57,252	66,403	69,547
Nonresidential loans	79,711	85,121	87,340	93,852	104,235
Consumer loans	77,850	91,279	111,054	97,385	99,410
Commercial loans	52,087	60,035	66,197	75,359	70,645
Real estate owned	1,500	1,285	1,137	1,681	3,449
Other assets	97,495	117,011	128,991	150,267	127,329
Total assets	**$1,474,109**	**$1,691,764**	**$1,837,927**	**$1,769,896**	**$1,857,940**
Liabilities and equity					
Total liabilities	1,335,379	1,502,706	1,631,617	1,551,940	1,653,430
Deposits	925,294	991,387	1,068,176	1,093,800	1,105,535
FHLB advances	234,329	291,938	325,696	268,326	347,771
Other borrowings	153,646	190,712	206,098	152,095	161,805
Other liabilities	22,110	28,668	31,647	37,720	38,318
Equity capital	138,730	189,058	206,367	217,955	204,510
Total liabilities and equity	**$1,474,109**	**$1,691,764**	**$1,837,983**	**$1,769,895**	**$1,857,940**

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

INVESTMENT SECURITIES OF FDIC-INSURED SAVINGS INSTITUTIONS, 1998-2007

($ millions, end of year)

Year	U.S. Treasury, agencies and corporations: U.S. Treasury	U.S. agencies and corporations	Total[1]	States and political subdivisions	Other debt securities
1998	$4,264.0	$217,847.7	$222,111.7	$3,171.0	$35,217.8
1999	2,997.8	232,787.7	235,785.5	3,599.2	42,954.2
2000	2,136.5	223,581.8	225,718.3	3,831.6	42,697.3
2001	3,260.0	231,187.8	234,447.8	4,486.6	45,500.3
2002	2,791.5	240,475.5	243,267.0	5,716.0	39,778.8
2003	2,827.6	258,132.2	260,959.8	6,534.7	37,603.6
2004	2,754.4	232,682.0	235,436.4	7,159.2	64,485.5
2005	5,779.1	224,232.4	230,011.5	8,871.7	85,874.4
2006	5,638.6	193,338.9	198,977.5	11,782.3	100,762.9
2007	903.3	197,791.0	198,694.3	11,959.7	152,677.7

Year	Equity securities	Less: contra accounts[2]	Less: trading accounts	Total investment securities[3]	Memo[4] mortgage-backed securities
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	10,677.8	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
2006	8,738.4	0.0	5,545.4	314,715.8	223,421.4
2007	8,041.7	0.0	7,991.1	363,382.2	264,623.4

[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, 2003-2007
($ 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
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
2007	340,891	923,788	208,507	1,132,294	75.07

[1]Full year.

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

TOP TEN U.S. THRIFT COMPANIES BY ASSETS, 2007
($ millions)

Rank	Company	Assets
1	Washington Mutual, Inc.	$327,913.0
2	Countrywide Financial Corp.	208,366.9
3	Sovereign Bancorp, Inc.	84,746.4
4	ING Bank, FSB	79,986.1
5	E*TRADE Bank	51,623.3
6	Hudson City Bancorp, Inc.	44,424.0
7	Merrill Lynch Bank & Trust Co., FSB	37,832.4
8	IndyMac Bancorp Inc.	32,734.5
9	New York Community Bancorp, Inc.	30,579.8
10	USAA Federal Savings Bank	30,219.5

Source: SNL Financial LC.

TOP FIVE U.S. SAVINGS INSTITUTIONS BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues
1	Washington Mutual	$25,531
2	Sovereign Bancorp	5,011
3	Hudson City Bancorp	2,135
4	IndyMac Bancorp	2,020
5	New York Community Bancorp	1,678

[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, wire transfers and hand delivered cash and other unlicensed informal means. An Inter-American Development Bank poll of Latin Americans living in the U.S. found that 50 percent of the respondents were sending money on a regular basis to their families in 2008, down from 73 percent in a similar poll conducted in 2006. The dollar value of remittances from the United States to Latin America rose slightly from $45.4 billion to $45.9 billion during the same period.

REMITTANCES TO LATIN AMERICA, 2006-2007[1]

($ millions)

Country	2006	2007	Percent change
Mexico	$23,053	$23,979	4.0%
Brazil	7,373	7,075	-4.0
Colombia	4,200	4,520	7.6
Guatemala	3,610	4,128	14.3
El Salvador	3,316	3,695	11.4
Dominican Republic	2,900	3,120	7.6
Ecuador	2,900	3,085	6.4
Peru	2,869	2,900	1.1
Honduras	2,359	2,561	8.6
Jamaica	1,770	1,975	11.6
Other	7,950	8,444	6.2
Total	**$62,300**	**$65,482**	**5.1%**

[1]From all countries.

Source: Inter-American Development Bank/MIF.

TOP TEN STATES BY REMITTANCES TO LATIN AMERICA, 2006 AND 2008

Total amount ($ millions)

Rank	State	2006	2008	Percent change 2006-2008	Percent that send money regularly
1	California	$13,191	$14,599	10.7%	52%
2	Texas	5,222	4,299	-17.7	30
3	New York	3,714	3,933	5.9	53
4	Florida	3,083	3,071	-0.4	48
5	Illinois	2,583	2,813	8.9	58
6	New Jersey	1,869	1,943	4.0	56
7	Georgia	1,736	1,443	-16.9	53
8	Arizona	1,378	1,357	-1.5	39
9	North Carolina	1,221	1,243	1.8	59
10	Virginia	1,110	1,023	-7.8	59
	Total 50 states and D.C.	**$45,276**	**$45,932**	**1.4%**	**50%**

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 about 87 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 28 federally insured corporate credit unions, which provide investment, liquidity and payment services for their members.

Credit Unions

FEDERAL CREDIT UNIONS AND FEDERALLY INSURED STATE-CHARTERED CREDIT UNIONS, 1980-2007

(End of year)

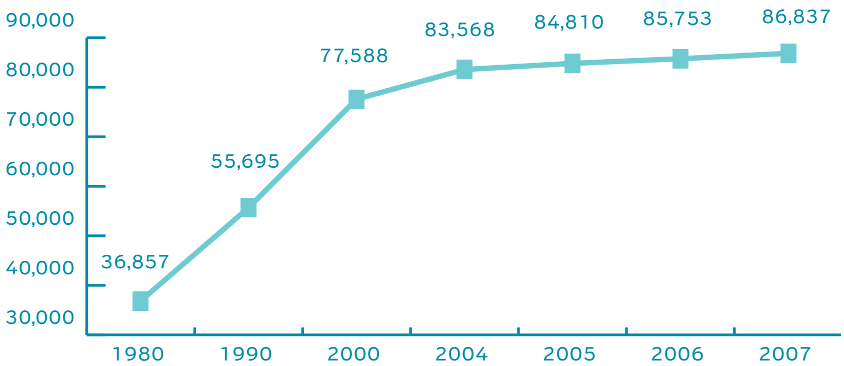
	1980	1990	2000	2005	2006	2007
Operating credit unions						
Federal	12,440	8,511	6,336	5,393	5,189	5,036
State	4,910	4,349	3,980	3,302	3,173	3,065
Number of failed institutions	239	164	29	15	16	12
Members (000)						
Federal	24,519	36,241	43,883	47,914	48,254	48,474
State	12,338	19,454	33,705	36,896	37,499	38,363
Assets ($ millions)						
Federal	$40,092	$130,073	$242,881	$377,826	$394,130	$417,579
State	20,870	68,133	195,363	300,871	315,817	335,885
Loans outstanding ($ millions)						
Federal	26,350	83,029	163,851	249,521	270,418	289,170
State	14,852	44,102	137,485	208,734	223,917	237,755
Shares ($ millions)						
Federal	36,263	117,892	210,188	321,831	333,914	349,101
State	18,469	62,082	169,053	255,588	267,274	283,298

Source: National Credit Union Administration.

- From 1980 to 2007 federal and federally insured state credit union assets grew from $61 billion to $753 billion. In 2007 assets increased by $44 billion, or 6.1 percent, from 2006.
- There are currently fewer than 500 nonfederally insured state-chartered credit unions.

CREDIT UNION MEMBERS, 1980-2007

(000)



Source: National Credit Union Administration.

ASSETS AND LIABILITIES OF CREDIT UNIONS, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$617.2**	**$654.7**	**$685.7**	**$716.2**	**$758.7**
Checkable deposits and currency	41.5	40.2	38.1	44.4	43.3
Time and savings deposits	27.1	26.4	21.9	17.0	17.0
Federal funds and security repos[1]	1.6	4.1	6.7	5.1	2.5
Credit market instruments	516.6	556.4	592.6	622.7	657.9
Open market paper	0.7	0.8	0.8	1.0	0.4
U.S. government securities	103.1	102.0	94.1	79.9	78.8
Treasury	8.8	8.9	7.7	7.4	10.4
Agency- and GSE[2]-backed securities	94.3	93.1	86.4	72.5	68.4
Corporate and foreign bonds	24.3	25.0	23.5	30.6	34.6
Home mortgages	182.6	213.2	245.6	276.6	308.4
Consumer credit	205.9	215.4	228.6	234.5	235.7
Mutual fund shares	4.1	3.1	2.2	2.1	2.1
Miscellaneous assets	26.3	24.5	24.2	24.9	35.9
Total liabilities	**$561.5**	**$595.2**	**$622.7**	**$648.7**	**$688.2**
Shares/deposits	545.0	574.5	596.1	620.6	652.3
Checkable	66.5	74.1	81.1	72.6	73.7
Small time and savings	424.9	440.4	452.5	483.0	508.7
Large time	53.6	60.0	62.5	65.0	69.9
Other loans and advances	9.1	11.4	14.7	18.9	32.3
Miscellaneous liabilities	7.4	9.3	11.9	9.2	3.6

[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, June 5, 2008.

CREDIT UNION DISTRIBUTION BY ASSET SIZE, 2007[1]

(End of year)

Asset size ($ millions)	Number of credit unions	Percent change from Dec. 2006	Assets ($ millions)	Percent change from Dec. 2006
$0 to $0.2	143	-9.5%	$16	-11.4%
$0.2 to $0.5	291	-2.7	101	-2.7
$0.5 to $1	378	-7.6	281	-8.2
$1 to $2	578	-4.3	850	-4.5
$2 to $5	1,117	-5.7	3,797	-5.6
$5 to $10	1,202	-5.1	8,741	-5.1
$10 to $20	1,210	-3.1	17,429	-3.1
$20 to $50	1,410	-3.2	45,403	-3.1
$50 to $100	797	1.0	56,104	1.6
$100 to $200	532	-0.2	75,082	-0.5
$200 to $500	429	1.4	133,107	1.6
$500 to $1,000	182	3.4	124,964	4.4
More than $1,000	127	9.5	310,711	14.3
Total	**8,396**	**-5.2%**	**$776,588**	**8.0%**

[1]From Credit Union Call Reports.

Source: Credit Union National Association.

TOP TEN U.S. CREDIT UNIONS BY ASSETS, 2007[1]

($ millions)

Rank	Company	Assets
1	State Employees'	$15,012.9
2	Boeing Employees	8,124.0
3	The Golden 1	6,586.0
4	Alliant	4,895.5
5	San Diego County	4,051.1
6	Wescom Central	3,788.0
7	Star One	3,572.2
8	Citizens Equity First	3,381.5
9	Vystar	3,337.3
10	Pennsylvania State Employees	2,958.5

[1]Federally insured credit unions.

Source: National Credit Union Administration.

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 annuities and those of other companies.

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.

Recent Developments

In 2008 massive mortgage and real estate investment losses led to an upheaval in the securities industry, with several major players failing or reorganizing. In March JPMorgan Chase agreed to take over Bear Stearns in a move backed by the Federal Reserve. In September Lehman Brothers announced it would file for bankruptcy, while another securities giant, Merrill Lynch, agreed to a takeover by Bank of America. Barclays Capital subsequently purchased Lehman's investment banking and capital markets units. In September the Federal Reserve gave permission to two other major investment banks, Morgan Stanley and Goldman Sachs, to convert to traditional bank holding companies.

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 integrity of the markets 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.

Securities

Overview

The Financial Industry Regulatory Authority: The Financial Industry Regulatory Authority (FINRA), is the largest nongovernmental regulator of the securities industry. Its members include all securities firms doing business in the United States. All told it oversees nearly 5,000 brokerage firms, about 173,000 branch offices and more than 677,000 registered securities representatives. FINRA was created in July 2007 through the consolidation of NASD and the regulation, enforcement and arbitration functions of the New York Stock Exchange. Its role is to promote investor protection and market integrity through effective regulation, compliance and technology-based services. NASD, originally known as the National Association of Securities Dealers, was a self-regulatory body created by amendments to the Securities Exchange Act of 1934.

Mergers and Acquisitions

The value of the top 10 mergers and acquisitions deals in the securities industry grew by $48 billion in 2007, following a $27 billion increase in 2006. In 2008 Bank of America took over Merrill Lynch, and JPMorgan Chase took over Bear Stearns, amidst turmoil in the financial market.

TOP TEN SECURITIES AND INVESTMENT FIRMS MERGERS AND ACQUISITIONS, 2007[1]

($ millions)

Rank	Buyer	Industry	Target	Industry	Deal value[2]
1	Kohlberg Kravis Roberts & Co.	Asset manager	First Data Corporation	Not classified	$26,264.3
2	Blackstone Group L.P.	Asset manager	Hilton Hotels Corporation	Not classified	20,546.1
3	Citigroup Inc.	Bank	Nikko Cordial Corporation[3]	Broker/dealer	7,700.0
4	Wachovia Corporation	Bank	A.G. Edwards, Inc.	Broker/dealer	6,936.3
5	Madison Dearborn Partners LLC	Asset manager	Nuveen Investments, Inc.	Asset manager	5,759.7
6	Terra Firma Capital Partners	Asset manager	Pegasus Aviation Finance Company	Specialty lender	5,200.0
7	Citigroup Inc.	Bank	Nikko Cordial Corporation[3]	Broker/dealer	4,540.3
8	Power Corporation of Canada	Not classified	Putnam LLC	Asset manager	3,900.0
9	Morgan Stanley	Broker/dealer	Investa Property Group	Not classified	3,841.2
10	Nasdaq Stock Market, Inc.	Broker/dealer	OMX AB	Broker/dealer	3,720.8

[1]At least one of the companies involved is a U.S.-domiciled securities and investment company. List does not include terminated deals.
[2]At announcement.
[3]In 2007 Citigroup made multiple investments in Nikko Cordial Corporation, which collectively gave it full ownership. Two of the deals are shown here.

Source: SNL Financial LC.

MERGERS AND ACQUISITIONS OF U.S. SECURITIES FIRMS, 2003-2007[1]

	2003	2004	2005	2006	2007
Number of deals	150	158	175	198	200
Purchased by banks	52	55	47	57	53

[1]List does not include terminated deals.

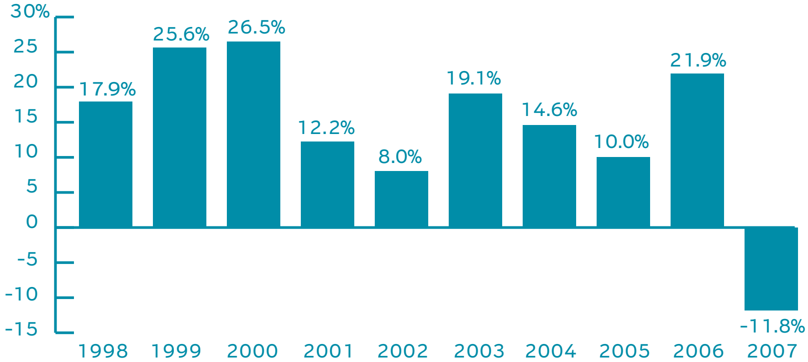
Source: SNL Financial LC.

- Bank purchases of securities firms accounted for 30 percent of securities industry mergers and acquisitions from 2003 to 2007. (See also Chapter 4: Convergence.)

Profitability

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY, 1998-2007[1]

(Percent)



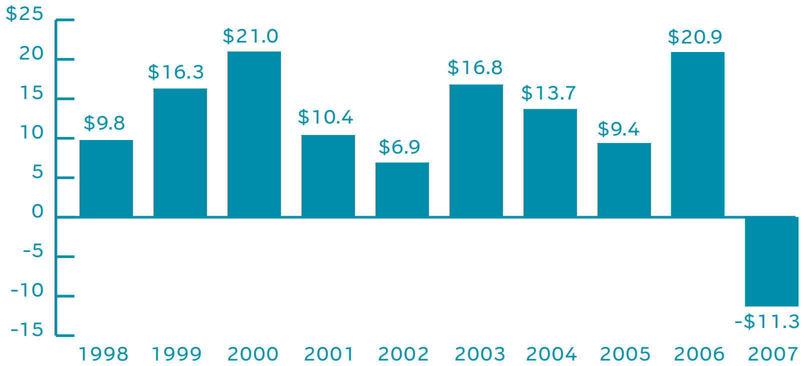
[1]New York Stock Exchange members doing public business.

Source: Securities Industry and Financial Markets Association.

- The security industry's return on equity fell to -11.8 in 2007, down from 21.9 percent in 2006.
- The 2007 return on equity was the lowest in the 27 years that the Securities Industry and Financial Markets Association has kept records and the first negative return since -0.7 percent in 1990.

SECURITIES INDUSTRY PRETAX PROFIT/LOSS, 1998-2007[1]

($ billions)



[1]New York Stock Exchange members doing public business.

Source: Securities Industry and Financial Markets Association.

- The securities industry recorded a pretax loss of $11.3 billion in 2007, the first pretax loss since 1990's $162 million loss.

Securities

Overview

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 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.

The chart below consists of all New York Stock exchange broker/dealers doing public business. These firms account for approximately 65 to 85 percent of revenues, capital and assets of all brokers/dealers registered with the Securities and Exchange Commission.

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY BY FIRM CATEGORY, 1998-2007[1]

(Percent)

Year	Major firms	Regionals	NYC area regionals	Discounters	Total firms
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	8.5	14.4	1.6	0.4	10.0
2006	21.5	23.2	16.1	9.9	21.9
2007	-28.0	14.1	9.0	23.2	-11.8

[1]New York Stock Exchange Reporting firms doing a public business.

Source: Securities Industry and Financial Markets Association.

