The FINANCIAL SERVICES

FACT BOOK 2003

Insurance Information Institute

The Financial Services Roundtable

TO THE READER

In the three years since the passage of the Gramm-Leach-Bliley Act it has become clear that the vast and diverse activity known as financial services is having a strong impact on economies around the world. The Financial Services Fact Book, a joint venture of the Insurance Information Institute and The Financial Services Roundtable, has already become a valuable resource for those seeking to understand financial services, and we hope our new edition will further understanding of this essential subject. The Web site version, which can be accessed at www.iii.org and www.financialservicesfacts.org, is updated regularly as new information becomes available.

This second edition of the Financial Services Fact Book provides an expanded guide to the many changes now unfolding, as well as a broader picture of the major segments of the industry. This year we are adding more than 50 new charts and graphs; creating separate chapters for finance companies, information technology and retirement/asset management plans; and increasing the information on consumer and business finance. In addition, we have modified the graphics at the top of each page to make it easier to navigate the book and Web site.

This endeavor to integrate information on trends in financial services with basic facts on the major industry sectors could not succeed without help from many organizations, consultants and others who collect industry data and who have generously given permission to use their data. 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.

Your questions, comments and suggestions are most welcome. Please feel free to contact us.

Gordon Stewart,
President
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Contents

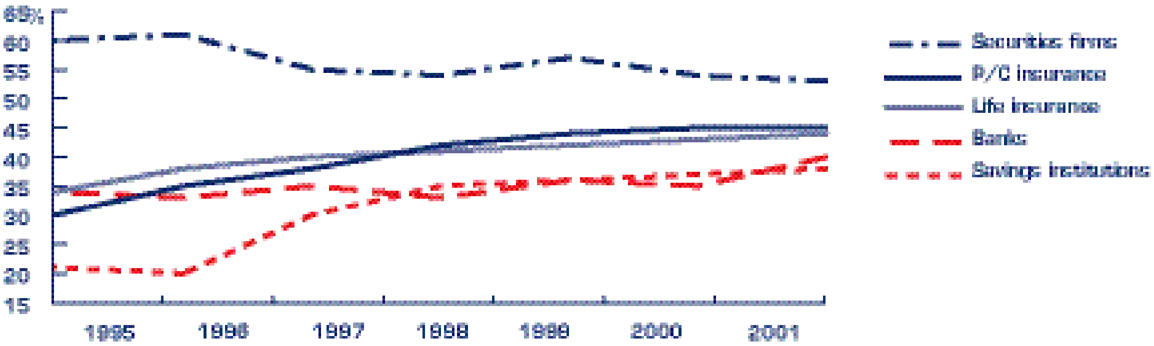
Financial Services at a Glance

- **The financial services sector's contribution to the gross domestic product (GDP) totaled 8.3 percent in 2000, the latest data available. The total GDP grew 6.5 percent in 2000, compared with 1999, while the financial services sector grew 8.0 percent.**
- **The assets of the financial services sector grew 3.6 percent from $36.3 trillion in 2000 to $37.6 trillion in 2001.**
- **Banks acquired 60 insurance agencies and 62 securities firms in 2001.**
- **Spending on information technology in the financial services sector reached $77.5 billion in 2001.**
- **U.S. households' financial assets rose 95.7 percent from $16.4 trillion in 1991 to $32.1 trillion in 2001.**
- **Household debt rose 8.7 percent in 2001 and business debt rose 4.9 percent.**
- **From 1995 to 2001, the asset share of the top ten companies grew in the following financial services sectors:**

  Property/casualty insurance — from 30 percent to 45 percent
  Life insurance — from 34 percent to 44 percent
  Banks — from 34 percent to 40 percent
  Savings institutions — from 21 percent to 38 percent

  In the securities sector, the asset share of the top ten companies fell from 60 percent to 53 percent during the same period (see chart below).

ASSET SHARE OF THE TOP TEN FINANCIAL SERVICES FIRMS, 1995-2001



Source: TowerGroup.

Chapter 1: Financial Services

The idea of financial services as a distinct industry is relatively new. This book breaks down financial services into four primary segments: property/casualty and life/health insurance companies; banks and other depository institutions, such as thrifts and credit unions; finance companies, which are nondepository institutions offering consumer and business financing; and securities brokers and dealers, which include investment banks and mutual fund managers. Mortgage bankers and brokers, real estate, pension funds, asset-backed securities issuers, and other related industries are represented in some charts but do not have separate sections.

Certainly the financial services industry is changing, though perhaps not as envisioned by many when the Gramm-Leach-Bliley Financial Services Modernization Act was passed in 1999, see appendix, page 155 for details. At that time, observers predicted that massive mergers would transform everything. Mergers did occur, but for the most part not among the leading players. Banks bought specialized securities firms and insurance agencies, rather than insurance companies as had been predicted. Insurance companies applied for thrift charters to open new banks instead of buying existing ones. The arrangement that provided a major impetus for the Gramm-Leach-Bliley Act partially dissolved in March 2002, when Citigroup began to spin off Travelers' property/casualty insurance unit. Nevertheless the convergence of products and services that began in the 1970s continues to gather momentum. Today most of the top financial services companies do business across sectors, offering their customers an ever-broadening range of financial tools, see chart, page 9.

CONSOLIDATION

Consolidation is increasing the size of the leading players in most segments of the industry. In all sectors except securities, the top 10 firms have increased their share of assets since 1995, see chart page VII, while the number of participants is shrinking, a trend that began long before the passage of Gramm-Leach-Bliley. The number of commercial banks fell from about 25,000 before World War I to 8,096 in 2001; securities brokers and dealers numbered 9,515 in 1987 and only 7,029 in 2001; life insurance underwriters fell from about 2,200 in 1985 to 1,549 in 2000. The

OVERVIEW

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

1980 Banks receive federal authorization to combine securities sales and investment advisory services

1995 Valic U.S. Supreme Court decision allowing banks to sell annuities

1996 Barnett Bank U.S. Supreme Court decision allowing banks to sell insurance nationwide

1999 Gramm-Leach-Bliley Act allowing banks, insurance companies and securities firms to affiliate and sell each other's products

2001 U.S. House of Representatives Banking Committee renames itself the Financial Services Committee

2002 Citigroup spins off its Travelers' property/casualty insurance unit number of property/casualty insurers, now numbering 3,215, is expected to fall by 30 percent over the next decade.

Consolidation is occurring both within sectors and across sectors, but at a slower pace overall than in the late 1990s. However, while deal value has declined significantly in some sectors, many broker/dealers and investment advisers changed hands in 2001 as did many banks and insurance agencies.