SECURITIES INDUSTRY INCOME STATEMENT, 2007[1]

($ millions)

Revenue	
Commissions	$54,541
Trading gain (loss)	-5,979
Investment account gain (loss)	3,976
Underwriting revenue	26,526
Margin interest	32,282
Mutual fund sale revenue	25,806
Fees, asset management	33,089
Research revenue	80
Commodities revenue	1,748
Other revenue related to the securities business	234,978
Other revenue	67,144
Total revenue	**$474,192**

Expenses	
Total compensation	$104,685
Registered representative compensation	38,361
Clerical employee compensation	46,030
Total floor costs	25,484
Communications expense	5,999
Occupancy and equipment costs	6,604
Promotional costs	2,678
Interest expense	270,159
Losses from error accounts and bad debts	227
Data processing costs	3,765
Regulatory fees and expenses	1,759
Nonrecurring charges	119
Other expenses	51,935
Total expenses	**$473,414**
Pretax net income/loss	**$777**

[1]All broker-dealers doing a public business in the United States.

Source: SIFMA DataBank and SIFMA Expanded Databank.

Overview

- Total assets of securities broker/dealers increased 12.8 percent from $2.7 trillion in 2006 to $3.1 trillion in 2007.

ASSETS AND LIABILITIES OF SECURITIES BROKER/DEALERS, 2003-2007

($ billions)

	2003	2004	2005	2006	2007
Total financial assets	**$1,613.0**	**$1,844.9**	**$2,127.1**	**$2,741.7**	**$3,092.0**
Checkable deposits and currency	47.2	62.9	56.5	80.5	105.0
Credit market instruments	424.1	394.9	477.2	583.4	803.1
Open market paper	49.4	48.0	60.2	64.3	87.1
U.S. government securities	121.5	62.7	36.4	71.0	230.2
Treasury	37.8	-44.6	-64.6	-67.0	-50.0
Agency- and GSE[1]-backed securities	83.7	107.3	101.0	138.0	280.2
Municipal securities	24.9	32.0	42.9	50.9	50.1
Corporate and foreign bonds	228.3	252.2	337.7	397.2	435.6
Corporate equities	100.5	129.1	158.3	186.4	224.8
Security credit	182.5	264.0	232.4	292.1	325.5
Miscellaneous assets	858.8	994.0	1,202.6	1,599.4	1,633.7
Total liabilities	**$1,589.9**	**$1,823.1**	**$2,092.5**	**$2,688.6**	**$3,039.7**
Security repos[2] (net)	490.4	526.9	733.6	1,071.8	1,147.3
Corporate bonds	47.0	62.2	62.4	68.8	64.8
Trade payables	28.2	36.0	43.1	48.3	45.8
Security credit	676.3	774.2	806.0	957.8	1,200.9
Customer credit balances	475.4	578.3	575.3	655.7	866.4
From banks	200.9	195.8	230.7	302.2	334.5
Taxes payable	1.8	2.2	2.1	2.8	2.2
Miscellaneous liabilities	346.3	421.7	445.5	539.1	578.7
Foreign direct investment in U.S.	87.3	94.9	89.9	80.5	83.0
Due to affiliates	602.3	638.8	787.2	850.9	902.6
Other	-343.3	-312.1	-431.6	-392.3	-406.8

[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, June 5, 2008.

SECURITIES INDUSTRY EMPLOYMENT BY FUNCTION, 2003-2007

(000)

	2003	2004	2005	2006	2007
Securities, commodity contracts, investments (total industry)	**757.7**	**766.1**	**786.1**	**818.3**	**847.9**
Securities and commodity contracts, brokerages and exchanges	493.3	492.7	498.9	510.6	519.1
Securities brokerage	294.2	292.2	294.5	300.1	304.6
Other financial investment activities	264.3	273.5	287.1	307.8	328.8
Miscellaneous intermediation	23.8	23.2	22.9	23.7	23.7
Portfolio management	98.9	105.3	112.9	121.0	127.9
Investment advice	93.7	100.0	110.5	121.3	131.1
All other financial investment activities	48.0	44.9	40.9	41.8	46.1

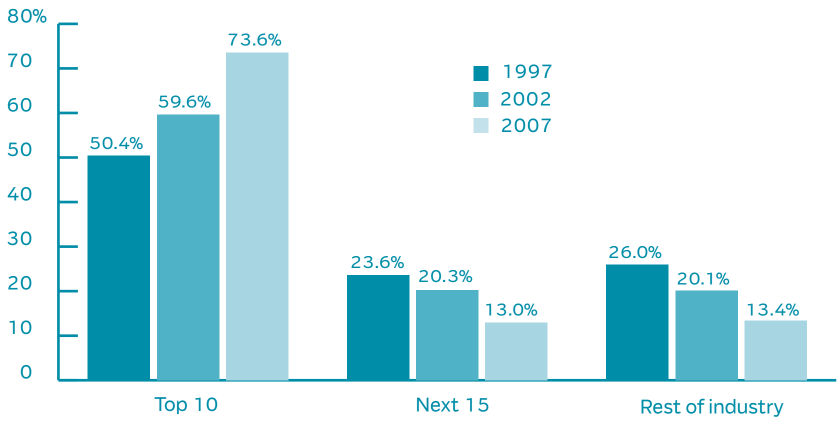
Source: U.S. Department of Labor, Bureau of Labor Statistics.

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, 1997, 2002 AND 2007[1]

(Percent)



[1]New York Stock Exchange member firms doing public business.

Source: Securities Industry and Financial Markets Association.

Securities

Overview

SECURITIES INDUSTRY CONCENTRATION BY TOTAL CAPITAL, 1998-2007[1]

(Percent)

Year	Top 10	Next 15	Rest of industry	Capital ($ billions)
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
2007	70.5	17.5	12.0	250.1

[1]New York Stock Exchange member firms doing a public business.

Source: Securities Industry and Financial Markets Association.

- In 2008, Lehman filed for bankruptcy and Bank of America acquired Merrill Lynch, reflecting a turbulent financial market.

TOP TEN U.S. SECURITIES FIRMS BY REVENUES, 2007

($ millions)

Rank	Company	Revenues
1	Goldman Sachs Group[1]	$87,968
2	Morgan Stanley[1]	87,879
3	Merrill Lynch[2]	64,217
4	Lehman Brothers Holdings[3]	59,003
5	Bear Stearns[4]	16,151
6	Franklin Resources	6,206
7	Charles Schwab	6,063
8	BlackRock	4,845
9	International Assets Holding	4,460
10	Legg Mason	4,344

[1]In 2008 the Federal Reserve agreed to allow Morgan Stanley and Goldman Sachs to convert into bank holding companies.
[2]Bank of America agreed to acquire Merrill Lynch in 2008.
[3]Lehman Brothers filed for bankruptcy in September 2008. Barclays Capital subsequently bought Lehman's investment banking and capital markets units.
[4]Bear Stearns was acquired by JPMorgan Chase in 2008.

Source: Fortune.

TOP TEN U.S. SECURITIES AND INVESTMENT COMPANIES BY ASSETS, 2007
($ millions)

Rank	Company	Assets
1	Goldman Sachs Group, Inc.[1]	$1,119,796.0
2	Morgan Stanley[1]	1,045,409.0
3	Merrill Lynch & Co., Inc.[2]	1,020,050.0
4	Lehman Brothers Holdings Inc.[3]	691,063.0
5	Deutsche Bank Securities Inc.	519,780.6
6	UBS Securities LLC	438,091.6
7	Bear Stearns Companies LLC[4]	395,362.0
8	Citigroup Global Markets Inc.	363,162.0
9	Credit Suisse Securities (USA) LLC	326,437.0
10	Barclays Capital Inc.[3]	297,821.4

[1]In 2008 the Federal Reserve agreed to allow Morgan Stanley and Goldman Sachs to convert into bank holding companies.
[2]Bank of America agreed to acquire Merrill Lynch in 2008.
[3]Lehman Brothers filed for bankruptcy in September 2008. Barclays Capital subsequently bought Lehman's investment banking and capital markets units.
[4]Bear Stearns was acquired by JPMorgan Chase in 2008.

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.

In 2008 the crisis in the U.S. financial markets led to a shake up in the investment banking industry. Following the collapse of the giant investment bank Lehman Brothers, Goldman Sachs and Morgan Stanley opted to dismantle their investment bank structures to convert to traditional bank holding companies.

Capital Markets

CORPORATE UNDERWRITING, 2003-2007

	Value of U.S. corporate underwritings ($ billions)			Number of U.S. corporate underwritings		
Year	Debt	Equity	Total	Debt	Equity	Total
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	1,056	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	812	6,626
2007	2,706.5	246.0	2,952.5	4,370	816	5,186

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

EQUITY AND DEBT, 1998-2007

($ billions, end of year)

Year	Corporate equities[1]	Corporate bonds[2]	Total U.S. government securities[3]	Municipal bonds
1998	$15,547.3	$4,127.7	$7,046.6	$1,402.7
1999	19,522.8	4,446.4	7,568.7	1,457.1
2000	17,627.0	4,798.4	7,704.8	1,480.7
2001	15,310.6	5,537.5	8,341.8	1,603.5
2002	11,900.5	6,199.7	9,146.1	1,762.9
2003	15,618.5	6,986.6	9,961.1	1,900.5
2004	17,389.3	7,860.0	10,445.9	2,031.0
2005	18,512.0	8,585.2	10,836.0	2,225.9
2006	20,909.3	9,747.0	11,350.3	2,403.2
2007	21,477.2	10,711.4	12,496.3	2,618.2

[1]Market value.
[2]Includes foreign bonds.
[3]Includes Treasury and agency- and government-sponsored enterprise-backed securities.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

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 of these bonds more than doubled from $8.8 billion in 2000 to $22.5 billion in 2006 and stood at $17.0 billion in May 2008. The bonds play a significant role in investment portfolios because their yield is tax-free.

There are a variety of types of municipal bonds. Revenue bonds are used to fund projects that will eventually create revenue directly, such as a toll plaza. The principal and interest on revenue bonds are paid out of the revenues of the local government operation that issued the bonds. General obligation bonds are unsecured bonds; the 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.

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. In some cases, new issues of municipal bonds are sold through private placements, in which issuers sell the bonds directly to investors, without a public offering.

NUMBER AND VALUE OF LONG-TERM MUNICIPAL BOND UNDERWRITINGS, 1998-2007[1]

($ billions)

	Revenue bonds		General obligation bonds		Private placement bonds		Total municipal bonds	
Year	Value	Number	Value	Number	Value	Number	Value	Number
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	267.5	5,921	114.6	6,537	4.4	284	386.7	12,742
2007	293.2	5,994	131.1	6,263	4.6	372	428.9	12,629

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

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

Capital Markets

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, 2003-2007
($ billions)

	Value of U.S. private placements			Number of U.S. private placements		
Year	Debt	Equity	Total	Debt	Equity	Total
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	554.7	57.7	612.4	2,887	516	3,403
2006	523.7	73.5	597.2	2,705	596	3,301
2007	555.2	72.0	627.2	1,933	512	2,445

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

FOREIGN HOLDINGS OF U.S. SECURITIES, 1998-2007
($ billions, end of year)

Year	Stocks	Corporate bonds	Treasuries[1]	Total
1998	$1,107.9	$589.7	$1,351.8	$3,049.4
1999	1,434.0	673.1	1,290.7	3,397.8
2000	1,483.0	841.8	1,369.6	3,694.4
2001	1,441.0	1,018.7	1,599.3	4,059.0
2002	1,221.6	1,123.8	1,915.3	4,260.7
2003	1,674.6	1,330.6	2,168.3	5,173.5
2004	1,904.6	1,559.1	2,688.6	6,152.3
2005	2,039.1	1,764.0	2,996.1	6,799.2
2006	2,454.7	2,201.4	3,353.6	8,009.7
2007	2,797.1	2,497.7	3,799.8	9,094.6

[1]Includes agency issues.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

U.S. HOLDINGS OF FOREIGN SECURITIES, 1998-2007
($ billions, end of year)

Year	Stocks[1]	Bonds	Total
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	3,317.7	1,028.2	4,345.9
2006	4,251.5	1,180.8	5,432.3
2007	4,806.1	1,323.6	6,129.7

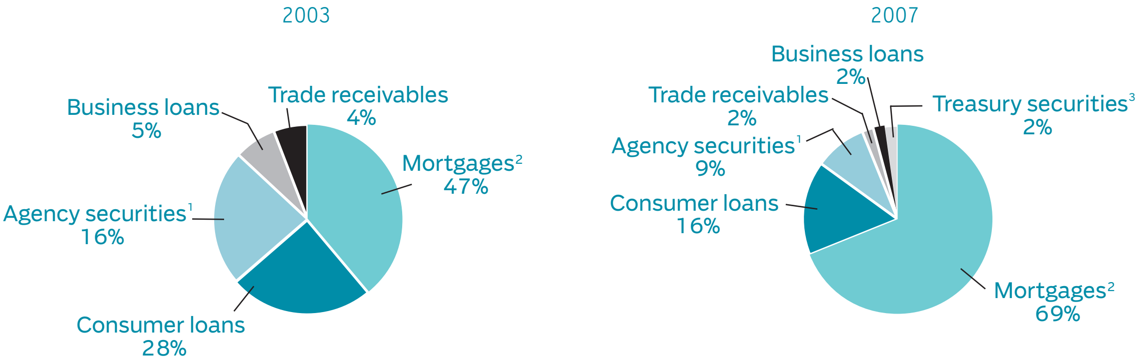
[1]Market value.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

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. Asset-backed securities may be insured by bond insurers. Nearly 70 percent of ABSs consist of bundled mortgages, see also Chapter 9, Mortgage Industry.

ASSET-BACKED SECURITY SOURCES, 2003 AND 2007



[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]Mortgages backing privately issued pool securities and CMOs. [3]Treasury securities accounted for less than 1 percent in 2003.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

Asset-Backed Securities/Derivatives

ASSET-BACKED SECURITY SOURCES, 1998-2007

($ billions, end of year)

Year	Agency securities[1]	Mortgages[2]	Consumer loans	Business loans	Trade receivables	Treasury securities	Total
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	162.9	618.0	528.4	89.8	83.3	0.1	1,482.6
2001	196.5	740.0	598.0	108.3	89.1	0.5	1,732.4
2002	271.9	851.2	633.3	105.0	83.5	0.9	1,945.8
2003	356.4	1,021.6	596.8	103.9	94.7	2.8	2,176.2
2004	353.2	1,459.7	571.5	105.3	106.6	8.0	2,604.3
2005	319.6	2,131.5	604.0	88.5	102.9	27.7	3,274.1
2006	347.3	2,737.9	664.2	90.2	149.6	57.5	4,046.7
2007	378.1	2,918.2	688.6	81.0	80.0	79.8	4,225.7

[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]Mortgages backing privately issued pool securities and CMOs.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

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 quadrupled from 629 million in 2001 to 2.6 billion in 2007.

Credit derivatives are contracts that lenders, large bondholders and other investors can purchase to protect against credit risks. One such derivative, credit default swaps (CDSs), protects lenders when companies do not pay their debt. The swaps are contracts between two parties: the buyer of the credit protection and the seller, i.e., the firm offering protection. Their workings are similar to insurance. Under the contract the buyer makes payments to the seller over an arranged period of time. The seller pays only if there is a default or other credit problem. Either the buyer or the seller can sell the contract to a third party. These instruments are often valued based on computer models; the actual value at settlement might be quite different from the modeled value. Banks, insurance companies and hedge funds create and trade the CDSs, which are largely unregulated and have experienced enormous growth in recent years.

According to the International Swaps and Derivatives Association, CDSs grew from $919 billion in 2001 to $62 trillion in 2007. Bond insurers now issue protection in the form of CDSs in addition to their traditional bond insurance coverage.

CREDIT DEFAULT SWAPS MARKET, 2001-2007[1]
($ billions)

Year	Amount outstanding	Percent change
2001	$918.9	45.5%
2002	2,191.6	138.5
2003	3,779.4	72.5
2004	8,422.3	122.8
2005	17,096.1	103.0
2006	34,422.8	101.3
2007	62,173.2	80.6

[1]Semiannual data; notional principal value outstanding. Notional value is the underlying (face) value.

Source: International Swaps and Derivatives Association.

NUMBER OF FUTURES CONTRACTS TRADED ON U.S. EXCHANGES, 1998-2007
(millions)

Year	Interest rate	Agricultural commodities	Energy products	Foreign currency	Equity indices	Precious metals	Non-precious metals	Other	Total
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
2007	1,333.1	193.3	240.9	143.0	676.9	44.1	3.8	1.5	2,644.6

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

Derivatives

- The number of options contracts traded on U.S. exchanges increased by 36.2 percent in 2007, compared with increases of 35.1 percent in 2006 and 27.3 percent in 2005.

NUMBER OF OPTIONS CONTRACTS TRADED ON U.S. EXCHANGES, 1998-2007

(millions)

Year	Equity	Stock index	Foreign currency	Interest rate	Futures	Total
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
2007	2,379.1	480.9	2.1	[1]	583.6	3,445.7

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

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

GLOBAL DERIVATIVES MARKET, 1998-2007[1]

($ billions)

Year	Exchange-traded	Over-the-counter	Total
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	57,789	297,666	355,455
2006	70,444	414,845	485,289
2007	80,581	596,004	676,585

[1]Notional principal value outstanding. Notional value is the underlying (face) value.

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. 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 3,700 in August 2008, 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.

NUMBER OF EXCHANGE LISTED COMPANIES, 1998-2007

Year	NASDAQ	NYSE	AMEX
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
2007	3,158	2,805	812

Source: Securities Industry and Financial Markets Association.

Securities

Exchanges

The volume of shares traded on the New York Stock Exchange reached a record of 532 billion shares in 2007, rising 17.4 percent from 2006. The average share price rose 8.7 percent.

EXCHANGE ACTIVITIES, 1998-2007

	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)
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
2007	531,947	21,866,800	11,656	670,192	537,263	15,115,541

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, 1998-2007

(End of year)

Year	DJIA[1]	S&P 500	NYSE Composite	AMEX Composite	NASDAQ Composite
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
2007	13,264.82	1,468.36	9,740.32	2,409.62	2,652.28

[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 2007, 8,000 funds had nearly 300 million shareholder accounts and over $12 trillion in assets. According to the Investment Company Institute, the trade association for the mutual fund industry, 44 percent of all American households owned mutual funds in 2007, up from 33 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 also Chapter 3, Retirement Funds.

- In 2007 mutual funds accounted for 21 percent of the U.S. private and public pensions sector, or $1.9 trillion, according to the Board of Governors of the Federal Reserve System. This amount represented about 16 percent of all mutual fund assets.
- Mutual funds own 26 percent of all U.S. corporate equity, according to the Federal Reserve.

MUTUAL FUND INDUSTRY NET ASSETS, NUMBER OF FUNDS AND SHAREHOLDER ACCOUNTS, 1940-2007

(End of year)

Year	Total net assets ($ billions)	Number of funds	Number of shareholder accounts[1] (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
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	10,412.46	8,118	288,596
2007	12,021.03	8,029	298,966

[1]Number of shareholder accounts includes a mix of individual and omnibus accounts.

Source: Investment Company Institute.

Mutual Funds

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 1985-2007

($ billions, end of year)

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
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	5,910.5	653.2	1,494.4	1,988.0	366.4	10,412.5
2007	6,521.4	713.4	1,679.0	2,642.1	465.1	12,021.0

Source: Investment Company Institute.

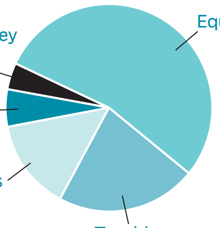
NUMBER OF MUTUAL FUNDS BY TYPE, 1985-2007

(End of year)

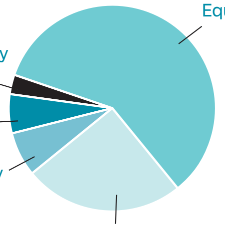
Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	562	103	403	348	112	1,528
1990	1,099	193	1,046	506	235	3,079
1995	2,139	412	2,177	674	323	5,725
2000	4,385	523	2,208	703	336	8,155
2003	4,599	508	2,045	662	312	8,126
2004	4,547	510	2,041	639	304	8,041
2005	4,586	505	2,013	595	276	7,975
2006	4,769	508	1,993	575	273	8,118
2007	4,767	488	1,967	548	259	8,029

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 2007



NUMBER OF MUTUAL FUNDS BY TYPE OF FUND, 2007



Source: Investment Company Institute.

TOP TEN MUTUAL FUND COMPANIES BY ASSETS, 2008[1]

($000)

Rank	Company	Total net asssets
1	Fidelity Investments	$1,309,753,543
2	Capital Research & Management	1,212,859,849
3	Vanguard Group	1,201,542,617
4	PNC Financial Services Group	382,452,460
5	Franklin Templeton Investments	337,256,262
6	J.P. Morgan Chase & Co.	326,702,566
7	Columbia Management Group	287,698,656
8	Federated Investors	277,993,573
9	Bank of New York/Dreyfus Corporation	276,688,811
10	Schwab Funds	243,741,705

[1]As of March 31, 2008. Includes members of Investment Company Institute only.

Source: Investment Company Institute.

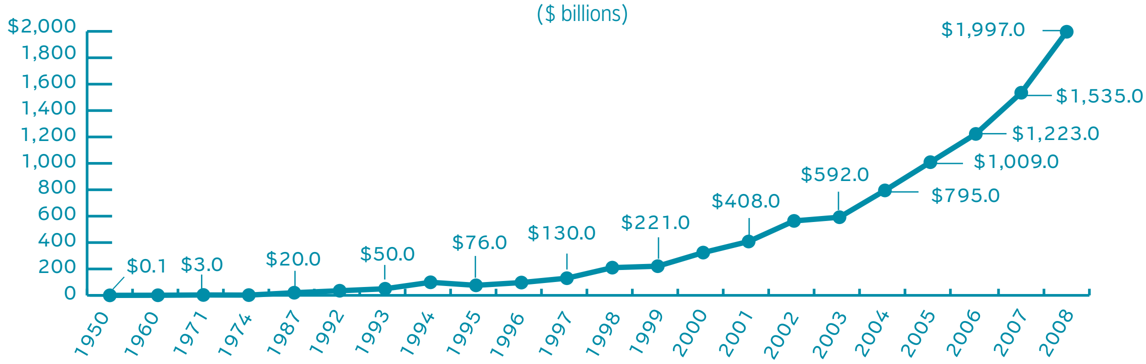
Hedge Funds/Separately Managed Accounts

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, 1950-2008[1]

($ billions)



[1]As of January.

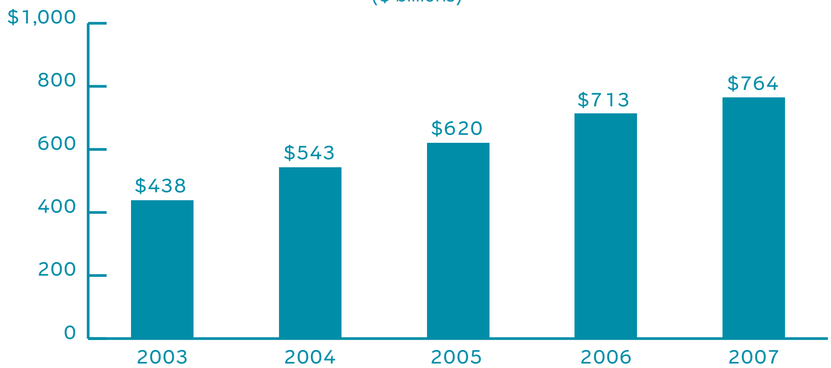
Source: Hennessee Group LLC.

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 7 percent to $764 billion from 2006 to 2007.

SEPARATELY MANAGED ACCOUNTS INDUSTRY ASSETS UNDER MANAGEMENT, 2002-2006

($ billions)



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, 2007[1]

($ millions)

Rank	Buyer	Buyer's industry	Target	Deal value[2]
1	Terra Firma Capital Partners	Asset manager	Pegasus Aviation Finance Company	$5,200.0
2	iStar Financial Inc.	Investment company	Fremont General Corporation's Commercial real estate lending business	1,900.0
3	Ristretto Group S.a.r.l.	Not classified	Williams Scotsman International, Inc.	1,631.6
4	Standard Chartered PLC	Not classified	American Express Bank Ltd.	1,072.0
5	Lightyear Capital, LLC	Asset manager	Neff Corporation	900.0
6	Fortress Investment Group LLC	Asset manager	Interpool, Inc.	807.2
7	Sherman Capital, LLC	Specialty lender	Sherman Financial Group LLC	518.7
8	Goldman Sachs Group, Inc.	Broker/dealer	Litton Loan Servicing LP	467.9
9	Lone Star Funds	Asset manager	Accredited Home Lenders Holding Co.	295.2
10	Nelnet, Inc.	Specialty lender	Packers Service Group, Incorporated	282.8

[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 Companies

Overview

FINANCE COMPANY EMPLOYMENT, 2003-2007
(000)

	2003	2004	2005	2006	2007
Nondepository credit intermediation	**749.9**	**756.9**	**769.9**	**776.3**	**724.0**
Credit card issuing	132.5	125.2	121.5	117.5	113.9
Sales financing	107.7	107.3	107.5	108.7	108.2
Other nondepository credit intermediation	509.8	524.5	541.0	550.1	501.9
Consumer lending	103.4	105.4	112.5	117.8	122.4
Real estate credit	330.7	341.0	349.0	351.4	297.1
Miscellaneous nondepository credit intermediation	75.7	78.1	79.5	80.9	82.4

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

ASSETS AND LIABILITIES OF FINANCE COMPANIES, 2003-2007[1]
($ billions, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$1,679.5**	**$1,858.0**	**$1,856.9**	**$1,891.3**	**$1,910.1**
Checkable deposits and currency	37.1	40.6	44.2	44.2	44.2
Credit market instruments	1,204.9	1,419.8	1,537.1	1,626.8	1,636.6
Other loans and advances	441.7	451.5	479.2	498.0	519.5
Mortgages	370.2	476.0	541.4	594.4	533.3
Consumer credit	393.0	492.3	516.5	534.4	583.9
Miscellaneous assets	437.4	397.5	275.6	220.3	229.3
Total liabilities	**$1,674.9**	**$1,864.3**	**$1,828.3**	**$1,876.8**	**$1,896.4**
Credit market instruments	995.3	1,129.6	1,108.6	1,144.2	1,169.1
Open market paper	145.1	175.3	160.0	165.3	158.5
Corporate bonds	743.2	817.4	806.5	849.6	837.3
Other bank loans	106.9	136.9	142.1	129.2	173.3
Taxes payable	13.2	15.0	17.1	19.3	21.8
Miscellaneous liabilities	666.4	719.6	702.7	713.4	705.4
Foreign direct investment in U.S.	68.1	71.4	84.5	100.0	109.6
Investment by parent	202.8	257.7	312.2	338.5	326.4
Other	395.4	390.5	306.0	274.8	269.4
Consumer leases not included above[2]	79.0	74.1	85.3	106.0	122.9

[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, June 5, 2008.

BUSINESS AND CONSUMER FINANCE COMPANIES' RETURN ON EQUITY, 2003-2007[1]

	Business finance companies' return on average equity[2]		Consumer finance companies' return on average equity[3]	
Year	Median	Average	Median	Average
2003	4.63%	3.32%	17.39%	26.40%
2004	8.99	-21.82	17.76	12.99
2005	8.79	32.38	17.60	14.99
2006	10.12	6.82	17.01	12.84
2007	10.20	11.15	13.93	6.95

[1]Net income as a percentage of average equity.
[2]Consists of 25 publicly traded commercial finance companies including niche, diversified commercial and equipment finance companies. Does not include government-sponsored enterprises (GSEs), finance Real Estate Investment Trusts (REITs), mortgage or real estate companies.
[3]Consists of 26 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.

TOTAL RECEIVABLES OUTSTANDING AT FINANCE COMPANIES, 2003-2007[1]

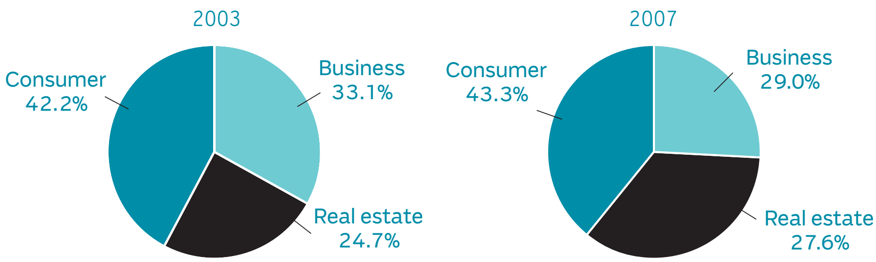
($ billions, end of year)

	2003	2004	2005	2006	2007
Total	**$1,624.1**	**$1,795.4**	**$1,910.9**	**$2,026.2**	**$2,061.8**
Consumer	686.1	743.9	781.4	825.4	893.5
Real estate	400.6	501.3	565.0	614.8	569.8
Business	537.4	550.2	564.5	586.0	598.6

[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 OUTSTANDING AT FINANCE COMPANIES BY CATEGORY, 2003 AND 2007[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.

Finance Companies

Receivables

BUSINESS RECEIVABLES OUTSTANDING AT FINANCE COMPANIES, 2003-2007

($ billions, end of year)

						Percent of total				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Total	**$537.4**	**$550.2**	**$564.5**	**$586.0**	**$598.6**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Motor vehicles	69.6	84.8	105.5	105.1	105.7	13.0	15.4	18.7	17.9	17.7
Retail loans	15.7	15.1	15.2	17.1	16.4	2.9	2.7	2.7	2.9	2.7
Wholesale loans[1]	39.3	44.9	61.2	55.7	56.9	7.3	8.2	10.8	9.5	9.5
Leases	14.6	24.8	29.0	32.3	32.4	2.7	4.5	5.1	5.5	5.4
Equipment	284.3	273.4	281.9	299.5	319.4	52.9	49.7	49.9	51.1	53.4
Loans	88.0	87.8	93.6	102.4	106.1	16.4	16.0	16.6	17.5	17.7
Leases	196.3	185.6	188.3	197.1	213.3	36.5	33.7	33.4	33.6	35.6
Other business receivables[2]	87.8	93.3	91.8	93.5	94.4	16.3	17.0	16.3	16.0	15.8
Securitized assets[3]	95.6	98.6	85.4	88.0	79.1	17.8	17.9	15.1	15.0	13.2
Motor vehicles	48.4	44.8	28.8	38.0	33.6	9.0	8.1	5.1	6.5	5.6
Retail loans	2.2	2.2	2.7	3.0	2.6	0.4	0.4	0.5	0.5	0.4
Wholesale loans	44.2	40.6	26.0	34.9	30.9	8.2	7.4	4.6	6.0	5.2
Leases	2.1	2.0	0.1	0.1	0.1	0.4	0.4	[4]	[4]	[4]
Equipment	22.1	23.6	24.4	15.4	13.1	4.1	4.3	4.3	2.6	2.2
Loans	12.5	11.5	11.6	9.9	9.2	2.3	2.1	2.1	1.7	1.5
Leases	9.6	12.1	12.8	5.5	3.9	1.8	2.2	2.3	0.9	0.7
Other business receivables[2]	25.1	30.2	32.2	34.6	32.4	4.7	5.5	5.7	5.9	5.4

[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.
[4]Less than 0.1 percent.

Source: Board of Governors of the Federal Reserve System.

CONSUMER RECEIVABLES OUTSTANDING AT FINANCE COMPANIES, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007
Total consumer	**$686.1**	**$743.9**	**$781.4**	**$825.4**	**$893.5**
Motor vehicle loans	250.1	298.3	278.0	259.8	262.9
Motor vehicle leases	79.0	74.1	85.3	106.0	122.9
Revolving[1]	45.3	50.4	66.3	79.9	86.0
Other[2]	97.7	143.7	172.3	194.7	234.9
Securitized assets[3]	214.0	177.4	179.5	185.1	186.7
Motor vehicle loans	123.7	98.2	112.6	112.8	113.3
Motor vehicle leases	5.5	4.8	4.2	3.6	3.1
Revolving	33.8	23.1	14.9	15.9	25.6
Other	51.0	51.3	47.8	52.8	44.7

[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 OUTSTANDING AT FINANCE COMPANIES, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007
Total real estate	**$400.6**	**$501.3**	**$565.0**	**$614.8**	**$569.8**
1 to 4 family	320.2	422.0	489.8	538.1	474.2
Other	50.0	54.0	51.6	56.2	59.1
Securitized real estate assets[1]	30.5	25.3	23.7	20.5	36.5
1 to 4 family	26.7	21.8	18.9	16.8	34.9
Other	3.8	3.5	4.8	3.7	1.6

[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.

Finance Companies

Leading Companies

TOP TEN U.S. CONSUMER FINANCE COMPANIES, 2007[1]

($ millions)

Rank	Company	Total managed receivables[2]
1	Citigroup Inc. (credit card)	$196,811.0
2	Bank of America Corporation (credit card)	171,376.0
3	SLM Corporation (Sallie Mae)	164,532.3
4	JPMorgan Chase & Co. (credit card)	148,391.0
5	Ford Motor Credit Company LLC	120,818.0
6	American Express Company	117,300.0
7	GMAC LLC	100,730.0
8	Capital One Financial Corporation	88,472.5
9	HSBC Finance Corporation	67,513.0
10	Discover Bank (credit card)	49,184.0

[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. COMMERCIAL FINANCE COMPANIES, 2007[1]

($ millions)

Rank	Company	Total managed receivables[2]
1	General Electric Capital Corporation	$225,382.0[3]
2	Citigroup Inc.	124,205.0[3]
3	Wells Fargo Bank, National Association	89,683.0[3]
4	CIT Group Inc.	61,705.0
5	Branch Banking and Trust Company	50,022.7[3]
6	International Lease Finance Corporation	42,216.2[3]
7	Caterpillar Financial Services Corporation	30,200.0
8	HSBC USA Inc.	29,189.0[3]
9	Ford Motor Credit Company LLC	27,182.0
10	John Deere Capital Corporation	19,556.3

[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.

Chapter 9: Mortgage Finance and Housing

Mortgage Industry

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. In 2007 home mortgage debt outstanding amounted to $11.2 trillion, up from $7.2 trillion in 2003.

Beginning in the 1990s, the housing market entered a period of expansion, marked by a relaxation of mortgage underwriting requirements, the introduction of innovative mortgage products and a rise in median home prices. In 2006 the industry entered a downturn which continued into 2007 and 2008, with prices dropping, credit tightening and mortgage defaults rising. By second-quarter 2008, one in every 171 U.S. households was in the process of losing their home, according to mortgage data firm RealtyTrac. In September 2008 the steep rises in delinquencies and foreclosures prompted the federal government to step in and take over Fannie Mae and Freddie Mac, two privately run government enterprises, which control or guarantee more than half the nation's home mortgages.

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. The total mortgage market grew 8.1 percent in 2007 from the previous year. In the home mortgage sector, the combined mortgage holdings of commercial banks and savings institutions rose 4.7 percent and the holdings of credit unions rose 11.5 percent. Holdings of finance companies fell 11.9 percent in 2007. Mortgages may be sold and packaged as securities, which frees up funds for the mortgage lender 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 term mortgage origination refers to the original transaction, the point at which the homeowner purchases the mortgage from a financial services company such as a bank. 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, 2003-2007

($ billions, end of year)

	2003	2004	2005	2006	2007
Total mortgages	**$9,397.7**	**$10,667.7**	**$12,101.5**	**$13,511.7**	**$14,603.4**
Home	7,230.5	8,273.4	9,379.4	10,451.7	11,158.3
Multifamily residential	564.9	617.9	687.7	741.2	837.2
Commercial	1,508.3	1,679.6	1,932.9	2,209.9	2,490.5
Farm	94.1	96.9	101.5	109.0	117.5

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

Mortgage Industry

HOME MORTGAGES BY HOLDER, 2003-2007[1]

($ billions, end of year)

	2003	2004	2005	2006	2007
Total assets	**$7,230.5**	**$8,273.4**	**$9,379.4**	**$10,451.7**	**$11,158.3**
Household sector	106.3	112.4	118.5	124.6	130.7
Nonfinancial corporate business	26.1	39.9	40.6	31.0	21.4
Nonfarm noncorporate business	9.7	11.3	13.3	14.9	17.0
State and local governments	67.8	72.0	76.5	80.4	85.2
Federal government	15.3	14.8	14.4	14.6	14.8
Commercial banking	1,355.8	1,581.0	1,793.0	2,081.8	2,208.3
Savings institutions	702.8	874.2	953.8	867.8	879.0
Credit unions	182.6	213.2	245.6	276.6	308.4
Life insurance companies	7.1	7.9	7.7	11.3	11.1
Private pension funds	1.7	1.4	1.4	1.3	1.2
State and local government retirement funds	7.3	5.4	5.9	5.1	4.5
GSEs[2]	514.7	508.0	454.9	457.2	450.8
Agency- and GSE[2]-backed mortgage pools	3,211.2	3,256.3	3,419.7	3,710.6	4,320.0
ABS issuers	664.0	1,049.8	1,609.7	2,105.5	2,132.4
Finance companies	320.2	422.0	489.8	538.1	474.2
REITs[3]	37.8	103.7	134.5	130.9	99.4
Home equity loans included above[4]	592.8	773.3	911.6	1,060.8	1,125.0
Commercial banking	366.0	483.5	549.0	653.6	692.3
Savings institutions	95.6	121.2	151.6	137.6	180.5
Credit unions	51.7	63.9	75.9	86.9	94.1
ABS issuers	15.6	21.0	37.1	75.1	63.3
Finance companies	64.0	83.7	98.0	107.6	94.8

[1]Mortgages on 1 to 4 family properties.
[2]Government-sponsored enterprise.
[3]Real Estate Investment Trusts.
[4]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, June 5, 2008.