NUMBER AND VALUE OF ANNOUNCED MERGERS AND ACQUISITIONS BY SECTOR, 1997-2001

($ billions)

	1997		1998		1999		2000		2001	
	Deals	Value	Deals	Value	Deals	Value	Deals	Value	Deals	Value
Securities[1]	126	$37.2	134	$7.3	141	$12.8	175	$67.8	199	$13.6
Specialty finance[2]	190	28.6	240	34.8	210	20.4	151	37.4	98	21.6
Banks	349	75.4	411	265.3	282	68.8	211	90.1	179	31.7
Thrifts	113	21.5	93	23.9	74	7.5	67	4.3	51	8.4
Insurance	305	32.0	400	84.3	385	38.0	304	22.5	271	39.8
Life/health	72	11.4	80	29.4	51	16.2	51	13.1	43	34.0
Property/casualty	90	15.1	104	42.7	67	19.9	54	8.9	43	1.9
Brokers and agents	118	2.6	187	2.6	230	0.4	178	0.4	171	0.8
Managed care	25	2.9	29	9.6	37	1.5	21	0.1	14	3.1
Total	**1,083**	**194.7**	**1,278**	**415.6**	**1,092**	**147.5**	**908**	**222.1**	**798**	**115.1**

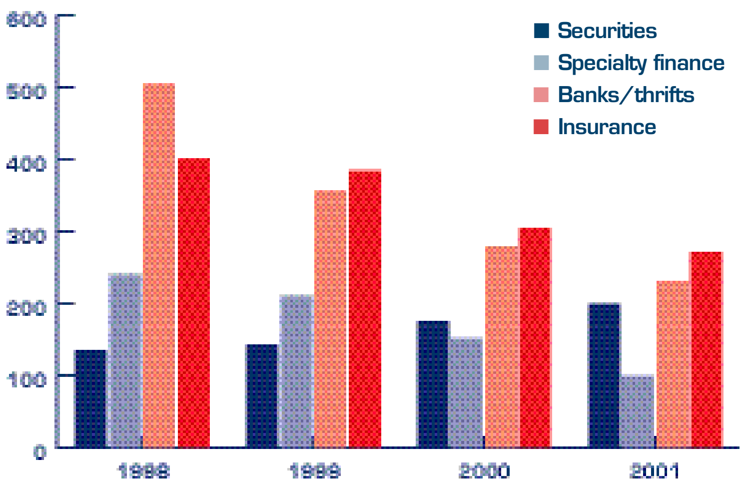
[1]Includes securities and investment companies, broker/dealers, and investment advisers.

[2]Specialty finance firms range from small finance companies to major credit card operations.

Source: SNL Financial LC.

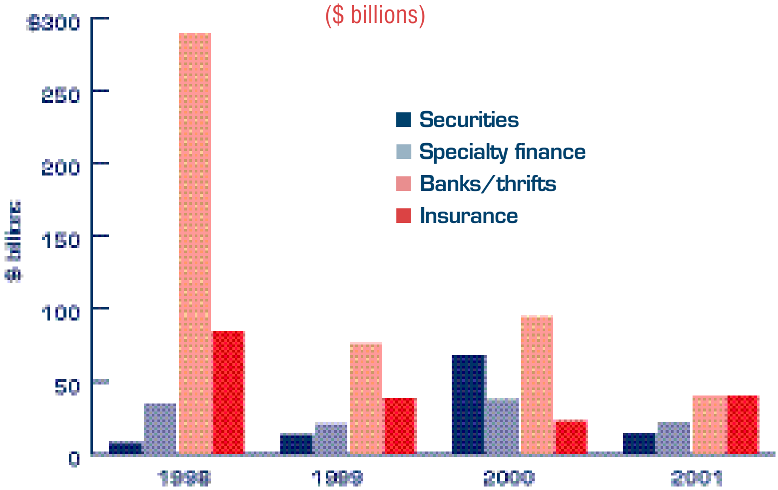
- **In 2001, the number of financial services deals fell to 798 from 908 in 2000. Deal value fell 48 percent from 2000 to 2001.**
- **In 2001, banks completed 60 deals to acquire insurance agencies, valued at $272.1 million,** **see page 70.**

NUMBER OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 1998-2001



Source: SNL Financial LC.

VALUE OF ANNOUNCED FINANCIAL SERVICES MERGERS AND ACQUISITIONS, 1998-2001
($ billions)



Source: SNL Financial LC.

- The value of insurance sector mergers and acquisitions in 2001 was $39.8 billion, almost twice as high as in 2000. This was largely due to a significant jump in the value of life/health insurance deals.

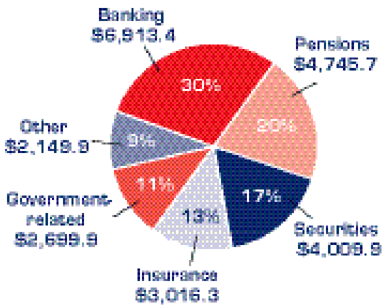
TOP TEN CROSS-INDUSTRY ACQUISITIONS ANNOUNCED IN 2001, UNITED STATES[1]

Buyer	Industry	Country	Target	Industry	Country	Deal value[2] ($ millions)
Tyco International Ltd.	Not classified	Bermuda	CIT Group Inc.	Specialty lender	U.S.	$9,446.6
General Electric Co.	Not classified	U.S.	Heller Financial Inc.	Specialty lender	U.S.	5,596.6
Deutsche Bank AG	Bank	Germany	Zurich Scudder Investments Inc.	Investment adviser	U.S.	2,500.0
Washington Mutual Inc.	Thrift	U.S.	Assets of HomeSide Lending Inc.	Specialty lender	Australia	1,920.0
Legg Mason Inc.	Broker/ dealer	U.S.	Private Capital Management LP	Investment adviser	U.S.	1,382.0
FleetBoston Financial Corp.	Bank	U.S.	Liberty Financial Cos. asset management operations	Investment adviser	U.S.	900.0
Societe Generale	Bank	France	51% of TCW Group Inc.	Investment adviser	U.S.	881.3
Washington Mutual Inc.	Thrift	U.S.	Fleet Mortgage Corp.	Specialty lender	U.S.	660.0
Royal Bank of Canada	Bank	Canada	Tucker Anthony Sutro	Broker/ dealer	U.S.	639.9
Allegheny Energy Inc.	Not classified	U.S.	Global Energy Markets	Broker/ dealer	U.S.	604.2

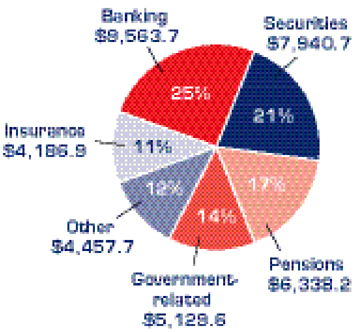
[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.
[2]At announcement.