Home Mortgage-Backed Securities

Home mortgages are increasingly being packaged into securities and sold to investors. The dollar volume of such securities increased by 67 percent from 2003 to 2007. While the majority of mortgage securities (67 percent) are backed by agency- and government-sponsored enterprises, the dollar volume of privately issued mortgage securities has been rising dramatically, with the amount outstanding for such securities increasing by almost 221 percent since 2003.

SECURITIES COMPRISED OF HOME MORTGAGES, CLASSIFIED BY ISSUER, 2003-2007

($ billions, amounts outstanding, end of year)

	2003	2004	2005	2006	2007
Home mortgages backing privately issued pool securities	$664.0	$1,049.8	$1,609.7	$2,105.5	$2,132.4
Agency- and GSE[1]-backed mortgage pools	3,211.2	3,256.3	3,419.7	3,710.6	4,320.0
Total	**$3,875.2**	**$4,306.1**	**$5,029.4**	**$5,816.1**	**$6,452.4**

[1]Government-sponsored enterprise.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

AVERAGE CONVENTIONAL SINGLE-FAMILY MORTGAGES, 1998-2007[1]

($000)

Year	Mortgage loan amount	Purchase price	Adjustable rate mortgage (ARM) share[2]
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
2007[3]	225.3	300.3	10

[1]National averages, all homes.
[2]ARM share is the percent of total volume of conventional purchase loans. Does not include interest-only mortgages.
[3]June-December average.

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

- Adjustable rate mortgages, loans in which the interest rate is adjusted periodically according to a pre-selected index, dropped from 35 percent of mortgages in 2004 to 8 percent for the first half of 2008, according to a Harvard Report.

Mortgage Finance and Housing

Mortgage Industry

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, according to First American LoanPerformance.

- The share of mortgages with interest-only features rose from under 2 percent in 2003 to 13 percent in 2006. By 2007 the share had dropped to less than 10 percent, reflecting the tightening credit market.

INTEREST-ONLY MORTGAGES AS A PERCENT OF ALL MORTGAGE ORIGINATIONS, 2003-2007

Year	Percent
2003	[1]
2004	8.8%
2005	13.7
2006	12.9
2007	9.5

[1]Less than 2 percent.

Source: First American CoreLogic, LoanPerformance data; Federal Housing Finance Board, Monthly Interest Rate Survey.

Foreclosures

With the nation's economy weakening and mortgage interest rates climbing for many borrowers, the number of homeowners unable to keep current on their mortgage payments has escalated. In 2007 there were 2,203,295 foreclosure filings reported, a 79 percent increase from 2006, according to a report by RealtyTrac, an online marketplace for foreclosure properties. The report also shows that more than 1 percent of all U.S. households were in some stage of foreclosure during the year, up from 0.58 percent in 2006. Although many of the foreclosures were concentrated in a handful of states, including Nevada, Florida, Michigan, California and Colorado, most areas of the country saw increases in foreclosure activity. Forty-eight states and 95 out of the nation's 100 largest metro areas experienced increases in foreclosure activity in the second quarter of 2008, compared with the same period a year earlier.

U.S. FORECLOSURE MARKET STATISTICS BY STATE, 2007

State	Total foreclosure filings[1]	Percent change from 2006	Total properties with filings	Percent of households in foreclosure (rate)	Rank[2]
Alabama	7,903	81.76%	5,572	0.268%	37
Alaska	1,650	54.64	1,332	0.486	28
Arizona	69,970	150.91	38,568	1.516	8
Arkansas	14,310	26.44	6,406	0.513	26
California	481,392	237.99	249,513	1.921	4
Colorado	71,149	29.96	39,403	1.919	5
Connecticut	23,470	100.05[3]	11,860	0.833	16
Delaware	1,430	225.00[3]	999	0.266	38
D.C.	800	607.96[3]	777	0.280	[4]
Florida	279,325	123.96	165,291	2.002	2
Georgia	99,578	31.07	59,057	1.566	7
Hawaii	1,270	88.71	966	0.197	43
Idaho	6,032	140.51[3]	3,640	0.611	20
Illinois	90,782	25.29	64,310	1.250	9
Indiana	52,930	11.31	27,980	1.027	10
Iowa	7,404	114.92[3]	4,103	0.314	33
Kansas	4,978	20.85	2,434	0.203	42
Kentucky	8,793	23.45	5,105	0.274	35
Louisiana	7,331	151.58[3]	3,968	0.204	41
Maine	NA	NA	286	0.042	48
Maryland	25,109	455.26	18,879	0.830	17
Massachusetts	41,487	161.14	17,737	0.660	19
Michigan	136,205	68.32	87,210	1.947	3
Minnesota	13,615	127.11[3]	11,557	0.513	25
Mississippi	1,997	91.65	1,409	0.114	45
Missouri	32,022	80.93	23,492	0.906	13
Montana	1,378	29.27	1,150	0.268	36
Nebraska	3,971	30.88	3,636	0.474	30
Nevada	66,316	215.12	34,417	3.376	1
New Hampshire	NA	NA	1,238	0.212	40
New Jersey	53,652	34.06	31,071	0.902	14

(table continues)

U.S. FORECLOSURE MARKET STATISTICS BY STATE, 2007 (Cont'd)

State	Total foreclosure filings[1]	Percent change from 2006	Total properties with filings	Percent of households in foreclosure (rate)	Rank[2]
New Mexico	3,893	-26.04%	2,994	0.357%	32
New York	57,350	10.19	38,688	0.493	27
North Carolina	37,426	66.52	29,101	0.739	18
North Dakota	308	74.01	250	0.082	46
Ohio	153,196	87.93	89,979	1.797	6
Oklahoma	13,594	-12.78	8,256	0.520	23
Oregon	10,746	12.25	8,461	0.543	22
Pennsylvania	34,089	-11.07	16,379	0.302	34
Rhode Island	3,241	153.80[3]	1,838	0.410	31
South Carolina	5,038	-27.56	4,247	0.220	39
South Dakota	NA	NA	24	0.007	50
Tennessee	45,834	24.56	25,914	0.983	11
Texas	149,703	-4.57	84,469	0.936	12
Utah	9,668	-25.87	7,438	0.852	15
Vermont	61	35.56	29	0.009	49
Virginia	24,199	456.30	16,307	0.514	24
Washington	23,705	27.95	15,184	0.573	21
West Virginia	1,135	30.31	460	0.053	47
Wisconsin	17,503	131.15[3]	12,133	0.486	29
Wyoming	497	21.52	356	0.151	44
United States	**2,203,295**	**74.99%**	**1,285,873**	**1.033%**	

[1]Foreclosure filings include foreclosure-related documents in all phases of foreclosure, including defaults, auction notices and repossessions by banks. One property may have more than one filing.
[2]Ranked on percent of households in foreclosure.
[3]Actual increase may not be as high due to expanded data coverage in this state.
[4]Not ranked.
NA=Data not available.

Source: RealtyTrac Inc.

TOP TEN MORTGAGE FINANCE COMPANIES BY MANAGED RECEIVABLES, 2007
($ millions)

Rank	Company	Total managed receivables[1]
1	Countrywide Financial Corporation	$1,476,039.0
2	Wells Fargo Home Mortgage Inc.	1,473,178.0
3	Citigroup Inc.	870,896.0
4	Chase Home Finance, LLC	775,940.0
5	Washington Mutual Bank	719,047.7
6	Bank of America Corporation	516,937.0
7	Residential Capital, LLC	454,308.3
8	GMAC LLC	453,310.0
9	Wachovia Corporation	407,900.0
10	Midland Loan Services, Inc.	268,500.0

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

Source: SNL Financial LC.

Home Equity Mortgage Loans

Home equity loans, in which the borrower's home serves as collateral, are generally used for major items such as education, home improvements or medical bills, as opposed to day-to-day expenses. The dollar value of home equity loans outstanding almost doubled from $592.8 billion in 2003 to $1.13 trillion in 2007.

HOME EQUITY MORTGAGE LOANS BY HOLDER, 2003-2007[1]
($ billions, end of year)

	2003	2004	2005	2006	2007
Total	**$592.8**	**$773.3**	**$911.6**	**$1,060.8**	**$1,125.0**
Commercial banking	366.0	483.5	549.0	653.6	692.3
Savings institutions	95.6	121.2	151.6	137.6	180.5
Credit unions	51.7	63.9	75.9	86.9	94.1
Asset-backed securities issuers	15.6	21.0	37.1	75.1	63.3
Finance companies	64.0	83.7	98.0	107.6	94.8

[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, June 5, 2008.

Mortgage Finance and Housing

Mortgage Industry

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. During the housing boom years, which began in the 1990s, the subprime industry flourished, with lenders extending credit to borrowers previously unable to qualify for loans. By 2007 the tide had turned; subprime mortgages were harder to obtain and defaults were on the rise.

Each year Harvard University's Joint Center for Housing Studies (JCHS) provides an analysis of factors shaping the U.S. housing market, including subprime mortgages. The JCHH's 2008 State of the Nation's Housing study documented steep declines in home prices and home sales, coupled with increases in mortgage defaults. The turmoil in the housing and credit markets has taken its toll on the subprime mortgage sector. Among the study's findings:

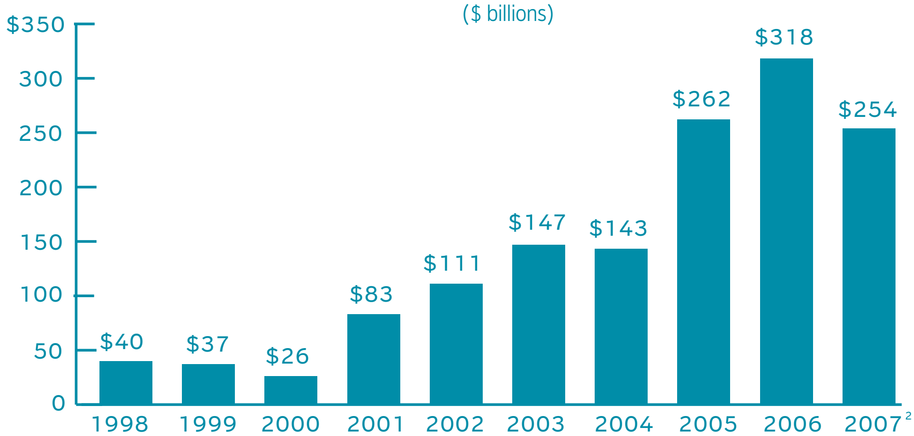
- The foreclosure rate on all subprime loans soared from 4.5 percent in the fourth quarter of 2006 to 8.7 percent in 2007, while the rate on adjustable rate subprime loans more than doubled from 5.6 percent to 13.4 percent.
- Foreclosure rates on adjustable subprime mortgages were over five times higher than those on adjustable prime loans in 2007.
- Subprime mortgages rose from only 8 percent of originations in 2003 to 20 percent in 2005 and 2006. Because of their poor performance, subprime loans fell to just 3.1 percent of originations in the fourth quarter of 2007.
- The dollar volume of subprime mortgages (adjusted for inflation) plunged from $139 billion in the fourth quarter of 2006 to $14 billion at the end of 2007.

Cash Out Home Mortgage Refinancing

With cash-out refinancing, borrowers refinance an existing mortgage for more than they currently owe, then pocket the difference. As with home equity loans, the proceeds are often used for tuition, debt repayment or other expenses that require a significant amount of cash.

CASH OUT HOME MORTGAGE REFINANCING, 1998-2007[1]

($ billions)



[1]Represents homeowners' cash withdrawals from home mortgage refinance transactions. Includes prime conventional loans only and is net of retirement of outstanding second mortgages.
[2]Estimated.

Source: Freddie Mac.

Government-Sponsored Enterprises

Government-sponsored enterprises (GSEs) are privately owned, federally chartered corporations created by Congress to assist groups of borrowers such as homeowners, mortgage lenders, students and farmers gain access to capital markets. Two of these entities, the Federal Home Loan Mortgage Corporation, known as Freddie Mac, and the Federal National Mortgage Association, known as Fannie Mae, increase the supply of funds that mortgage lenders make available to home buyers by purchasing mortgages from banks and other lenders, packaging them into securities and selling them to investors. They also raise funds by purchasing mortgages from banks and other loan originators for their own investment portfolios. Together, Freddie Mac and Fannie Mae guarantee or control more than half of the nation's home mortgages. As the housing market entered a downturn in 2006, the two GSEs confronted steep rises in delinquencies and foreclosures. To reassure investors and provide continued liquidity in the housing market, the federal government stepped in to take control of Fannie Mae and Freddie Mac. The plan, announced by the U.S. Treasury in September 2008, put the firms into a conservatorship, giving management control to the Federal Housing Finance Agency.

Mortgage Finance and Housing

Mortgage Industry

GOVERNMENT-SPONSORED ENTERPRISES (GSEs)[1], 2003-2007

($ billions, amounts outstanding, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$2,794.4**	**$2,882.9**	**$2,819.4**	**$2,872.9**	**$3,174.2**
Checkable deposits and currency	28.8	39.1	14.6	16.4	13.7
Time and savings deposits	16.7	23.3	35.3	33.9	46.6
Federal funds and security RPs[2]	75.3	93.6	107.7	117.4	142.7
Credit market instruments	2,564.2	2,613.0	2,543.9	2,590.5	2,829.5
Open market paper	6.7	5.8	13.8	32.4	27.7
U.S. government securities	1,047.8	899.4	764.2	727.2	718.4
Treasury securities	13.5	12.9	13.1	14.2	15.5
Agency- and GSE[3]-backed securities	1,034.3	886.5	751.1	713.0	702.9
Municipal securities	44.4	44.6	39.7	36.1	33.3
Corporate and foreign bonds	277.4	414.8	465.7	482.7	464.4
Other loans and advances	545.8	619.4	671.8	704.9	942.6
Sallie Mae	0.3	0.0	0.0	0.0	0.0
Farm Credit System	43.8	43.6	51.6	63.5	75.5
Federal Home Loan Banks	501.7	575.8	620.2	641.4	867.1
Mortgages	621.5	629.0	588.8	607.2	643.1
Home	514.7	508.0	454.9	457.2	450.8
Multifamily residential	68.2	82.5	93.0	105.4	147.7
Farm	38.7	38.6	40.9	44.6	44.6
Consumer credit[4]	20.6	0.0	0.0	0.0	0.0
Miscellaneous assets	109.4	113.9	117.8	114.6	141.7
Total liabilities	**$2,747.1**	**$2,818.0**	**$2,736.8**	**$2,782.0**	**$3,076.6**
Credit market instruments[5]	2,601.3	2,676.3	2,592.2	2,627.8	2,910.2
Miscellaneous liabilities	145.8	141.7	144.5	154.2	166.4

[1]Federal Home Loan Banks, Fannie Mae, Freddie Mac, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation and the Resolution Funding Corporation. The Student Loan Marketing Association (Sallie Mae) was included until it was fully privatized in the fourth quarter of 2004.
[2]Short-term agreements to sell and repurchase government securities by a specified date at a set price.
[3]Government-sponsored enterprise.
[4]Sallie Mae student loans.
[5]Consists of agency- and GSE-backed securities.

Source: Board of Governors of the Federal Reserve System, June 5, 2008

AGENCY AND GOVERNMENT-SPONSORED ENTERPRISE (GSE)[1]-BACKED MORTGAGES, 2003-2007

($ billions, amounts outstanding, end of year)

	2003	2004	2005	2006	2007
Total financial assets	**$3,326.7**	**$3,374.6**	**$3,541.9**	**$3,837.3**	**$4,463.7**
Home mortgages	3,211.2	3,256.3	3,419.7	3,710.6	4,320.0
Multifamily residential mortgages	114.5	117.4	121.3	123.5	139.2
Farm mortgages	1.0	0.9	0.8	3.2	4.5
Total pool securities (liabilities)[2]	**$3,326.7**	**$3,374.6**	**$3,541.9**	**$3,837.3**	**$4,463.7**

[1]Federal Home Loan Banks, Fannie Mae, Freddie Mac, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation and the Resolution Funding Corporation. The Student Loan Marketing Association (Sallie Mae) was included until it was fully privatized in the fourth quarter of 2004.
[2]Such issues are classified as agency- and GSE-backed securities.

Source: Board of Governors of the Federal Reserve System, June 5, 2008.

GOVERNMENT-SPONSORED ENTERPRISE (GSE) SHARE[1] OF 1 TO 4 FAMILY UNIT MORTGAGE DEBT OUTSTANDING, 1998-2007

($ millions)

Year	Total volume	Government-sponsored enterprise share
1998	$4,609,259	38.8%
1999	5,076,536	40.6
2000	5,533,642	41.1
2001	6,127,326	44.5
2002	6,924,669	45.9
2003	7,795,333	46.6
2004	8,891,272	43.3
2005	10,067,059	39.9
2006	11,192,815	38.7
2007	11,995,455	41.1

[1]Federal Home Loan Banks, Fannie Mae, Freddie Mac, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation and the Resolution Funding Corporation. The Student Loan Marketing Association (Sallie Mae) was included until it was fully privatized in the fourth quarter of 2004..

Source: Office of Federal Housing Oversight.

Mortgage Finance and Housing

Mortgage Industry

MORTGAGE STATUS OF OWNER OCCUPIED HOUSING UNITS, 2006

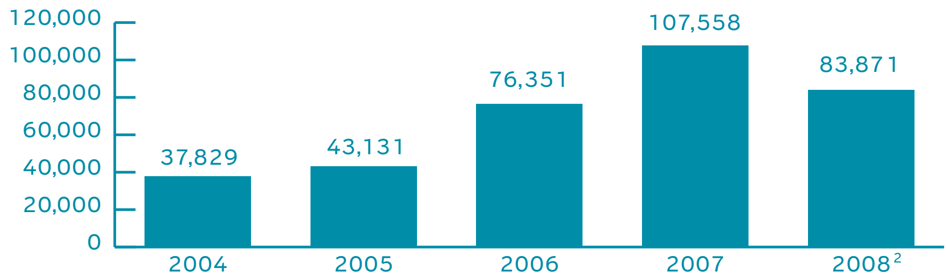
Mortgages	
Number of owner occupied housing units with a mortgage	51,234,170
Percent of units of owner occupied housing with mortgage	68.2%
Mortgage status	Percent
With either a second mortgage or home equity loan, but not both	25.4
Second mortgage only	6.1
Home equity loan only	19.3
Both second mortgage and home equity loan	1.1
No second mortgage and no home equity loan	73.5%

Source: U.S. Census Bureau; American Community Survey.