Source: SNL Financial LC.

ASSETS OF FINANCIAL SERVICES SECTORS, YEAR-END 1996
($ billions)



YEAR-END 2001
($ billions)



Source: Board of Governors of the Federal Reserve System.

ASSETS OF FINANCIAL SERVICES SECTORS, BY INDUSTRY, YEAR-END 2001
($ billions)

Sector	Assets
Banking	
Commercial banking[1]	$6,875.6
Savings institutions[2]	1,298.0
Credit unions	505.5
Bank personal trusts and estates	884.6
Total	**$9,563.7**
Insurance	
Life insurance companies	$3,305.8
All other insurers	881.1
Total	**$4,186.9**
Securities	
Mutual and closed-end funds	$6,503.3
Securities broker/dealers[3]	1,437.4
Total	**$7,940.7**
Pensions	
Private pension funds[4]	$4,161.5
State and local government pension funds	2,176.7
Total	**$6,338.2**
Government-related	
Government lending enterprises	$2,301.4
Federally-related mortgage pools	2,828.2
Total	**$5,129.6**
Other	
Finance companies	$1,152.9
Real estate investment trusts	76.9
Mortgage companies	37.2
Asset-backed securities issuers	2,104.8
Funding corporations	1,085.9
Total	**$4,457.7**
Total All Sectors	**$37,616.8**

[1]Commercial banking includes U.S.-chartered commercial banks, foreign banking offices in the United States, bank holding companies, and banks in U.S.-affiliated areas.

[2]Savings institutions include savings and loan associations, mutual savings banks and federal banks.

[3]Securities broker/dealers includes investment banks.

[4]Private pension funds includes defined benefit and contribution plans [including 401(k)s] and the Federal Employees Retirement Thrift Savings Plan.

Source: Board of Governors of the Federal Reserve System, as of March 2002.

EMPLOYMENT

Financial services industry employment in recent years reflects the increasing capacity of information technology to do the many tasks once done by thousands of back-office employees.

- **Over the three years, 1999 to 2001, employment in the financial services industry averaged 5.7 percent of total U.S. employment.**

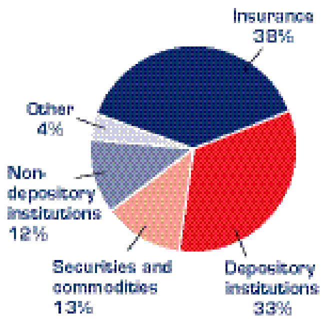
FINANCIAL SERVICES INDUSTRY EMPLOYMENT, 1999-2001
(000)

Sector	1999	2000	2001
Finance			
Depository institutions	2,056	2,031	2,053
Commercial banks	1,468	1,432	1,434
State banks	583	569	572
Federal banks	885	864	862
Savings institutions	254	250	256
Federal	147	145	148
Other	107	106	108
Credit unions	187	194	203
Nondepository institutions	709	688	720
Personal credit	200	212	222
Business credit	134	143	150
Mortgage bankers and brokers	353	312	327
Securities and commodities	689	752	769
Security brokers and dealers	505	550	555
Commodity brokers, exchanges	27	29	29
Holding and investment offices	234	249	257
Holding offices	102	108	112
Total	**3,688**	**3,719**	**3,800**
Insurance			
Insurance carriers	1,610	1,592	1,595
Life insurers	503	485	477
Medical and health insurance	373	383	394
Hospital and medical plans	300	307	316
Property/casualty insurers	556	550	544
Title insurers	87	78	80
Insurance agents, brokers, services	758	760	773
Total	**2,368**	**2,352**	**2,369**
Total All Sectors [1]	**6,056**	**6,071**	**6,169**

[1]Does not include real estate.

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

SHARE OF FINANCIAL SERVICES EMPLOYEES BY INDUSTRY, 2001

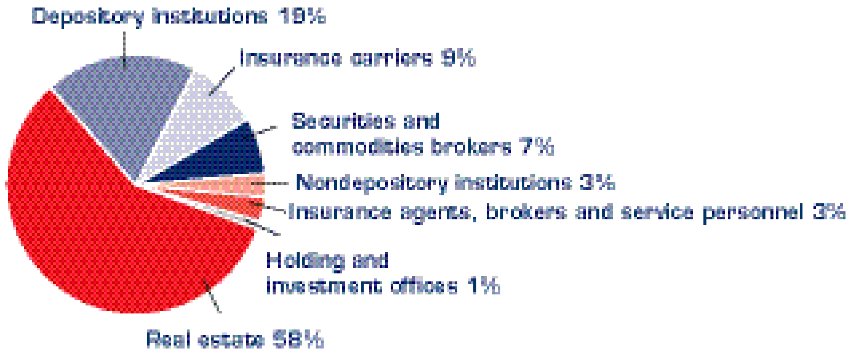


Source: U.S. Department of Labor, Bureau of Labor Statistics.

FINANCIAL SERVICES CONTRIBUTION TO GROSS DOMESTIC PRODUCT

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

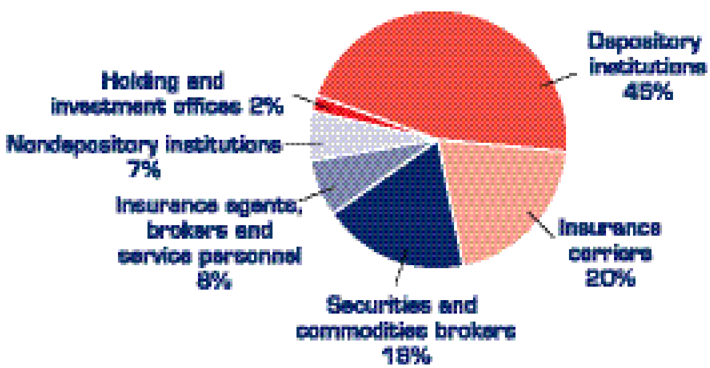
- When real estate transactions (e.g., development, mortgages and related services, property sales and rentals) are included, financial services accounted for nearly 20 percent of GDP in 2000.



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

- With real estate excluded, the remaining financial service industries contributed 8.3 percent to the GDP in 2000.

GROSS DOMESTIC PRODUCT OF FINANCIAL SERVICES, SHARES BY COMPONENT, EXCLUDING REAL ESTATE, 2000



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

GROSS DOMESTIC PRODUCT OF THE FINANCIAL SERVICES INDUSTRY, 1996-2000[1]

($ billions)

	1996	1997	1998	1999	2000
Total GDP	**$7,813.2**	**$8,318.4**	**$8,781.5**	**$9,268.6**	**$9,872.9**
Total financial industr y	**1,436.8**	**1,569.9**	**1,708.5**	**1,810.6**	**1,936.2**
Industry % of total GDP	18.4%	18.9%	19.5%	19.5%	19.6%
Depository institutions	$241.0	$273.9	$300.0	$325.6	$366.5
Nondepository institutions[2]	39.2	49.9	52.8	53.7	59.0
Security and commodity brokers	108.0	120.8	143.9	138.8	144.2
Insurance carriers	123.4	146.1	150.2	158.3	167.7
Insurance agents, brokers and service personnel	48.9	51.3	56.4	65.4	67.3
Holding and investment offices	4.6	7.7	23.4	17.6	15.4
Total real estate	871.6	920.1	981.6	1,051.2	1,116.3
Nonfarm housing services	654.6	679.1	718.7	764.4	810.5
Other real estate	217.0	241.0	262.9	286.8	305.8

[1]Includes real estate.

[2]Includes finance companies and mortgage bankers and brokers.

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

FINANCIAL SERVICES VS. TOTAL U.S. GROSS DOMESTIC PRODUCT GROWTH, 1990-2000

($ billions)

Year	Total U.S. gross domestic product	% change from prior year	Finance, insurance and real estate	% change from prior year	Finance and insurance[1]	% change from prior year
1990	$5,803.2	5.7%	$1,010.3	5.8%	$344.6	6.4%
1991	5,986.2	3.2	1,072.2	6.1	383.1	11.2
1992	6,318.9	5.6	1,140.9	6.4	415.7	8.5
1993	6,642.3	5.1	1,205.3	5.6	453.7	9.1
1994	7,054.3	6.2	1,254.8	4.1	463.4	2.1
1995	7,400.5	4.9	1,347.2	7.4	514.6	11.0
1996	7,813.2	5.6	1,436.8	6.7	565.2	9.8
1997	8,318.4	6.5	1,569.9	9.3	649.8	15.0
1998	8,781.5	5.6	1,708.5	8.8	726.9	11.9
1999	9,268.6	5.5	1,810.6	6.0	759.4	4.5
2000	9,872.9	6.5	1,936.2	6.9	819.9	8.0

[1]Includes depository and nondepository institutions, security and commodity brokers, insurance carriers, insurance agents, brokers and service personnel, and holding and investment offices.

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

FINANCIAL SERVICES PERCENTAGE SHARE OF GROSS STATE PRODUCT, 2000
(Excludes real estate)

State	Percent
Alabama	8.1%
Alaska	2.7
Arizona	7.1
Arkansas	5.1
California	6.3
Colorado	6.4
Connecticut	13.6
Delaware	29.1
District of Columbia	4.8
Florida	7.2
Georgia	7.0
Hawaii	4.8
Idaho	4.0
Illinois	9.5
Indiana	5.7
Iowa	8.8
Kansas	6.3
Kentucky	5.4
Louisiana	4.9%
Maine	6.9
Maryland	6.3
Massachusetts	10.5
Michigan	5.5
Minnesota	9.8
Mississippi	5.6
Missouri	7.2
Montana	6.0
Nebraska	8.6
Nevada	7.0
New Hampshire	10.2
New Jersey	8.3
New Mexico	3.9
New York	18.6
North Carolina	12.0
North Dakota	8.7
Ohio	7.9
Oklahoma	5.7%
Oregon	5.2
Pennsylvania	8.4
Rhode Island	16.0
South Carolina	5.0
South Dakota	13.8
Tennessee	6.7
Texas	6.0
Utah	10.4
Vermont	6.0
Virginia	5.9
Washington	5.2
West Virginia	4.7
Wisconsin	7.0
Wyoming	3.8
Total U.S.	**8.3**

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

CONVERGENCE

Below are the top 10 companies, ranked by revenues, in each of the major financial services sectors included in the Fortune 500. (Note that there are seven savings institutions because only seven savings institutions meet Fortune's criteria.) The chart, which is based on a survey conducted by the Insurance Information Institute in August 2002, does not differentiate between the "manufacturers" of a product and its "distributors."

The chart shows that the nation's largest financial service companies are very diverse. While many are clearly becoming financial service supermarkets, selling a wide range of products outside their core business, some have chosen to specialize.

- **Competition is strongest in the areas of asset management and securities, where 47 out of 57 companies offer products from each of the two categories.**

FINANCIAL PRODUCTS AVAILABLE THROUGH MAJOR FINANCIAL SERVICES COMPANIES

(As of August, 2002)

Sectors[1]	Auto/ home-owners insurance	Life/ health insurance	Commercial insurance	Annuities	Asset management/ retirement funds[2]	Personal banking	Securities/ investment banking	Commercial banking	Mortgages/ credit cards/ personal/ business loans[3]
Diversified Financials									
General Electric	X	X	X	X	X		X		X
Citigroup	X	X	X	X	X	X	X	X	X
Fannie Mae							X		X
Freddie Mac							X		X
American Express	X	X	X	X	X	X	X	X	X
Household Int'l.	X	X		X	X				X
Marsh & McLennan	X	X	X		X		X		
Aon	X	X	X		X				
Capital One Financial	X	X			X	X			X
Countrywide Credit	X	X			X	X	X		X

(table continues)

FINANCIAL PRODUCTS AVAILABLE THROUGH MAJOR FINANCIAL SERVICES COMPANIES (Cont'd)

(As of August, 2002)

Sectors[1]	Auto/ home-owners insurance	Life/ health insurance	Commercial insurance	Annuities	Asset man-agement/ retirement funds[2]	Personal banking	Securities/ investment banking	Commercial banking	Mortgages/ credit cards/ personal/ business loans[3]
Securities									
Morgan Stanley Dean Witter		X		X	X		X		X
Merrill Lynch		X		X	X	X	X	X	X
Goldman Sachs Group					X		X		
Lehman Brothers Holdings	X	X		X	X	X	X	X	X
Bear Stearns					X		X		
Charles Schwab		X		X	X		X		X
A.G. Edwards			X		X		X		X
Franklin Resources					X	X	X	X	X
E*Trade Group	X	X		X	X	X	X		X
Raymond James Financial		X		X	X	X	X	X	X
Commercial Banks									
Bank of America Corp.	X	X	X	X	X	X	X	X	X
J.P. Morgan Chase	X	X	X	X	X	X	X	X	X
Wells Fargo	X	X	X	X	X	X	X	X	X
Bank One Corp.	X	X	X		X	X	X	X	X
Wachovia Corp.	X	X	X	X	X	X	X	X	X
FleetBoston Financial				X	X	X	X	X	X
U.S. Bancorp	X	X	X	X	X	X	X	X	X
MBNA	X	X		X		X		X	X
National City Corp.	X	X	X		X	X	X	X	X
Sun Trust Banks		X		X	X	X	X	X	X