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 2008 HECMs accounted for over 90 percent of all reverse mortgages.

REVERSE MORTGAGES: ANNUAL ORIGINATION VOLUME FOR HOME EQUITY CONVERSION MORTGAGES (HECMs), FISCAL YEAR 2004-2008[1]



[1]HECMs are federally insured reverse mortgage products.
[2]Through June 30, 2008; fiscal year ends September 30.

Source: National Reverse Mortgage Lenders Association.

CONVENTIONAL HOME PURCHASE LOANS ORIGINATED BY RACIAL/ETHNIC IDENTITY AND INCOME OF BORROWERS, 2002 AND 2006

	2002		2006	
Race/ethnic identity	Number	Amount ($000)	Number	Amount ($000)
American Indian/Alaska native	14,244	$2,016,944	35,868	$6,722,088
Asian	193,931	41,838,932	302,275	76,956,869
Black or African American	189,817	25,243,811	550,729	84,331,152
Hispanic or Latino	314,951	44,746,538	893,134	163,222,889
White	2,822,776	469,029,081	4,627,989	846,788,394
Income[1]				
Less than 50%	235,150	18,298,271	262,994	21,463,059
50 to 79%	657,626	69,858,317	881,326	91,724,238
80 to 99%	476,251	61,477,372	706,603	88,899,576
100 to 119%	442,731	64,829,193	663,330	95,116,965
120% or more	1,718,553	404,488,979	3,344,741	798,624,058
Income not available	165,244	33,922,659	391,652	76,637,401

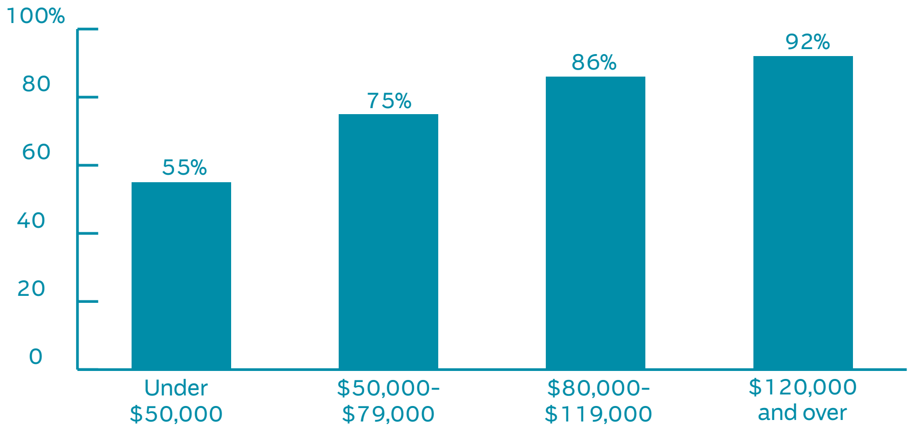
[1]Percentage of metropolitan area median. Metropolitan area median is the median family income of the metropolitan area in which the property related to the loan is located.

Source: Federal Financial Institutions Examination Council.

Home Ownership

HOME OWNERSHIP RATES BY HOUSEHOLD INCOME, 2007

(Percent)



Source: U.S. Department of Commerce, Census Bureau; U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

Mortgage Finance and Housing

Home Ownership

SNAPSHOT OF HOUSING IN AMERICA, 2006-2007

	2006	2007	Percent change[1]
Homeownership rate[2]	68.8%	68.1%	-0.7%
New home sales[3] (units)	1,051,000	776,000	-26.2
Existing home sales[3] (units)	5.7 million	4.9 million	-13.0
Existing home price[3] (median)	$228,200	$217,900	-4.5
Home equity	$10.3 trillion	$9.6 trillion	-6.5
Mortgage debt	$10.1 trillion	$10.5 trillion	3.7
Mortgage refinancing	$1.4 trillion	$1.2 trillion	-16.8
Residential fixed investment	$786.6 billion	$640.7 billion	-18.5

[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 2007 dollars.

Source: U.S. Department of Commerce, Board of Governors of the Federal Reserve System; Bureau of Economic Analysis; Mortgage Bankers Association of America; U.S.Census Bureau; National Association of Realtors.

In 2007 the national median existing home price fell 1.3 percent to the lowest level since 2004. This was the first decline 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, 1970-2007

Year	Median sales price	Average annual percent change[1]	Year	Median sales price	Average annual percent change[1]
1970	$23,000	NA	2000	$143,600	4.5%
1975	35,300	8.9%	2003	178,800	8.4
1980	62,200	12.0	2004	195,400	9.3
1985	75,500	4.0	2005	219,600	12.4
1990	96,400	4.9	2006	221,900	1.0
1995	114,600	3.5	2007	219,000	-1.3

[1]From prior year shown.
NA=Not applicable.

Source: National Association of Realtors.

U.S. HOME OWNERSHIP RATES BY RACE AND ETHNICITY, 2003-2007

	2003	2004	2005	2006	2007
All households	**68.3%**	**69.0%**	**68.9%**	**68.8%**	**68.1%**
Whites	75.4	76.0	75.8	75.8	75.2
Blacks	48.1	49.1	48.2	47.9	47.2
Hispanics	46.7	48.1	49.5	49.7	49.7
Asians/others	56.3	59.8	60.1	60.8	60.0

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

HOME OWNERSHIP RATES BY REGION, 1960-2007

(End of year)

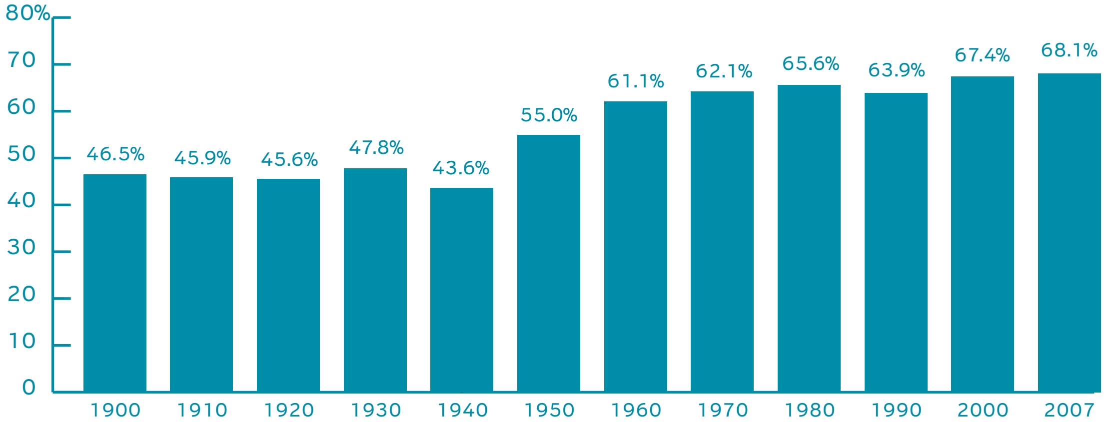
Year	United States	Northeast	Midwest	South	West
1960	62.1%	55.5%	66.4%	63.4%	62.2%
1970	64.2	58.1	69.5	66.0	60.0
1980	65.6	60.8	69.8	68.7	60.0
1990	63.9	62.6	67.5	65.7	58.0
1998	66.3	62.6	71.1	68.6	60.5
1999	66.8	63.1	71.7	69.1	60.9
2000	67.4	63.4	72.6	69.6	61.7
2001	67.8	63.7	73.1	69.8	62.6
2002	67.9	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
2007	68.1	65.0	71.9	70.1	63.5

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

Mortgage Finance and Housing

Home Ownership

HOME OWNERSHIP RATES, 1900-2007



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

SELECTED CHARACTERISTICS OF HOMEOWNERS, 2006

Race/origin of householder	As a percent of owner occupied housing units
Black or African American	8.1%
Hispanic or Latino origin	7.9
White alone, not Hispanic or Latino	79.3
Other	5.0
Total owner occupied units	**75,086,485**
Household income in the past 12 months (in 2006 inflation-adjusted dollars)	
Less than $5,000	1.6%
$5,000 to $9,999	2.5
$10,000 to $14,999	3.9
$15,000 to $19,999	4.1
$20,000 to $24,999	4.6
$25,000 to $34,999	9.5
$35,000 to $49,999	14.3
$50,000 to $74,999	21.1
$75,000 to $99,999	14.6
$100,000 to $149,999	14.3
$150,000 or more	9.5
Median household income	$60,483

Source: U.S. Census Bureau; American Community Survey.

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 NORTH AMERICAN FINANCIAL SERVICES INDUSTRY, 2005-2007

($ billions)

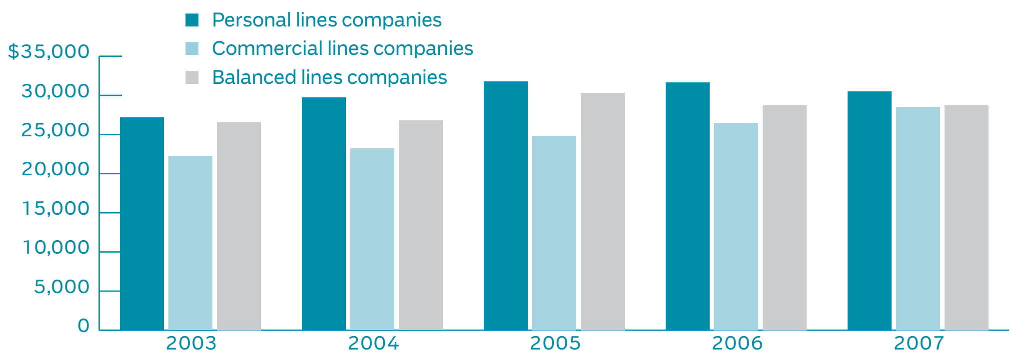
	2005	2006	2007[1]	Percent change, 2006-2007[2]
Banking	$44.3	$46.0	$47.9	4.1%
Insurance	28.9	31.2	33.5	7.6
Securities and investments	30.7	34.2	35.4	3.5
Total	**$103.8**	**$111.4**	**$116.8**	**4.9%**

[1]Estimated.
[2]Calculated from unrounded data.

Source: Celent.

- Celent estimates that global information technology spending by financial services institutions will reach $342.1 billion in 2007, up 5.9 percent from 2006.

IT SPENDING BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2003-2007[1]



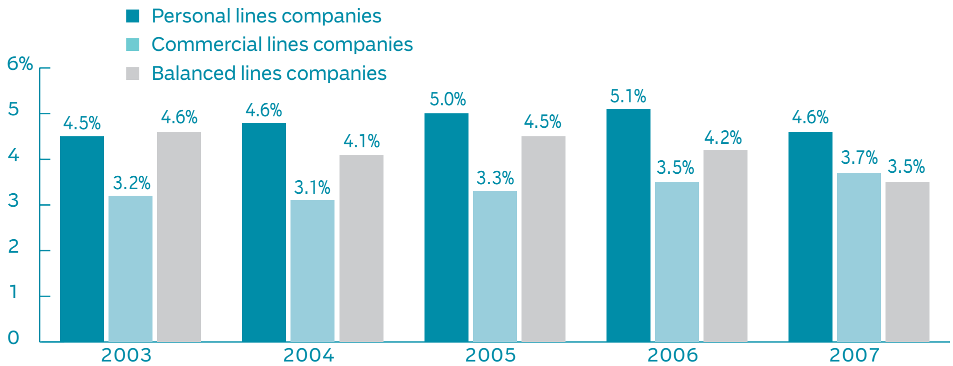
[1]Information technology expense per total company full-time employee.

Source: Ward Group.

Technology

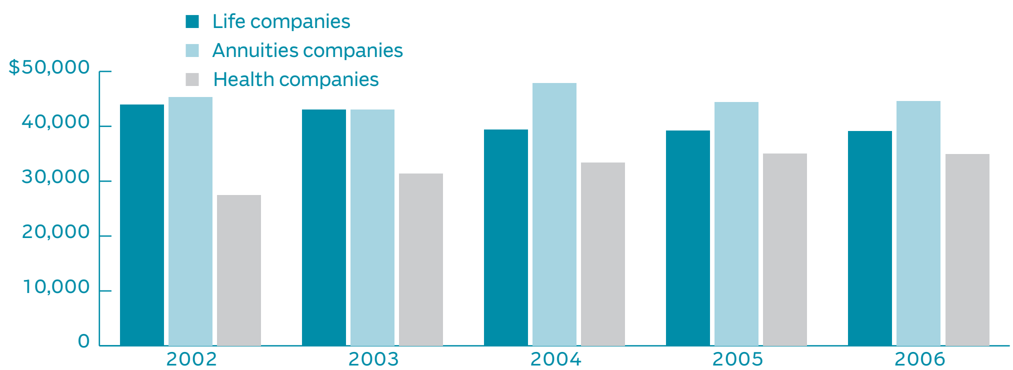
IT Spending

IT SPENDING AS A PERCENT OF GROSS PREMIUMS WRITTEN BY TYPE OF PROPERTY/CASUALTY INSURANCE COMPANY, 2003-2007



Source: Ward Group.

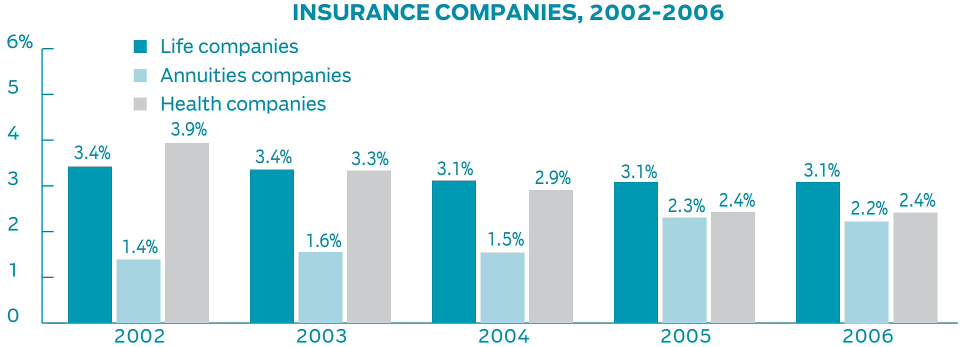
IT SPENDING BY LIFE, ANNUITIES AND HEALTH INSURANCE COMPANIES, 2002-2006[1]



[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

The growth of the Internet has transformed the way Americans shop for consumer and financial products. Almost all Internet users (93 percent) have at one time or another done something related to e-commerce, according to a 2007 Pew Internet and American Life Survey. Such activities range from researching products to making purchases, booking travel and trading stocks.

Using advanced information technology, banks have transformed some of their core services, such as personal banking. 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. The percentage of Internet users banking online jumped from 18 percent in 2000 (or 9 percent of all Americans) to 53 percent of Internet users (39 percent of Americans) in 2007.

ONLINE SHOPPING ACTIVITIES BY HOUSEHOLD INCOME, 2007[1]

	All	Less than $25,000	$25,000 - $40,000	$40,000 - $60,000	$60,000 - $100,000	Greater than $100,000
Research a product for potential purchase	81%	75%	76%	85%	87%	91%
Buy a product	66	58	60	65	73	83
Buy or make travel reservation	64	44	53	64	76	84
Participate in online auction	26	19	22	23	34	38
Paid to access or download digital content	17	15	21	14	15	21
Bought or sold stocks online	11	6	11	8	12	21
Done banking on online	53	19	33	42	56	69

[1]Percent of Internet users in each group who have "ever" done activity. Results are from the September 2007 survey.

Source: Pew Internet & American Life Project.

Online Insurance Sales

Recent studies have found that consumers are increasingly turning to the Web to research or purchase insurance products, especially auto insurance. A 2007 study by Celent predicted that "Web influenced" auto insurance purchases would jump from 70 percent of sales in 2007 to 90 percent by 2011. Studies conducted by J.D. Power and comScore also found growth in Internet-related sales. J.D. Power found that in 2008 sales transactions processed entirely on the Web accounted for 21 percent of all new customer auto insurance sales; comScore noted that consumers requested more than 100 million auto insurance rate quotes between 2004 and 2007.

Electronic Commerce/Electronic Payments

ONLINE AUTO INSURANCE ACTIVITIES[1]

(000)

Auto insurance activity	2006	2007	Percent change
Policies purchased	1,566	2,145	37%
Requests for quotes submitted	28,061	32,353	15

[1]Based on a survey of home, work and university locations.

Source: comScore.

E-COMMERCE AND TOTAL REVENUES, SECURITIES AND COMMODITY CONTRACTS, 2005-2006

($ millions)

	Value of revenues				Percent change		E-commerce as a percent of total revenues	
	2005		2006					
	Total	E-commerce	Total	E-commerce	Total revenues	E-commerce revenues	2005	2006
Securities and commodity contracts, intermediation and brokerage	$293,096	$5,820	$365,667	$7,220	24.8%	24.1%	2.0%	2.0%

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

Electronic Payments

Over the past quarter-century, electronic alternatives to the traditional way of paying bills by check have revolutionized the payments infrastructure. By 2006 debit card payments,which include both personal identification number (PIN) and signature, surpassed credit card payments to become the most frequently used electronic payment type, according to the Federal Reserve. Other choices such as automated clearing house (ACH) payments and electronic benefits transfer (EBT) have grown rapidly as well. EBTs 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 2004 and 2007 document the dramatic shift in payments away from paper-based checks and toward electronic payments. In 2003 there were 37.3 billion checks paid, compared with 44.2 billion electronic payments. By 2006 there were 30.6 billion checks paid, compared with 62.7 billion electronic payments. The number of checks paid fell an average of 6.4 percent per year between 2003 and 2006. The number of electronic payments per year rose 12.4 percent during the same period. In 2006 two-thirds of all noncash payments were made electronically, compared with a little over half of all noncash payments in 2003.