(table continues)

FINANCIAL PRODUCTS AVAILABLE THROUGH MAJOR FINANCIAL SERVICES COMPANIES (Cont'd)

(As of August, 2002)

Sectors[1]	Auto/ home-owners insurance	Life/ health insurance	Commercial insurance	Annuities	Asset management/ retirement funds[2]	Personal banking	Securities/ investment banking	Commercial banking	Mortgages/ credit cards/ personal/ business loans[3]
Savings Institutions									
Washington Mutual	X	X		X	X	X	X	X	X
Golden West Financial Corp.				X	X	X	X		X
Golden State Bancorp	X	X	X	X		X	X	X	X
Charter One Financial	X	X		X	X	X	X	X	X
Sovereign Bancorp	X	X	X	X	X	X	X	X	X
Greenpoint Financial				X	X	X	X		X
Astoria Financial	X	X	X	X	X	X	X	X	X
Property/Casualty Insurance									
American International Group	X	X	X	X	X	X	X		X
State Farm Insurance Cos.	X	X	X	X	X	X	X		X
Berkshire Hathaway	X		X	X					
Allstate	X	X	X	X	X	X	X		X
Loews (CNA)	X	X	X						
Hartford Financial Services	X	X	X	X	X		X		
Nationwide Insurance Enterprises	X	X	X	X	X		X		X
Liberty Mutual Insurance Group	X	X	X	X					
United Services Automobile Assn.	X	X		X	X	X	X		X
St. Paul Cos.			X						

(table continues)

FINANCIAL PRODUCTS AVAILABLE THROUGH MAJOR FINANCIAL SERVICES COMPANIES (Cont'd)
(As of August, 2002)

Sectors[1]	Auto/ home-owners insurance	Life/ health insurance	Commercial insurance	Annuities	Asset man-agement/ retirement funds[2]	Personal banking	Securities/ investment banking	Commercial banking	Mortgages/ credit cards/ personal/ business loans[3]
Life/Health Insurance									
MetLife	X	X	X	X	X	X	X		
Prudential	X	X	X	X	X	X	X		X
New York Life Insurance		X		X	X		X		
TIAA-CREF		X		X	X		X		
Mass. Mutual Life Insurance		X		X	X		X		X
Northwestern Mutual		X	X	X	X		X		
AFLAC		X							
UnumProvident		X	X						
John Hancock		X		X	X		X		X
Guardian Life Ins. Co. of America		X		X	X		X		

[1]Sectors defined by Fortune.
[2]Includes annuities, mutual funds and IRAs.
[3]Includes home equity and auto loans.

Source: Fortune; Insurance Information Institute.

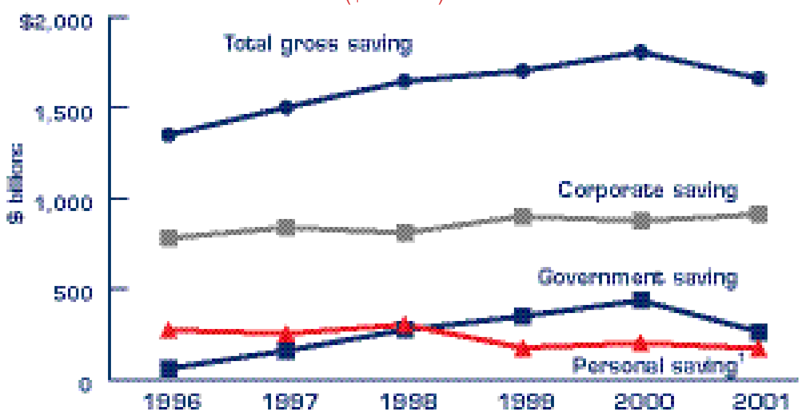
Individuals and businesses seek to increase their assets through savings and investments. They also borrow to purchase assets or finance business opportunities. The financial services industry exists to manage these activities, bringing savers, investors and borrowers together, a process known as financial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

SAVINGS

Gross national saving is the excess of production over cost, or earnings over spending. Gross national saving grew in the late 1990s, fueled largely by increased savings by federal, state and local governments. In 2001, total government saving dropped 40 percent from 2000 due to federal personal income tax refunds and reduced tax revenues at all levels of government, a result of the slowing economy.

Personal saving — the excess of personal disposable income over spending — which had been rising, dropped significantly in 1999, rose slightly in 2000, and declined again in 2001. One explanation of this downward trend is the so-called wealth effect. Some individuals either realized the capital gains that had been accumulating by cashing in on their increased financial assets to purchase goods and homes or spent more of their disposable income because they felt financially secure.

GROSS NATIONAL SAVING, 1996-2001
($ billions)



- **Total gross saving fell $145.5 billion from 2000 to 2001.**
- **Personal savings fell $31.8 billion in 2001, compared with 2000.**

[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, CORPORATE BONDS AND MUNICIPAL SECURITIES

Equity and debt markets offer individuals and institutional investors the opportunity to participate in the development and expansion of publicly-traded companies and in 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.

U.S. HOLDINGS OF CORPORATE EQUITIES, 1996-2001[1]

($ billions, market value at end of year)

	1996	1997	1998	1999	2000	2001	Percent change, 1996-2001
Total	**$10,281.6**	**$13,301.7**	**$15,577.3**	**$19,581.2**	**$17,566.4**	**$15,200.7**	**47.8%**
Household sector	4,895.6	6,302.5	7,173.6	9,197.3	7,317.2	5,888.4	20.3
State and local governments	46.8	79.0	102.0	115.0	115.1	126.3	169.9
Rest of the world[2]	656.8	919.5	1,175.1	1,537.8	1,748.3	1,697.7	158.5
Commercial banking	6.8	2.6	6.8	10.4	11.0	6.3	-7.4
Savings institutions	17.8	23.3	24.5	23.8	24.2	27.9	56.7
Bank personal trusts and estates	248.9	321.0	314.0	338.3	280.0	225.9	-9.2
Life insurance companies	414.1	558.6	733.2	964.5	940.8	905.2	118.6
Other insurance companies	148.6	186.0	200.1	207.9	194.3	171.1	15.1
Private pension funds	1,463.9	1,696.4	1,990.7	2,325.7	2,195.1	1,905.3	30.2
State and local gov't. retirement funds	828.5	1,084.8	1,233.9	1,343.2	1,335.1	1,215.7	46.7
Mutual funds	1,470.0	2,018.7	2,506.2	3,376.7	3,226.9	2,836.1	92.9
Closed-end funds	43.6	50.7	47.3	39.9	35.5	29.0	-33.5
Exchange-traded funds	2.4	6.7	15.6	33.9	65.6	83.0	3,358.3
Brokers and dealers	37.9	51.9	54.4	66.9	77.2	82.8	118.5

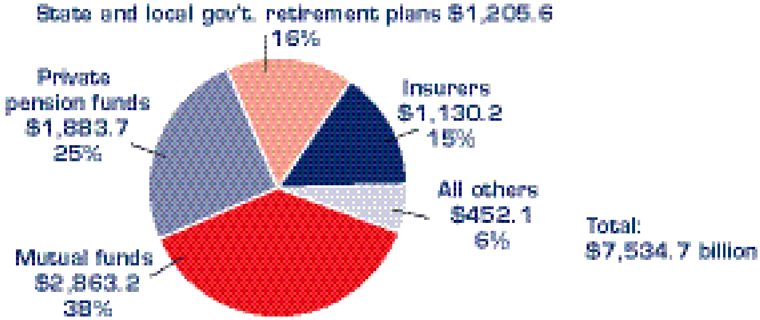
[1]Excludes mutual fund shares.

[2]Holdings of foreign issues by U.S. residents; includes American Depository Receipts (ADRs).

Source: Board of Governors of the Federal Reserve System.

INSTITUTIONAL INVESTOR MARKET IN CORPORATE EQUITIES, 2001[1]

($ billions)



[1]Market value of holdings, as of December 31, 2001.

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF CORPORATE AND FOREIGN BONDS, 1996-2001

($ billions, end of year)

	1996	1997	1998	1999	2000	2001	Percent change, 1996-2001
Total	**$3,209.4**	**$3,607.2**	**$4,170.8**	**$4,635.8**	**$5,050.0**	**$5,686.0**	**77.2%**
Household sector	491.0	531.7	623.7	655.5	645.5	654.0	33.2
State and local governments	49.7	51.0	61.2	71.3	75.0	84.4	69.8
Rest of the world[1]	453.2	537.8	660.0	820.8	1,003.9	1,234.6	172.4
Commercial banking	112.3	143.1	181.1	219.9	277.5	373.1	232.2
Savings institutions	68.6	58.7	88.6	112.0	109.5	83.9	22.3
Bank personal trusts and estates	31.9	31.1	28.5	39.8	48.0	59.1	85.3
Life insurance companies	949.3	1,046.0	1,130.4	1,173.2	1,222.2	1,332.9	40.4
Other insurance companies	141.6	159.5	171.1	181.1	187.5	196.3	38.6
Private pension funds	244.9	278.7	300.9	303.3	318.0	340.2	38.9
State and local gov't. retirement funds	211.4	244.5	279.6	310.0	339.7	343.0	62.3
Money market mutual funds	23.9	36.4	81.2	123.7	161.9	163.0	582.0
Mutual funds	229.5	273.8	339.0	368.2	361.9	420.0	83.0
Closed-end funds	28.6	28.2	32.7	32.6	30.3	25.7	-10.1
Government-sponsored enterprises	41.8	47.1	67.8	91.5	117.3	132.8	217.7
REITs	4.3	6.5	6.1	5.7	5.3	7.4	72.1
Brokers and dealers	90.9	100.0	81.4	93.4	112.7	161.0	77.1
Funding corporations	36.5	33.1	37.6	33.8	33.9	74.8	104.9

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

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF MUNICIPAL SECURITIES AND LOANS, 1996-2001

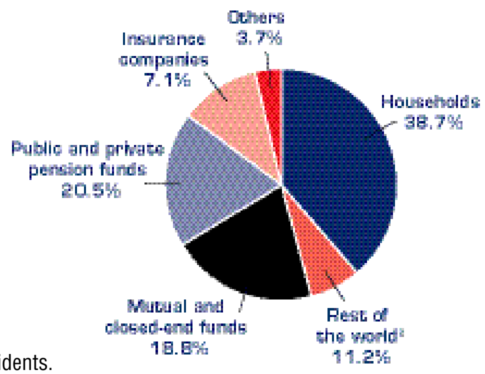
($ billions, market value at end of year)

	1996	1997	1998	1999	2000	2001	Percent change, 1996-2001
Total	**$1,296.0**	**$1,367.5**	**$1,464.3**	**$1,532.5**	**$1,567.8**	**$1,685.4**	**30.0%**
Household sector	433.2	468.8	486.9	524.8	534.1	555.8	28.3
Nonfinancial corporate business	31.0	27.4	25.7	25.0	37.9	38.7	24.8
Nonfarm noncorporate business	2.6	3.2	2.8	2.6	3.5	3.9	50.0
State and local governments	4.6	3.9	2.5	1.0	1.6	1.9	-58.7
Commercial banking	94.2	96.7	104.8	110.7	114.0	120.2	27.6
Savings institutions	2.1	2.1	2.5	3.0	3.2	4.5	114.3
Bank personal trusts and estates	104.0	90.7	89.5	100.3	105.0	106.8	2.7
Life insurance companies	13.4	16.7	18.4	20.1	19.1	21.0	56.7
Other insurance companies	175.4	191.6	208.1	199.0	184.1	190.3	8.5
State and local gov't. retirement funds	0.6	1.5	3.3	3.0	1.6	1.0	66.7
Money market mutual funds	144.5	167.0	193.0	210.4	244.7	281.0	94.5
Mutual funds	213.3	219.8	242.6	239.4	230.5	253.4	18.8
Closed-end funds	60.8	60.0	61.8	70.5	68.4	73.1	20.2
Government-sponsored enterprises	5.6	5.2	9.2	10.6	8.8	14.8	164.3
Brokers and dealers	10.8	13.2	13.1	11.9	11.3	19.0	75.9

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF CORPORATE EQUITIES, 2001[1]

(Market value, end of year)



[1]Excludes mutual funds.

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

Source: Board of Governors of the Federal Reserve System.

MUTUAL FUNDS BY HOLDER, 1997 AND 2001
($ billions)

	1997	2001
Household sector	$1,941.2	$2,969.6
Nonfinancial corporate business	69.1	107.8
Commercial banking/credit unions	10.5	23.5
State and local governments	33.6	31.5
Bank personal trusts and estates	326.9	320.0
Life insurance companies	38.4	44.3
Private pension funds	569.6	638.7
Total	**$2,989.4**	**$4,135.5**

Source: Board of Governors of the Federal Reserve System.