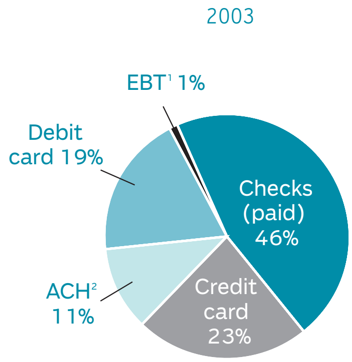
NUMBER OF NONCASH PAYMENTS, 2003 AND 2006
(billions)

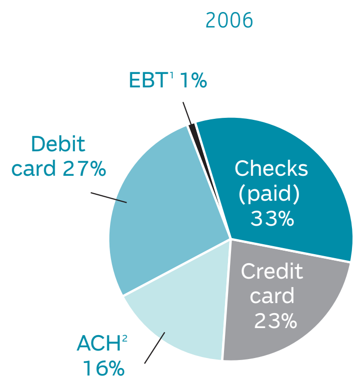
	2003	2006	Compound annual growth rate, 2003-2006
Total (billions)	**81.4**	**93.3**	**4.6%**
Checks (paid)	37.3	30.6	-6.4
Debit card	15.6	25.3	17.5
Signature	10.3	16.0	15.8
PIN[1]	5.3	9.4	20.6
Credit card	19.0	21.7	4.6
ACH[2]	8.8	14.6	18.6
EBT[3]	0.8	1.1	10.0

[1]Personal identification number.
[2]Automated clearing house.
[3]Electronic benefits transfer.

Source: Federal Reserve System.

DISTRIBUTION OF THE NUMBER OF NONCASH PAYMENTS, 2003 AND 2006





[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 17 billion transactions valued at $33 trillion in 2007, accounted for 94 percent of ACH payments. The federal government accounted for the remainder, with 1 billion transactions valued at $3.7 trillion.

- The number of ACH payments quadrupled from 4.5 billion in 1997 to 18 billion in 2007. ACH transaction values more than doubled to $36.6 trillion during the same period.
- Internet-initiated ACH payments grew by an estimated 26 percent to 2.3 billion.

AUTOMATED CLEARING HOUSE ELECTRONIC PAYMENTS, 1997-2007

Year	Volume (millions)	Percent change	Transaction value ($ trillions)	Percent change
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
2007	18,004	12.6	36.6	8.6

Source: NACHA - The Electronic Payments Association.

- Direct deposit is the most widely used type of ACH payment. In 2007 the number of direct deposits increased by 6.2 percent to 5 billion payments, with the average dollar amount $1,394.

COMMERCIAL AND GOVERNMENT AUTOMATED CLEARING HOUSE ELECTRONIC PAYMENTS, 2006-2007

	2006	2007	Percent change
Transaction volume (millions)			
Commercial	14,980	16,965	13.3%
Federal government	1,004	1,040	3.6
Total	**15,984**	**18,004**	**12.6%**
Dollar value ($ trillions)			
Commercial	$30.3	$32.9	8.6%
Government	3.5	3.7	5.7
Total	**$33.7**	**$36.6**	**8.6%**

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 2008 there were some 406,000 ATMs in the United States, almost four times the number of bank and thrift branches in 2007. 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 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, 2004-2008[1]

Year	Total ATMs	Off-premise ATMs	Percent off-premise
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
2008	406,145	239,626	59.0

[1]ATMs located away from financial institution branches.

Source: ATM & Debit News and Prepaid Trends.

- The first ATM in the United States was installed in 1971 at the Citizens & Southern National Bank in Atlanta.

ANNUAL PIN-BASED VOLUME, 2004-2008[1]

(millions)

Year	ATM volume	POS volume[2]	Total volume
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
2008	14,690	12,540	27,230

[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 and Prepaid Trends.

ATMs

ATM TRANSACTIONS, 1999-2008[1]

Year	Average monthly ATM transactions	Terminals	Total transactions (millions)
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	843.0[2]
2007	2,974	415,321	947.7[2]
2008	3,105	406,145	979.0[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 and Prepaid Trends.

TOP TEN U.S. BANK OWNERS OF ATMS, 2007-2008

		Number of ATMs, second quarter	
Rank	Owner	2007	2008
1	Bank of America	17,183	18,531
2	JPMorgan Chase	8,649	9,310
3	Wells Fargo[1]	6,835	6,950
4	Wachovia Bank[1]	5,099	5,277
5	U.S. Bancorp	4,967	4,895
6	Washington Mutual[2]	3,956	4,069
7	PNC Bank Corp.	3,917	4,015
8	Citizens Financial	3,100	3,561
9	Citibank	3,206	3,315
10	Sun Trust Banks	2,533	2,506

[1]Wells Fargo purchased Wachovia Corp. in October 2008.
[2]JPMorgan Chase & Co. acquired Washington Mutual Inc.'s retail banking business in September 2008.

Source: ATM & Debit News and Prepaid Trends.

Chapter 11: World Rankings

Financial Services

Instability in the global financial markets has taken its toll on several U.S. financial services firms that figure prominently in the Global 500, Fortune magazine's list of the world's largest corporations. In 2008 the Federal Reserve acquired a 79.9 percent equity stake in American International Group (AIG) (listed in Fortune's insurance and property/casualty insurance sector). This followed the federal government's takeover of Fannie Mae and Freddie Mac (in Fortune's diversified financials sector) earlier that year. The securities and investment banking sector also saw sweeping changes. In September the Federal Reserve agreed to convert investment banks Morgan Stanley and Goldman Sachs Group Inc., into bank holding companies, making them subject to banking regulations. Earlier that month Bank of America agreed to purchase Merrill Lynch, moving that firm into the banking system as well. Also in September, securities giant Lehman Brothers collapsed, marking the largest bankruptcy in U.S. history.

The rankings that follow are based on Fortune magazine's annual analysis of the world's largest corporations, based on revenues. Fortune groups the companies into broad industry categories. Each company is assigned one category, even though some companies are involved in several industries. For example, some of the leading property/casualty insurance companies also write life insurance.

TOP TEN FINANCIAL SERVICES FIRMS BY REVENUES, 2007[1]

($ millions)

Financial services industry rank	Company	Global 500 rank (all industries)	Revenues	Profits	Country	Industry
1	ING Group	7	$201,516	$12,649	Netherlands	Banking
2	General Electric	12	176,656	22,208	U.S.	Diversified financial
3	Fortis	14	164,877	5,467	Belgium/Netherlands	Banking
4	AXA	15	162,762	7,755	France	Insurance
5	Citigroup	17	159,229	3,617	U.S.	Banking
6	Dexia Group	19	147,648	3,467	Belgium	Banking
7	HSBC Holdings	20	146,500	19,133	U.K.	Banking
8	BNP Paribas	21	140,727	10,707	France	Banking
9	Allianz	22	140,618	10,904	Germany	Insurance
10	Crédit Agricole	23	138,155	8,172	France	Banking

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

Source: Fortune.

World Rankings

Insurance

Insurance Companies

TOP TEN GLOBAL INSURANCE COMPANIES BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues[2]	Country	Industry
1	AXA	$162,762	France	Life/health
2	Allianz	140,618	Germany	Property/casualty
3	Berkshire Hathaway	118,245	U.S.	Property/casualty
4	Assicurazioni Generali	113,813	Italy	Life/health
5	American International Group (AIG)[3]	110,064	U.S.	Property/casualty
6	Aviva	81,317	U.K.	Life/health
7	Prudential	66,358	U.K.	Life/health
8	Munich Re Group	64,774	Germany	Property/casualty
9	Aegon	62,383	Netherlands	Life/health
10	State Farm Insurance Cos.	61,612	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.
[3]In 2008 AIG ceded 79.9 percent of its ownership to the federal government in exchange for an $85 billion loan.

Source: Fortune.

TOP TEN GLOBAL PROPERTY/CASUALTY INSURANCE COMPANIES BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues[2]	Country
1	Allianz	$140,618	Germany
2	Berkshire Hathaway	118,245	U.S.
3	American International Group (AIG)[3]	110,064	U.S.
4	Munich Re Group	64,774	Germany
5	State Farm Insurance Cos.	61,612	U.S.
6	Zurich Financial Services	55,163	Switzerland
7	Allstate	36,769	U.S.
8	Swiss Reinsurance	35,730	Switzerland
9	Millea Holdings	32,487	Japan
10	Travelers Cos.	26,017	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.
[3]In 2008 AIG ceded 79.9 percent of its ownership to the federal government in exchange for an $85 billion loan.

Source: Fortune.

TOP TEN GLOBAL LIFE/HEALTH INSURANCE COMPANIES BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues[2]	Country
1	AXA	$162,762	France
2	Assicurazioni Generali	113,813	Italy
3	Aviva	81,317	U.K.
4	Prudential	66,358	U.K.
5	Aegon	62,383	Netherlands
6	CNP Assurances	59,071	France
7	Nippon Life Insurance	57,859	Japan
8	MetLife	53,150	U.S.
9	China Life Insurance	43,440	China
10	Dai-ichi Mutual Life Insurance	39,863	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, 2007

($ millions)

Rank	Company	Net reinsurance premiums written	Country
1	Munich Reinsurance Co.	$30,292.9	Germany
2	Swiss Reinsurance Co.	27,706.6	Switzerland
3	Berkshire Hathaway Re	17,398.0	U.S.
4	Hannover Rueckversicherung AG	10,630.0	Germany
5	Lloyd's[1]	8,362.9	U.K.
6	SCOR SE	7,871.7	France
7	Reinsurance Group of America, Inc.	4,906.5	U.S.
8	Transatlantic Holdings Inc.	3,952.9	U.S.
9	Everest Reinsurance Co.	3,919.4	Bermuda
10	PartnerRe Ltd.	3,757.1	Bermuda

[1]Represents an aggregation of all syndicates participating at Lloyd's.

Source: Standard & Poor's.

- In 2007 global reinsurance premium written totaled $168.0 billion, up 9.8 percent from $153.1 billion in 2006, according to Standard & Poor's.

Insurance

■ Aon is the world's largest broker based on "pure placement." This includes insurance reinsurance and wholesale brokerage revenues but excludes employee benefits, consulting and other income. In 2007 Aon's placement revenues were $5.75 billion, followed by Marsh & McLennan Cos. ($5.40 billion), Willis ($2.16 billion), Wells Fargo ($1.03 billion) and BB&T ($809.5 million).

TOP TEN GLOBAL INSURANCE BROKERS BY REVENUES, 2007

($ millions)

Rank	Company	Brokerage revenues[1]	Country
1	Marsh & McLennan Cos. Inc.	$11,281.0	U.S.
2	Aon Corp.[2]	7,096.0	U.S.
3	Willis Group Holdings Ltd.[2]	2,463.0	U.K.
4	Arthur J. Gallagher & Co.	1,457.2	U.S.
5	Wells Fargo Insurance Services Inc.	1,282.1	U.S.
6	Jardine Lloyd Thompson Group plc	947.3	U.K.
7	BB&T Insurance Services Inc.	877.4	U.S.
8	Hilb Rogal & Hobbs Co.[3]	780.0	U.S.
9	Brown & Brown Inc.	757.6	U.S.
10	Lockton Cos. L.L.C.	728.2[4]	U.S.

[1]Gross revenues generated by insurance brokerage, consulting and related services.
[2]In 2008 Aon agreed to acquire Benfield.
[3]In 2008 Willis acquired Hilb Rogal & Hobbs Co.
[4]Fiscal year ending April 30.

Source: Business Insurance, July 21, 2008.

.

TOP TEN GLOBAL REINSURANCE BROKERS BY REINSURANCE GROSS REVENUES, 2007 (1)

($000)

Rank	Company	Reinsurance gross revenues	Country
1	Aon Re Global[2]	$975,000	U.S.
2	Guy Carpenter & Co. L.L.C.	901,000	U.S.
3	Benfield Group Ltd.[2]	679,078[3]	U.K.
4	Willis Re	606,200	U.K.
5	Towers Perrin	167,250	U.S.
6	Cooper Gay (Holdings) Ltd.	136,200	U.K.
7	Jardine Lloyd Thompson Group P.L.C.	124,124[3]	U.K.
8	John B. Collins Associates Inc.	70,300	U.S.
9	BMS Group	69,619[3]	U.K.
10	UIB Holdings Ltd.	39,990[3]	U.K.

[1]Includes all reinsurance revenue reported through holding and/or subsidiary companies.
[2]In 2008 Aon agreed to acquire Benfield.
[3]Fiscal year 2007.

Source: Business Insurance, October 27, 2008.

Banks

TOP TEN GLOBAL COMMERCIAL AND SAVINGS BANKS BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues	Country
1	ING Group	$201,516	Netherlands
2	Fortis	164,877	Belgium/Netherlands
3	Citigroup	159,229	U.S.
4	Dexia Group	147,648	Belgium
5	HSBC Holdings	146,500	U.K.
6	BNP Paribas	140,727	France
7	Crédit Agricole	138,155	France
8	Deutsche Bank	122,644	Germany
9	Bank of America Corp.	119,190	U.S.
10	UBS	117,206	Switzerland

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

Source: Fortune.

Securities

TOP FOUR GLOBAL SECURITIES FIRMS BY REVENUES, 2007[1]

($ millions)

Rank	Company	Revenues	Country
1	Goldman Sachs Group[2]	$87,968	U.S.
2	Morgan Stanley[2]	87,879	U.S.
3	Merrill Lynch[3]	64,217	U.S.
4	Lehman Brothers Holdings[4]	59,003	U.S.

[1]Based on an analysis of companies in the Global Fortune 500.
[2]In 2008 the Federal Reserve agreed to allow Morgan Stanley and Goldman Sachs to convert to bank holding companies.
[3]Bank of America agreed to acquire Merrill Lynch in 2008.
[4]In 2008 Lehman Brothers filed for bankruptcy.

Source: Fortune.

World Rankings

Diversified Financial/Private Equity

Diversified Financial

TOP FIVE GLOBAL DIVERSIFIED FINANCIAL COMPANIES BY REVENUES, 2007[1]
($ millions)

Rank	Company	Revenues	Country
1	General Electric	$176,656	U.S.
2	Fannie Mae[2]	43,355	U.S.
3	Freddie Mac[2]	43,104	U.S.
4	American Express	32,316	U.S.
5	GMAC	31,490	U.S.

[1]Based on an analysis of companies in the Global Fortune 500.
[2]In 2008 Fannie Mae and Freddie Mac were taken over by the federal government and put into conservatorship.

Source: Fortune.

Private Equity

TOP TEN GLOBAL PRIVATE EQUITY FIRMS BY CAPITAL RAISED, 2003-2008[1]
($ billions)

Rank	Firm	Headquarters	Capital raised
1	The Carlyle Group	Washington, DC	$52.0
2	Goldman Sachs Principal Investment Area	New York, NY	49.1
3	TPG	Fort Worth, TX	48.8
4	Kohlberg Kravis Roberts	New York, NY	39.7
5	CVC Capital Partners	London	36.8
6	Apollo Management	New York, NY	32.8
7	Bain Capital	Boston, MA	31.7
8	Permira	London	25.4
9	Apax Partners	London	25.2
10	The Blackstone Group	New York, NY	23.3

[1]January 1, 2003 to April 15, 2008. Capital raised for direct private equity investment over the prior five years.

Source: Private Equity International.

- Private equity firms generally specialize in buying companies, which they reorganize and sell to other investors or to the public through an initial public offering.
- The 50 largest global private equity firms have raised an aggregate of $810 billion in private equity direct investment capital since January 1, 2003, according to 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 2005 to 2006, compared with 19 percent in 1949 to 1950. In 2005 to 2006, 64 percent of all movers from the United States moved within the same county, compared with 70 percent in 1949 to 1950.

GENERAL MOBILITY, 1949-2006
(000)

				Different residence in the United States					
						Different county			
Mobility period	Total population[1]	Same residence (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
2005-2006	289,781	249,945	39,836	38,540	24,851	13,689	8,010	5,679	1,296

[1]People age 1 year old and older.

Source: U.S. Census Bureau.

MOBILITY BY REGION, 2005-2006
(000)

		Movers			
Region	Total movers[1]	Within same county	To different county, same state	To different state	From abroad
Northeast	5,210	3,391	939	680	199
Midwest	8,138	5,248	1,722	993	176
South	15,665	8,857	3,637	2,632	538
West	10,824	7,355	1,713	1,374	383

[1]People age 1 year old and older.

Source: U.S. Census Bureau.

- During the period 2005 to 2006, 39 percent of movers were from the South, 27 percent from the West, 21 percent from the Midwest and 13 percent from the Northeast.

Geographic Mobility

PERCENT OF PEOPLE WHO LIVED IN A DIFFERENT STATE ONE YEAR AGO, 2007[1]

State	Percent	Rank[2]	State	Percent	Rank[2]
Alabama	3.0%	28	Montana	3.8%	13
Alaska	5.4	3	Nebraska	3.0	28
Arizona	4.2	7	Nevada	5.1	4
Arkansas	3.2	24	New Hampshire	3.9	12
California	1.4	49	New Jersey	1.7	47
Colorado	4.1	8	New Mexico	3.6	16
Connecticut	2.3	41	New York	1.4	49
Delaware	4.8	5	North Carolina	3.8	13
D.C.	8.2	1	North Dakota	3.6	16
Florida	2.8	34	Ohio	1.7	47
Georgia	3.6	16	Oklahoma	3.4	21
Hawaii	4.1	8	Oregon	3.4	21
Idaho	4.5	6	Pennsylvania	2.2	42
Illinois	1.8	46	Rhode Island	3.3	23
Indiana	2.4	39	South Carolina	4.0	10
Iowa	2.8	34	South Dakota	3.5	20
Kansas	3.2	24	Tennessee	3.1	27
Kentucky	3.0	28	Texas	2.4	39
Louisiana	3.0	28	Utah	4.0	10
Maine	2.6	38	Vermont	3.8	13
Maryland	2.7	37	Virginia	3.6	16
Massachusetts	2.2	42	Washington	3.2	24
Michigan	1.3	51	West Virginia	2.9	32
Minnesota	2.0	44	Wisconsin	1.9	45
Mississippi	2.8	34	Wyoming	5.6	2
Missouri	2.9	32	**United States**	**2.5%**	

[1]People age 1 year old and older.
[2]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

U.S. MIGRATION, BY PLACE OF ORIGIN, 2007

	Percent of U.S. population who are foreign born		Percent of foreign born population who were born in			
State	Percent	Rank[1]	Latin America	Asia	Europe	Other
Alabama	3.0%	45	46.9%	28.6%	14.4%	10.1%
Alaska	7.2	23	18.7	48.6	21.2	11.5
Arizona	15.6	8	71.2	13.2	9.8	5.8
Arkansas	4.2	35	64.7	20.9	8.3	6.1
California	27.4	1	55.6	34.2	6.6	3.6
Colorado	10.0	17	58.2	20.0	14.6	7.2
Connecticut	12.8	11	39.6	20.8	30.7	8.9
Delaware	7.6	22	38.8	29.1	16.7	15.4
D.C.	12.6	13	47.6	17.8	18.1	16.5
Florida	18.9	5	74.1	9.6	11.2	5.1
Georgia	9.1	20	55.5	24.1	10.5	9.9
Hawaii	17.3	6	4.6	77.8	5.5	12.1
Idaho	5.6	28	64.9	11.6	13.9	9.6
Illinois	13.8	10	48.4	24.6	22.8	4.2
Indiana	4.2	35	49.4	25.0	17.4	8.2
Iowa	3.9	38	43.7	29.6	17.2	9.5
Kansas	6.0	27	57.4	27.0	8.1	7.5
Kentucky	2.5	46	38.4	30.7	19.5	11.4
Louisiana	3.3	43	50.2	31.9	11.5	6.4
Maine	3.4	41	9.7	22.7	29.0	38.6
Maryland	12.4	14	36.7	32.8	12.7	17.8
Massachusetts	14.2	9	34.3	27.6	26.5	11.6
Michigan	6.1	26	21.0	42.8	24.8	11.4
Minnesota	6.6	25	25.4	37.6	13.9	23.1
Mississippi	1.7	49	54.7	28.4	11.4	5.5
Missouri	3.5	40	31.6	33.7	24.3	10.4
Montana	1.7	49	6.8	28.9	38.1	26.2
Nebraska	5.6	28	56.5	24.4	10.8	8.3
Nevada	19.4	4	61.2	24.3	9.2	5.3

(table continues)

- In 2007 nearly 13 percent of the people in the U.S. were born outside the United States, with more than half of those individuals born in Latin America.
- The percentage of the population that speaks Spanish at home ranges from 12 percent nationally to about 30 percent in Texas, California and New Mexico.