- **According to the Securities Industr y Association, in 2001, 77 percent of households' liquid financial assets — those readily convertible to cash — were in securi - ties products and just 23 percent in bank deposits and CDs. In 1985, 52 percent were in bank deposits.**

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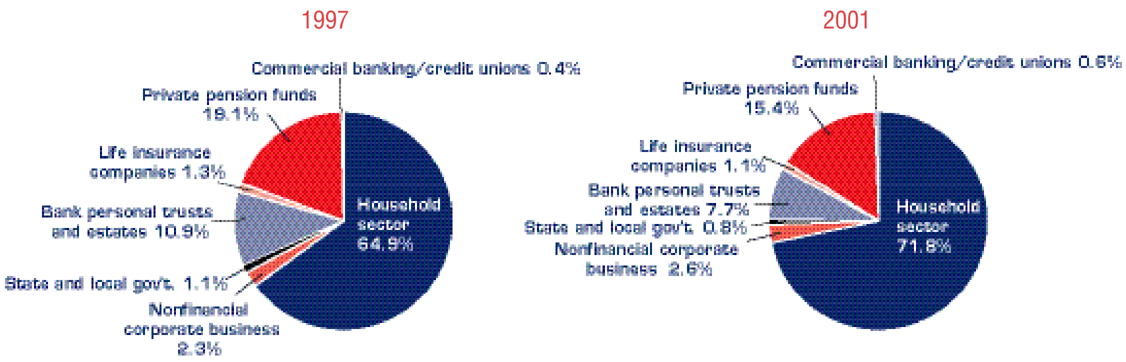
MUTUAL FUND SHARES BY HOLDER, 1997 AND 2001



Source: Board of Governors of the Federal Reserve System.

OWNERSHIP OF FEDERAL GOVERNMENT DEBT

The buying and selling of government securities is a crucial component of each of the financial sectors. Debt is issued and sold, based on the changing needs of the federal government. This fluctuation is reflected by the surplus and deficit levels of the gross federal debt.

- The average daily trading volume in U.S. Treasury securities hit $226.6 billion in 1998, then dropped in 1999 and 2000, before rising again in 2001. By March 31, 2002, it reached $344.8 billion, according to the Bond Market Association.
- Over the last 10 years, state and local governments, individuals, banks and insurance companies have cut back on the amount of U.S. securities they own. Ownership in the foreign and international category has doubled.

ESTIMATED OWNERSHIP OF U.S. PUBLIC DEBT SECURITIES, 1991-2001[1]

($ billions, end of year)

		Percent of total			
Year	Total holdings	Individuals	Mutual funds/ trusts[2]	Banking institutions[3]	Insurance companies
1991	$2,461.6	14.0%	10.7%	11.3%	7.4%
1992	2,746.5	14.3	10.9	12.4	7.2
1993	2,988.5	13.8	11.2	11.5	7.8
1994	3,148.2	19.1	9.9	9.4	7.6
1995	3,310.3	16.6	9.8	10.1	7.3
1996	3,472.6	15.9	10.2	8.2	6.2
1997	3,467.5	12.0	9.9	8.5	5.1
1998	3,337.0	8.6	10.8	7.6	4.3
1999	3,249.9	10.1	11.3	6.3	3.8
2000	3,001.6	4.9	11.8	6.5	3.6
2001	3,016.2	8.2	9.1	6.6	2.8

	Percent of total				
Year	Pension funds[4]	U.S. monetary authorities	State and local governments[5]	Foreign and international	Other[6]
1991	11.4%	10.8%	11.3%	19.3%	3.9%
1992	11.2	10.7	9.5	18.9	4.8
1993	10.8	11.1	10.0	19.9	3.8
1994	11.1	11.6	7.4	20.1	3.7
1995	10.1	11.4	5.3	25.4	3.9
1996	9.9	11.3	4.6	31.5	2.3
1997	10.4	12.4	3.7	36.1	1.9
1998	10.7	13.5	3.1	39.4	1.9
1999	10.8	14.7	3.0	38.1	2.0
2000	10.1	16.9	2.8	40.4	2.4
2001	9.6	18.3	2.0	41.4	2.0

[1]Excludes savings bonds ($190.3 billion outstanding on 12/31/01) and state and local government securities. [2]Includes mutual and money market funds, closed-end funds, and bank personal trusts and estates. [3]Includes all commercial banks, savings institutions, and credit unions. [4]Includes state and local government and private pensions funds. [5]Excludes state and local pension funds and securities. [6]Includes nonfinancial corporations, nonfarm noncorporate institutions, and government-sponsored enterprises.

Source: Board of Governors of the Federal Reserve System; Treasury Bulletin; The Bond Market Association.

ASSETS OF HOUSEHOLDS

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

ASSETS OF HOUSEHOLDS, 1981-2001[1]
($ billions, end of year)

	Value			Percent of total		
Type of instrument	1981	1991	2001	1981	1991	2001
Total financial assets	**$7,036**	**$16,390**	**$32,098**	**100.0%**	**100.0%**	**100.0%**
Deposits	1,726	3,270	4,967	24.5	20.0	15.5
Foreign deposits	0	15	47	0.0	0.1	0.1
Checkable deposits and currency	270	478	390	3.8	2.9	1.2
Time and savings deposits	1,307	2,394	3,391	18.6	14.6	10.6
Money market fund shares	148	383	1,139	2.1	2.3	3.5
Credit market instruments	444	1,634	1,894	6.3	10.0	5.9
Open-market paper	27	33	53	0.4	0.2	0.2
U.S. government securities	154	569	539	2.2	3.5	1.7
Treasury issues	153	527	439	2.2	3.2	1.4
Savings bonds	68	138	190	1.0	0.8	0.6
Other Treasury	85	388	249	1.2	2.4	0.8
Agency issues	1	42	100	0.0	0.3	0.3
Municipal securities	131	614	582	1.9	3.7	1.8
Corporate and foreign bonds	31	273	608	0.4	1.7	1.9
Mortgages	101	145	112	1.4	0.9	0.3
Corporate equities[2]	780	2,549	5,832	11.1	15.6	18.2
Mutual fund shares	47	570	2,993	0.7	3.5	9.3
Security credit	15	87	443	0.2	0.5	1.4
Life insurance reserves	230	419	868	3.3	2.6	2.7
Pension fund reserves	1,065	3,838	8,724	15.1	23.4	27.2
Investment in bank personal trusts	272	639	912	3.9	3.9	2.8
Equity in noncorporate business	2,378	3,149	5,106	33.8	19.2	15.9
Miscellaneous assets	80	234	359	1.1	1.4	1.1

[1]Includes nonprofit organizations.

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

Source: Board of Governors of the Federal Reserve System.