U.S. MIGRATION, BY PLACE OF ORIGIN, 2007 (Cont'd)

	Percent of U.S. population who are foreign born		Percent of foreign born population who were born in			
State	Percent	Rank[1]	Latin America	Asia	Europe	Other
New Hampshire	5.1%	31	20.9%	28.0%	29.3%	21.8%
New Jersey	19.9	3	44.9	30.2	19.5	5.4
New Mexico	9.3	19	78.5	10.0	8.3	3.2
New York	21.8	2	49.3	26.0	19.5	5.2
North Carolina	7.0	24	59.7	19.8	11.5	9.0
North Dakota	2.4	47	6.7	32.6	28.2	32.5
Ohio	3.7	39	18.3	36.9	31.1	13.7
Oklahoma	5.0	32	58.8	27.1	7.9	6.2
Oregon	9.8	18	50.0	26.6	15.6	7.8
Pennsylvania	5.4	30	27.2	34.9	27.4	10.5
Rhode Island	12.7	12	40.2	15.8	26.2	17.8
South Carolina	4.3	34	50.3	21.5	20.2	8.0
South Dakota	1.8	48	24.7	31.1	26.3	17.9
Tennessee	4.1	37	48.3	26.4	15.0	10.3
Texas	16.0	7	75.1	16.1	4.3	4.5
Utah	8.2	21	62.7	17.4	11.4	8.5
Vermont	3.4	41	7.8	20.9	41.1	30.2
Virginia	10.3	16	36.0	39.8	12.0	12.2
Washington	12.3	15	31.2	39.1	17.5	12.2
West Virginia	1.3	51	25.7	37.4	26.7	10.2
Wisconsin	4.5	33	40.6	30.1	23.0	6.3
Wyoming	3.1	44	51.7	16.6	20.1	11.6
United States	**12.6%**		**53.6%**	**26.8%**	**13.1%**	**6.5%**

[1]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

- Overall, the Hispanic American population is growing faster than other ethnic groups in the United States, surpassing 15 percent of the nation's population for the first time in 2007, according to the U.S. Census Bureau.

FASTEST GROWING METROPOLITAN STATISTICAL AREAS, 2000-2007

Rank	Metropolitan statistical area	Population growth	Rank	Metropolitan statistical area	Population growth
1	Atlanta-Sandy Springs-Marietta, GA	1,030,892	6	Washington-Arlington-Alexandria, DC-VA-MD-WV	510,502
2	Dallas-Fort Worth-Arlington, TX	983,517	7	Los Angeles-Long Beach-Santa Ana, CA	509,964
3	Phoenix-Mesa-Scottsdale, AZ	927,551	8	New York-Northern New Jersey-Long Island, NY-NJ-PA	492,606
4	Houston-Sugar Land-Baytown, TX	912,699	9	Las Vegas-Paradise, NV	460,798
5	Riverside-San Bernardino-Ontario, CA	826,554	10	Chicago-Naperville-Joliet, IL-IN-WI	426,058

Source: U.S. Census Bureau.

Income and Expenses

INCOME BY REGION AND AGE GROUP, 2006-2007

	2006		2007		
	Number of households (000)	Median income[1]	Number of households (000)	Median income[1]	Percentage change in median income
All households	**116,011**	**$49,568**	**116,783**	**$50,233**	**1.3%**
By region					
Northeast	21,261	53,534	21,351	52,274	-2.4
Midwest	26,508	49,193	26,266	50,277	2.2
South	42,587	45,129	43,062	46,186	2.3
West	25,656	53,731	26,105	54,138	0.8
By age of householder					
Under 65	92,282	56,279	92,671	56,545	0.5
15 to 24	6,662	31,815	6,554	31,790	-0.1
25 to 34	19,435	50,559	19,225	51,016	0.9
35 to 44	22,779	62,119	22,448	62,124	[2]
45 to 54	24,140	66,714	24,536	65,476	-1.9
55 to 64	19,266	56,141	19,909	57,386	2.2
65 and older	23,729	28,587	24,113	28,305	-1.0

[1]Income before deductions for taxes and other expenses; does not include lump sum payments or capital gains. Expressed in 2007 dollars.
[2]Less than 0.1 percent.

Source: U.S. Census Bureau.

- In 2007 household incomes were highest in Maryland, followed by New Jersey and Connecticut.
- Mississippi had the lowest median household income, followed by West Virginia and Arkansas.

HOUSEHOLD INCOME BY STATE, 2007

State	Median income	Rank	State	Median income	Rank
Alabama	$40,554	47	Montana	$43,531	40
Alaska	64,333	4	Nebraska	47,085	33
Arizona	49,889	23	Nevada	55,062	14
Arkansas	38,134	49	New Hampshire	62,369	6
California	59,948	8	New Jersey	67,035	2
Colorado	55,212	12	New Mexico	41,452	45
Connecticut	65,967	3	New York	53,514	19
Delaware	54,610	15	North Carolina	44,670	38
D.C.	54,317	16	North Dakota	43,753	39
Florida	47,804	28	Ohio	46,597	34
Georgia	49,136	24	Oklahoma	41,567	44
Hawaii	63,746	5	Oregon	48,730	25
Idaho	46,253	35	Pennsylvania	48,576	26
Illinois	54,124	17	Rhode Island	53,568	18
Indiana	47,448	31	South Carolina	43,329	42
Iowa	47,292	32	South Dakota	43,424	41
Kansas	47,451	30	Tennessee	42,367	43
Kentucky	40,267	48	Texas	47,548	29
Louisiana	40,926	46	Utah	55,109	13
Maine	45,888	36	Vermont	49,907	22
Maryland	68,080	1	Virginia	59,562	9
Massachusetts	62,365	7	Washington	55,591	11
Michigan	47,950	27	West Virginia	37,060	50
Minnesota	55,802	10	Wisconsin	50,578	21
Mississippi	36,338	51	Wyoming	51,731	20
Missouri	45,114	37	**United States**	**$50,740**	

Source: U.S. Census Bureau.

HOUSEHOLD INCOME SPENT ON HOME OWNERSHIP COSTS, 2007[1]

State	Percent	Rank[2]	State	Percent	Rank[2]
Alabama	29.1%	39	Montana	33.6%	27
Alaska	34.9	23	Nebraska	26.9	42
Arizona	39.5	13	Nevada	49.0	2
Arkansas	26.5	44	New Hampshire	40.5	11
California	53.0	1	New Jersey	46.1	4
Colorado	37.9	17	New Mexico	34.0	26
Connecticut	40.3	12	New York	41.5	7
Delaware	35.9	20	North Carolina	30.7	36
D.C.	38.7	15	North Dakota	21.4	51
Florida	48.9	3	Ohio	30.7	36
Georgia	34.6	24	Oklahoma	26.2	45
Hawaii	45.8	5	Oregon	40.8	9
Idaho	33.1	30	Pennsylvania	32.9	31
Illinois	38.7	15	Rhode Island	42.3	6
Indiana	26.9	42	South Carolina	31.3	35
Iowa	25.3	49	South Dakota	25.8	46
Kansas	25.7	47	Tennessee	31.5	34
Kentucky	27.0	41	Texas	31.9	33
Louisiana	29.6	38	Utah	33.5	28
Maine	35.4	22	Vermont	39.5	13
Maryland	37.9	17	Virginia	35.5	21
Massachusetts	41.3	8	Washington	40.6	10
Michigan	36.3	19	West Virginia	25.5	48
Minnesota	34.6	24	Wisconsin	33.5	28
Mississippi	32.6	32	Wyoming	24.4	50
Missouri	29.1	39	**United States**	**37.5%**	

[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.
[2]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

- In 2007 home ownership costs as a percentage of income were highest in California, followed by Nevada and Florida.
- Homeownership costs were lowest in North Dakota, followed by Wyoming and Iowa.

MEDIAN HOUSING VALUE BY STATE, 2007[1]

- In 2007 median housing values were highest in Hawaii, followed by California and the District of Columbia.
- Median housing values were lowest in West Virginia, followed by Mississippi and Arkansas.

State	Median value	Rank[2]	State	Median value	Rank[2]
Alabama	$115,600	45	Montana	$170,000	27
Alaska	231,300	18	Nebraska	122,200	40
Arizona	237,700	16	Nevada	311,300	7
Arkansas	101,000	49	New Hampshire	261,800	13
California	532,300	2	New Jersey	372,300	4
Colorado	233,900	17	New Mexico	155,400	30
Connecticut	309,200	9	New York	311,000	8
Delaware	239,700	15	North Carolina	145,700	33
D.C.	450,900	3	North Dakota	106,800	47
Florida	230,400	19	Ohio	137,800	35
Georgia	164,500	29	Oklahoma	103,000	48
Hawaii	555,400	1	Oregon	257,300	14
Idaho	178,100	24	Pennsylvania	155,000	31
Illinois	208,800	22	Rhode Island	292,800	11
Indiana	122,900	39	South Carolina	133,900	36
Iowa	117,900	44	South Dakota	118,700	43
Kansas	121,200	41	Tennessee	130,800	37
Kentucky	114,300	46	Texas	120,900	42
Louisiana	126,800	38	Utah	218,700	20
Maine	176,000	25	Vermont	205,400	23
Maryland	347,000	6	Virginia	262,100	12
Massachusetts	366,400	5	Washington	300,800	10
Michigan	153,100	32	West Virginia	96,000	50
Minnesota	213,600	21	Wisconsin	168,800	28
Mississippi	96,000	50	Wyoming	172,300	26
Missouri	138,600	34	**United States**	**$194,300**	

Source: U.S. Census Bureau.

PERCENT OF OCCUPIED HOUSING UNITS THAT ARE OWNER OCCUPIED, 2007

State	Percent	Rank[1]
Alabama	73.3%	14
Alaska	66.6	41
Arizona	70.4	25
Arkansas	69.5	33
California	58.3	49
Colorado	70.2	31
Connecticut	70.3	28
Delaware	76.8	2
D.C.	47.2	51
Florida	71.8	18
Georgia	67.6	38
Hawaii	60.1	48
Idaho	74.5	5
Illinois	69.4	34
Indiana	73.8	9
Iowa	73.7	11
Kansas	69.4	34
Kentucky	72.9	16
Louisiana	71.5	20
Maine	74.3	6
Maryland	71.7	19
Massachusetts	64.3	46
Michigan	76.4	3
Minnesota	73.5	13
Mississippi	74.0	8
Missouri	70.4	25
Montana	67.3%	39
Nebraska	68.2	37
Nevada	63.3	47
New Hampshire	73.8	9
New Jersey	68.3	36
New Mexico	71.5	20
New York	55.9	50
North Carolina	70.3	28
North Dakota	66.0	42
Ohio	71.4	23
Oklahoma	70.3	28
Oregon	65.7	44
Pennsylvania	72.9	16
Rhode Island	64.9	45
South Carolina	74.1	7
South Dakota	70.4	25
Tennessee	70.2	31
Texas	66.0	42
Utah	74.9	4
Vermont	73.7	11
Virginia	71.5	20
Washington	66.8	40
West Virginia	77.6	1
Wisconsin	70.5	24
Wyoming	73.2	15
United States	**68.1%**	

[1]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

- In 2007 West Virginia, Delaware, Michigan, Utah, and Idaho had the highest percentage of owner occupied housing units.
- The District of Columbia had the lowest percentage of owner occupied units, followed by New York, California and Hawaii.

- Nationwide, 45.6 percent of renters spent at least 30 percent of their household income on rent and utilities.
- In 2007 housing costs as a percentage of income were lowest for renters in Wyoming, followed by South Dakota, Montana and West Virginia.
- Florida renters had the highest housing costs as a percentage of income, followed by California, New Jersey and Michigan.

HOUSEHOLD INCOME SPENT ON RENT AND UTILITIES, 2007[1]

State	Percent	Rank[2]	State	Percent	Rank[2]
Alabama	40.6%	37	Montana	36.4%	49
Alaska	37.2	46	Nebraska	38.3	44
Arizona	46.8	11	Nevada	47.7	6
Arkansas	41.6	35	New Hampshire	42.2	30
California	51.2	2	New Jersey	48.5	3
Colorado	46.2	15	New Mexico	42.1	31
Connecticut	47.5	8	New York	47.6	7
Delaware	46.5	13	North Carolina	42.7	26
D.C.	45.8	16	North Dakota	36.9	47
Florida	52.7	1	Ohio	45.1	17
Georgia	44.8	20	Oklahoma	38.8	41
Hawaii	47.9	5	Oregon	45.1	17
Idaho	38.8	41	Pennsylvania	43.3	24
Illinois	46.6	12	Rhode Island	47.1	10
Indiana	41.8	33	South Carolina	39.2	40
Iowa	38.4	43	South Dakota	34.4	50
Kansas	37.8	45	Tennessee	40.8	36
Kentucky	39.5	38	Texas	43.5	23
Louisiana	42.4	28	Utah	39.4	39
Maine	42.1	31	Vermont	45.0	19
Maryland	46.3	14	Virginia	42.7	26
Massachusetts	47.2	9	Washington	44.8	20
Michigan	48.0	4	West Virginia	36.5	48
Minnesota	43.9	22	Wisconsin	41.8	33
Mississippi	42.4	28	Wyoming	28.3	51
Missouri	42.9	25	**United States**	**45.6%**	

[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.
[2]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

PERCENT OF PEOPLE WITHOUT HEALTH INSURANCE BY STATE, 2005-2007 AVERAGE[1]

State	Percent	Rank[2]	State	Percent	Rank[2]
Alabama	13.9%	24	Montana	16.1%	17
Alaska	17.3	12	Nebraska	12.0	33
Arizona	19.6	4	Nevada	17.9	9
Arkansas	17.5	11	New Hampshire	10.5	42
California	18.6	7	New Jersey	15.2	19
Colorado	16.7	14	New Mexico	21.9	2
Connecticut	9.9	44	New York	13.4	29
Delaware	11.8	35	North Carolina	16.6	15
D.C.	11.4	36	North Dakota	11.1	38
Florida	20.5	3	Ohio	11.0	39
Georgia	17.8	10	Oklahoma	18.2	8
Hawaii	8.3	51	Oregon	16.8	13
Idaho	14.7	21	Pennsylvania	9.8	45
Illinois	13.7	26	Rhode Island	10.3	43
Indiana	12.3	31	South Carolina	16.5	16
Iowa	9.4	47	South Dakota	11.2	37
Kansas	11.8	35	Tennessee	13.9	24
Kentucky	13.8	25	Texas	24.4	1
Louisiana	19.4	5	Utah	15.6	18
Maine	9.5	46	Vermont	11.0	39
Maryland	13.6	28	Virginia	13.6	28
Massachusetts	8.3	51	Washington	12.1	32
Michigan	10.8	41	West Virginia	14.9	20
Minnesota	8.5	49	Wisconsin	8.8	48
Mississippi	18.8	6	Wyoming	14.3	22
Missouri	12.5	30	**United States**	**15.4%**	

[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.
[2]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

- Texas, followed by New Mexico and Florida, had the highest percentages of people without health insurance in 2007.
- Hawaii and Massachusetts had the lowest percentage of people without health insurance followed by Minnesota.

- Florida, followed by West Virginia and Pennsylvania, had the highest percentage of people 65 or older in 2007.
- Alaska had the lowest percentage of people over 65, followed by Utah and Georgia.

PERCENT OF THE TOTAL POPULATION WHO ARE 65 YEARS AND OVER, 2007

State	Percent	Rank[1]	State	Percent	Rank[1]
Alabama	13.5%	14	Montana	13.9%	10
Alaska	7.0	51	Nebraska	13.3	18
Arizona	12.9	28	Nevada	11.1	45
Arkansas	14.0	9	New Hampshire	12.6	32
California	11.0	46	New Jersey	13.1	22
Colorado	10.1	47	New Mexico	12.7	30
Connecticut	13.5	14	New York	13.2	21
Delaware	13.6	12	North Carolina	12.2	35
D.C.	11.9	40	North Dakota	14.6	6
Florida	17.0	1	Ohio	13.5	14
Georgia	9.9	49	Oklahoma	13.3	18
Hawaii	14.3	7	Oregon	13.0	24
Idaho	11.7	43	Pennsylvania	15.2	3
Illinois	12.1	39	Rhode Island	13.9	10
Indiana	12.5	33	South Carolina	13.0	24
Iowa	14.7	5	South Dakota	14.3	7
Kansas	13.0	24	Tennessee	12.9	28
Kentucky	13.0	24	Texas	10.0	48
Louisiana	12.2	35	Utah	8.8	50
Maine	14.8	4	Vermont	13.6	12
Maryland	11.8	41	Virginia	11.8	41
Massachusetts	13.3	18	Washington	11.7	43
Michigan	12.7	30	West Virginia	15.5	2
Minnesota	12.2	25	Wisconsin	13.1	22
Mississippi	12.5	33	Wyoming	12.2	35
Missouri	13.4	17	**United States**	**12.6%**	

[1]States with the same percentages receive the same rank.

Source: U.S. Census Bureau.

The following summary was released by the Senate on October 1 and does not reflect subsequent changes.

SUMMARY OF THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

I. Stabilizing the Economy
The Emergency Economic Stabilization Act of 2008 (EESA) provides up to $700 billion to the Secretary of the Treasury to buy mortgages and other assets that are clogging the balance sheets of financial institutions and making it difficult for working families, small businesses, and other companies to access credit, which is vital to a strong and stable economy. EESA also establishes a program that would allow companies to insure their troubled assets.

II. Homeownership Preservation
EESA requires the Treasury to modify troubled loans — many the result of predatory lending practices — wherever possible to help American families keep their homes. It also directs other federal agencies to modify loans that they own or control. Finally, it improves the HOPE for Homeowners program by expanding eligibility and increasing the tools available to the Department of Housing and Urban Development to help more families keep their homes.

III. Taxpayer Protection
Taxpayers should not be expected to pay for Wall Street's mistakes. The legislation requires companies that sell some of their bad assets to the government to provide warrants so that taxpayers will benefit from any future growth these companies may experience as a result of participation in this program. The legislation also requires the President to submit legislation that would cover any losses to taxpayers resulting from this program from financial institutions.

IV. No Windfalls for Executives
Executives who made bad decisions should not be allowed to dump their bad assets on the government, and then walk away with millions of dollars in bonuses. In order to participate in this program, companies will lose certain tax benefits and, in some cases, must limit executive pay. In addition, the bill limits "golden parachutes" and requires that unearned bonuses be returned.

V. Strong Oversight
Rather than giving the Treasury all the funds at once, the legislation gives the Treasury $250 billion immediately, then requires the President to certify that additional funds are needed ($100 billion, then $350 billion subject to Congressional disapproval). The Treasury must report on the use of the funds and the progress in addressing the crisis. EESA also establishes an Oversight Board so that the Treasury cannot act in an arbitrary manner. It also establishes a special inspector general to protect against waste, fraud and abuse.

Source: U.S. Senate Committee on Banking, Housing and Urban Affairs.

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.

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.

Appendices

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.

Appendices

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	JPMorgan 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 shareholders. 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.

YEAR	EVENT
	NASD and the New York Stock Exchange formed the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization to serve as the single regulator for all securities firms doing business in the U.S.
2008	Washington Mutual was taken over by JPMorgan Chase after it was shut down by federal regulators, marking the largest failure in banking history.
	The Treasury Department unveiled plans for a sweeping overhaul of the regulation of the U.S. financial services industry that would consolidate bank regulation, provide stronger oversight of mortgage lending and introduce an optional federal charter for insurance companies.
	The federal government took over Fannie Mae and Freddie Mac and assumed a 80 percent ownership in American International Group, reflecting widespread turmoil in financial markets.
	Securities giant Lehman Brothers failed, marking the largest bankruptcy in U.S. history. Two other major securities firms, Goldman Sachs and Morgan Stanley, got federal approval to convert to bank holding companies.
	Congress enacted the Emergency Economic Stabilization Act, a $700 billion rescue plan of the U.S. financial services industry.

Financial Services Organizations

Advantage Group Associates, Inc. • 215 SE Wildflower Court, Pleasant Hill, IA 50327. Tel. 515-262-2623. www.annuityspecs.com — A third-party market research firm that tracks indexed annuity and indexed life products, carriers and sales.

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 610-526-1000. 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 Insurers • c/o Bob Mackin, AFGI Executive Director, Mackin & Company, 139 Lancaster St., Albany, NY, 12210-1903. Tel. 518-449-4698. Fax. 518-432-5651. www.afgi.org — Trade association of the insurers and reinsurers of municipal bonds and asset-backed securities.

BankInsurance.com Newsletter • 823 King of Prussia Rd., Radnor, PA 19087. Tel. 610-254-0440. Fax. 610-254-5044. www.BankInsurance.com — A monthly electronic publication that distills the important news stories in the bank insurance and investment marketplace with information, impact and analytic benchmarking not found elsewhere.

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.

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.

Certified Financial Planner Board of Standards, Inc. • 1425 K Street NW Suite 500, Washington, DC 20005. Tel. 202-379-2200. Fax. 202-379-2299. 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.

Appendices

Financial Services Organizations

Conning Research and Consulting Inc. • One Financial Plaza, Hartford, CT 06103-2627. Tel. 860.299.2000. 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 • 1100 13th St. NW, Suite 878, 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 Industry Regulatory Authority (FINRA)• 1801 K St., NW, Suites 300 & 800 Washington, DC 20006. Tel. 301-590-6500. www.finra.org/index.htm — Largest non-governmental regulator for all securities firms doing business in the United States. Created in July 2007 through the consolidation of NASD and the member regulation, enforcement and arbitration functions of the New York Stock Exchange.

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.fsscc.org/fsscc — 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. 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.

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 • 111 Town Square Place, Suite 1215, Jersey City, NJ 07310. Tel. 201-719-7210. 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.

Insurance Marketplace Standards • Association 4550 Montgomery Ave., Suite 700N, Bethesda, MD 20814 Tel. 240-744-3030. Fax. 240-744-3031. http://www.imsaethics.org — A nonprofit, independent organization created to strengthen consumer trust and confidence in the marketplace for individually sold life insurance, long-term care insurance and annuities.

Financial Services Organizations

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 • 1655 N. Fort Myer Drive, Suite 610,, Arlington, VA 22209. Tel. 888-LIFE-777. 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. 860-688-3358. 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 and benchmarks performance of bank insurance and investment fee income activities.

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 • 1331 L Street, NW, Washington, DC 20005. 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 • 48 Wall Street, New York, NY 10005. 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.

National Association For Fixed Annuities • 2300 E. Kensington Blvd. Milwaukee, WI 53211. Tel. 414-332-9306. Fax. 415-946-3532. www.nafa.us — Promotes the growth, acceptance and understanding of annuity and life products; provides educational and informational resources.

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.

National Association of Insurance Commissioners • 2301 McGee St., Suite 800, Kansas City, MO 64108-2662. Tel. 816-842-3600. Fax. 816-783-8175. www.naic.org — Organization of state insurance commissioners to promote uniformity in state supervision of insurance matters and to recommend legislation in state legislatures.

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 Mortgage Brokers • 7900 Westpark Dr., Suite T309, McLean, VA 22102. Tel. 703-342-5900. Fax. 703-342-5905. www.namb.org — National trade association representing the mortgage broker industry; promotes the industry through programs and services such as education, professional certification and government affairs representation.

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.

Appendices

Financial Services Organizations

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. 703-836-9340. 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 • 300 S. Riverside Plaza, Suite 1800, 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. 215-898-7620. Fax. 215-573-3418. http://www.pensionresearchcouncil.org/about/ — 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.

Retirement Income Industry Association • 101 Federal St., Suite 1900, Boston, MA 02110. Tel. 617-342-7390. Fax. 617-342-7080. www.riia-usa.org -- Financial services industry association focusing on the financial and public policy issues related to the income needs of retirees. Members include insurance companies, banks, securities firms and others.

Securities and Exchange Commission • 100 F St., NE, Washington, DC 20549. Tel. 202- 942-8088. 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. 212-313-1200. Fax. 212-313-1301. http://www.sifma.org/ — 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.

Subject Index

C

D

E

F

G

M

N

O

P

R

S

I.I.I. Member Companies

ACE USA
Acuity
Aegis Insurance Services Inc.
Allianz of America, Inc.
Allied World Assurance Company
Allstate Insurance Group
American Agricultural Insurance Company
American International Group, Inc.
American Reliable Insurance
Argonaut Group
Arthur J. Gallagher
Aspen Re
Auto Club South Insurance Company
Beazley Group plc
Bituminous Insurance Companies
Catlin U.S.
Chubb Group of Insurance Companies
Church Mutual Insurance Company
CNA
CUMIS Insurance Society, Inc.
De Smet Farm Mutual Insurance Company of South Dakota
Dryden Mutual Insurance Company
Erie Insurance Group
Farmers Group, Inc.
GEICO
Gen Re
Germania Insurance
Glencoe U.S. Holding Group
Grange Insurance Companies
GuideOne Insurance
The Hanover Insurance Group Inc.
Harbor Point Re
The Harford Mutual Insurance Companies
Harleysville Insurance
The Hartford Financial Services Group
Holyoke Mutual Insurance Company
The Horace Mann Companies
James River Group, Inc.
Liberty Mutual Group
Lloyd's
Lockton Companies
Marsh Inc.
Max Capital Group
MetLife Auto & Home
Michigan Millers Mutual Insurance Company
Millville Mutual Insurance Company
Missouri Employers Mutual Insurance
Munich Reinsurance America, Inc.
Nationwide
The Norfolk & Dedham Group
Ohio Mutual Insurance Group
OneBeacon Insurance Group
Palisades Safety and Insurance Association
Pennsylvania Lumbermens Mutual Insurance Company
Scor U.S. Corporation
SECURA Insurance Companies
Selective Insurance Group
State Auto Insurance Companies
State Compensation Insurance Fund of California
State Farm Mutual Automobile Insurance Company
The Sullivan Group
Swiss Reinsurance America Corporation
TIAA-CREF
Travelers
Unitrin Property and Casualty Insurance Group
USAA
Utica National Insurance Group
West Bend Mutual Insurance Company
Westfield Group
W. R. Berkley Corporation
XL Global Services
XL Insurance Company, Ltd.
Zurich North America

Associate Members

Allegany Co-op Insurance Company
Deloitte
Farmers Mutual Fire Insurance of Tennessee
Livingston Mutual Insurance Company
Mutual Assurance Society of Virginia
Randolph Mutual Insurance Company
Sompo Japan Research Institute, Inc.
Transunion Insurance Solutions

The Financial Services Roundtable Member Companies

AEGON USA, Inc.
Affiliated Managers Group, Inc.
Allianz Life Insurance Company of North America
Allied Capital Corporation
The Allstate Corporation
American Honda Finance Corporation
American International Group, Inc.
Ameriprise Financial, Inc.
Aon Corporation
Associated Banc-Corp
Assurant, Inc.
Aviva USA
AXA Financial, Inc.
BancorpSouth, Inc.
BancWest Corporation
Bank of America Corporation
Bank of Hawaii Corporation
The Bank of New York Mellon Corporation
Barclays Capital, Inc.
BB&T Corporation
BlackRock, Inc.
Brown & Brown Insurance
Capital One Financial Corporation
Caterpillar Financial Services Corporation
The Charles Schwab Corporation
The Chubb Corporation
Citigroup Inc.
Citizens Financial Group, Inc.
City National Corporation
Comerica Incorporated
Commerce Bancshares, Inc.
Compass Bancshares, Inc.
Cullen/Frost Bankers, Inc.
Edward Jones
Federated Investors, Inc.
Fidelity Investments
Fifth Third Bancorp
First Commonwealth Financial Corporation
First Horizon National Corporation
Ford Motor Credit Company
Fulton Financial Corporation
General Electric Company
Genworth Financial
GMAC Financial Group, Inc.
Guaranty Financial Services
Harris Bankcorp, Inc.
HSBC North America Holdings, Inc.
Huntington Bancshares Incorporated
ING
John Deere Credit Company
John Hancock Financial Services, Inc.
JPMorgan Chase & Co.
KeyCorp
Legg Mason, Inc.
Liberty Mutual Holding Company, Inc.
Lincoln National Corporation
M&T Bank Corporation
Marshall & Ilsley Corporation
MasterCard Worldwide
Mutual of Omaha Insurance Company
The NASDAQ OMX Group, Inc.
National City Corporation
Nationwide
Northern Trust Corporation
Northwestern Mutual Life Insurance Company
The PMI Group, Inc.
The PNC Financial Services Group, Inc.
Popular, Inc.
Principal Financial Group
Protective Life Corporation
Prudential Financial Inc.
Raymond James Financial, Inc.
RBC Bank, USA
Regions Financial Corporation
State Farm Insurance Companies
State Street Corporation
SunTrust Banks, Inc.
Synovus
TD Banknorth Inc.
TIAA-CREF
Toyota Financial Services
UBS
UnionBanCal Corporation
United Bankshares, Inc.
Unum

The Financial Services Roundtable Member Companies

U.S. Bancorp
Visa, Inc.
Waddell & Reed Financial, Inc.
Webster Financial Corporation
Wells Fargo & Company
Western & Southern Financial Group
Whitney Holding Corporation
Zions Bancorporation
Zurich Financial Services

Insurance Information Institute
110 William Street
New York, NY 10038

Tel. 212-346-5500. Fax. 212-732-1916. www.iii.org

President – Robert P. Hartwig, Ph.D., CPCU
Executive Vice President – Cary Schneider
Senior Vice President – Public Affairs – Jeanne Salvatore

Research

Vice President and Chief Economist – Steven N. Weisbart, Ph.D., CLU
Vice President – Global Issues – Claire Wilkinson

Fact Book

Vice President – Publications and Information Services – Madine Singer
Managing Editor – Neil Liebman
Research and Production – Mary-Anne Firneno
Director – Technology and Web Production – Shorna Lewis
Production Assistant – Katja Charlene Lewis
Information Specialist – Alba Rosario
Editorial Advisor – Andréa C. Basora
Special Consultant – Ruth Gastel, CPCU

Media

New York:
Vice President – Media Relations – Michael Barry
Vice President – Web and Editorial Services – Andréa C. Basora
Vice President – Communications – Loretta Worters

Washington, DC:
Vice President – Carolyn Gorman
Tel. 202-833-1580. Fax. 202-785-4676.

West Coast:
Insurance Information Network of California:
Executive Director – Candysse Miller
Tel. 213-304-9737. Fax. 213-624-4432.
Northern California:
Communications Specialist – Tully Lehman
Tel. 925-969-2223. Fax. 925-969-2188.

Representatives

Special Counsel – William E. Bailey, Ph.D., CPCU
Tel. 617-884-2461. Fax. 617-884-2593.
Davis Communications – William J. Davis, Atlanta
Tel. 770-321-5150. Fax. 770-321-5150.
Hispanic Press Officer – Elianne González, Miami
Tel. 954-389-9517.
Florida Representative – Lynne McChristian, Tampa
Tel. 813-480-6446.

The Financial Services Roundtable
1001 Pennsylvania Avenue, NW
Suite 500 South
Washington, DC 20004

Tel. 202-289-4322. Fax. 202-628-2507. www.fsround.org

The Financial Services Roundtable

President and Chief Executive Officer – Steve Bartlett

Executive Director and General Counsel – Richard M. Whiting

Senior Vice President of Government Affairs – Scott E. Talbott

Vice President, Meetings – Tanya Bailey

Director, Government Affairs – Paul J. Begey

Government Affairs Specialist – Brenda Bowen

Communications Manager – Elise Brooks

Deputy Director of Meetings and Events – Christeen Phelps Butler

Vice President for Banking and Securities – Irving E. Daniels, Jr.

Chief Financial Officer – George D. Forsberg, CPA

Membership Manager and Webmaster – Blake Grimm

Project Manager, Community Service, Council on Consumer Finance – Aleksia Ilic

Vice President of Human Resources and Administration – Carrie M. Neckorcuk

Director of Regulatory and Securities Affairs – Melissa Netram

Assistant to the President – Cindy G. Nettles

Senior Vice President of Meetings and Events – Sharon Salter

Director of Membership and Information Services – Kristen M. Washington

Senior Executive Assistant to the Executive Director – Kim A. Wheelbarger

Receptionist/Front Desk Coordinator – Lenora Wright-Williams

BITS

President – Leigh Williams

Executive Assistant – Wattie Bennett

Senior Vice President, Regulatory Affairs – John Carlson

Director, Vendor Management – John A. Ingold

Project Administrator – Andrew Kennedy

Project Administrator – Nicole Muryn

Vice President, Communications – Ann Patterson

Vice President, Security – Paul Smocer

Director, Fraud – Heather Wyson

Housing Policy Council

President – John Dalton

Vice President of Government Affairs – Paul M. Leonard

Executive Director, Foreclosure Prevention Project – Katie Wechsler

Government Affairs Assistant – Ryan Caruso

HOPE NOW

Executive Director – Faith Schwartz

Deputy Director – Larry Gilmore

Project Manager – Eric Selk

ITAC (Identity Theft Assistance Center)

Executive Director – Anne Wallace

Marketing Associate – Arial Pegues

Agents for Change

Executive Director – Peter Ludgin

THE FINANCIAL SERVICES ROUNDTABLE

OFFICERS

Christopher M. Condron, Chairman, AXA Financial, Inc.

Richard K. Davis, Chairman-Elect, U.S. Bancorp

Thomas A. Renyi, Immediate-Past Chairman, The Bank of New York Mellon Corporation

Edward B. Rust, Jr., BITS Chairman, State Farm Insurance Companies

Don J. McGrath, Treasurer, BancWest Corporation

DIRECTORS

Ellen Alemany, Citizens Financial Group, Inc.

Richard E. Anthony, Synovus

Paul S. Beideman, Associated Banc-Corp

George Borst, Toyota Financial Services

Richard L. Carrion, Popular Inc.

James M. Cracchiolo, Ameriprise Financial, Inc.

Laurence D. Fink, BlackRock, Inc.

Michael D. Fraizer, Genworth Financial, Executive Committee Member

Russell Goldsmith, City National Corporation

Robert P. Kelly, The Bank of New York Mellon Corporation

David W. Kemper, Commerce Bancshares, Inc.

Paul Lawrence, HSBC North America Holdings, Inc.

Raymond A. Mason, Legg Mason, Inc.

Liam E. McGee, Bank of America Corporation, Executive Committee Member

Thomas J. McInerney, ING Insurance Americas

William J. Nutt, Affiliated Managers Group, Inc.

Joseph W. Saunders, Visa, Inc.

Robert W. Selander, MasterCard Worldwide

John G. Stumpf, Wells Fargo & Company, Executive Committee Member

Masaaki Tanaka, UnionBanCal Corporation

William L. Walton, Allied Capital

Robert Wolf, UBS

Edward J. Zore, Northwestern Mutual Life Insurance Company

The Financial Services Fact Book

- Unique and comprehensive guide with more than 350 graphs and charts on insurance, banking, securities, finance companies, mortgage financing and on financial services as a whole.
- Key to understanding how the financial services sectors both work together and compete with each other.
- Valuable tool for the media, corporate executives and researchers.

Published Jointly By:

Insurance Information Institute
110 William Street
New York, NY 10038
www.iii.org

The Financial Services Roundtable
1001 Pennsylvania Avenue, NW
Suite 500 South
Washington, DC 20004
www.fsround.org

INSURANCE INFORMATION INSTITUTE

The Financial Services Roundtable

ISBN 978-0-932387-99-8
9 780932 387998

www.financialservicesfacts.org

The online source for the new, comprehensive Financial Services Fact Book 2009