FINANCIAL ASSETS HELD BY FAMILIES, BY TYPE OF ASSET, 1992-1998

Percent of families owning asset[1]	Any financial asset[2]	Trans-action accounts[3]	Certi-ficates of deposit	Savings bonds	Bonds[4]	Stocks[4]	Mutual funds[5]	Retire-ment accounts[6]	Life insurance[7]	Other assets[8]
1992	90.2%	86.9%	16.7%	22.3%	4.3%	17.0%	10.4%	39.6%	34.9%	14.8%
1995	91.0	87.0	14.3	22.8	3.1	15.2	12.3	45.2	32.0	15.0
1998	92.9	90.5	15.3	19.3	3.0	19.2	16.5	48.8	29.6	15.3
Age of family head										
Under 35 years old	88.6	84.6	6.2	17.2	1.0	13.1	12.2	39.8	18.0	12.0
35 to 44 years old	93.3	90.5	9.4	24.9	1.5	18.9	16.0	59.5	29.0	15.7
45 to 54 years old	94.9	93.5	11.8	21.8	2.8	22.6	23.0	59.2	32.9	15.6
55 to 64 years old	95.6	93.9	18.6	18.1	3.5	25.0	15.2	58.3	35.8	14.9
65 to 74 years old	95.6	94.1	29.9	16.1	7.2	21.0	18.0	46.1	39.1	19.1
75 years old and over	92.1	89.7	35.9	12.0	5.9	18.0	15.1	16.7	32.6	18.0
Family income										
Less than $10,000	70.6	61.9	7.7	3.5	NA	3.8	1.9	6.4	15.7	8.0[9]
$10,000 to $24,999	89.9	86.5	16.8	10.2	1.3	7.2	7.6	25.4	20.9	13.1
$25,000 to $49,999	97.3	95.8	15.9	20.4	2.4	17.7	14.0	54.2	28.1	14.1
$50,000 to $99,999	99.8	99.3	16.4	30.6	3.3	27.7	25.8	73.5	39.8	17.1
$100,000 and more	100.0	100.0	16.8	32.3	12.2	56.6	44.8	88.6	50.1	28.5
Percent distribution of amount of financial assets of all families										
1992	100.0	17.5	8.1	1.1	8.4	16.5	7.7	25.5	6.0	9.2
1995	100.0	14.0	5.7	1.3	6.3	15.7	12.7	27.9	7.2	9.3
1998	100.0	11.4	4.3	0.7	4.3	22.7	12.5	27.5	6.4	10.3

[1]Families include one-person units. [2]Includes other types of financial assets, not shown separately. [3]Includes checking, savings, and money market deposit accounts, money market mutual funds, and call accounts at brokerages. [4]Covers only those stocks and bonds that are directly held by families outside mutual funds, retirement accounts and other managed assets. [5]Excludes money market mutual funds and funds held through retirement accounts or other managed assets. [6]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 them. Those from past jobs are restricted to accounts from which the family expects to receive the account balance in the future. [7]Cash value. [8]Includes personal annuities and trusts with an equity interest, managed investment accounts and miscellaneous assets. [9]Excludes managed accounts.

NA=Data not available.

Note: Latest data based on surveys conducted every three years.

Source: Board of Governors of the Federal Reserve System.

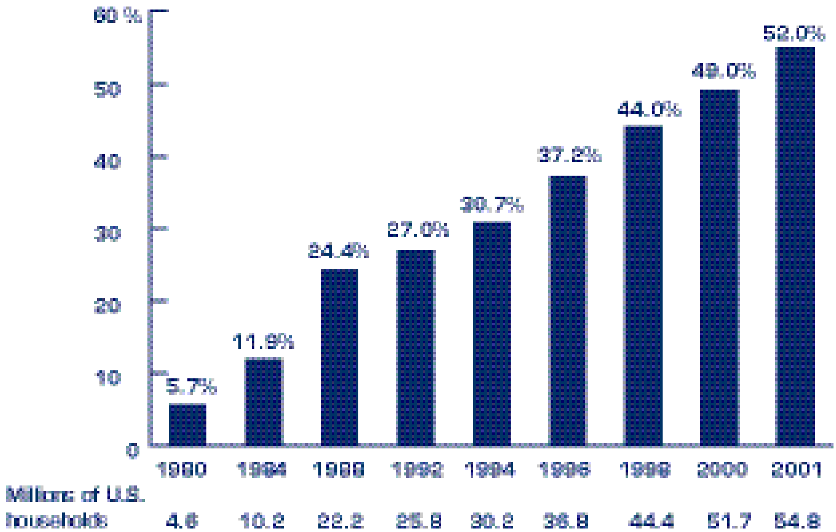
U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980-2001[1]

Year	Percent of all U.S. households	Millions of households
1980	5.7%	4.6
1984	11.9	10.2
1988	24.4	22.2
1992	27.0	25.8
1994	30.7	30.2
1996	37.2	36.8
1998	44.0	44.4
2000	49.0	51.7
2001	52.0	54.8

[1]Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2001 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998 through 2001 include fund ownership through variable annuities.

Source: Investment Company Institute.

U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS, 1980-2001[1]
(Percent of all U.S. households)



[1]Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2001 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998 through 2001 include fund ownership through variable annuities.

Source: Investment Company Institute.

NONFINANCIAL ASSETS HELD BY FAMILIES, BY TYPE OF ASSET, 1992-1998

1998	Vehicles	Primary residence	Other residential property	Equity in nonresidential property	Business equity	Other	Any nonfinancial asset	Total
Family characteristic								
All families	**82.8%**	**66.2%**	**12.8%**	**8.6%**	**11.5%**	**8.5%**	**89.9%**	**96.8%**
Age of family head:								
Under 35 years old	78.3	38.9	3.5	2.7	7.2	7.3	83.3	94.8
35 to 44 years old	85.8	67.1	12.2	7.5	14.7	8.8	92.0	97.6
45 to 54 years old	87.5	74.4	16.2	12.2	16.2	9.2	92.9	96.7
55 to 64 years old	88.7	80.3	20.4	10.4	14.3	8.5	93.8	98.2
65 to 74 years old	83.4	81.5	18.4	15.3	10.1	10.3	92.0	98.5
75 years old and over	69.8	77.0	13.6	8.1	2.7	7.0	87.2	96.4
Family income:								
Less than $10,000	51.3	34.5	[1]	[1]	3.8	2.6	62.7	83.8
$10,000 to $24,999	78.0	51.7	5.8	5.0	5.0	5.6	85.9	96.4
$25,000 to $49,999	89.6	68.2	11.4	7.6	10.3	9.4	95.6	99.2
$50,000 to $99,999	93.6	85.0	19.0	12.0	15.0	10.2	98.0	100.0
$100,000 and more	88.7	93.3	37.3	22.6	34.7	17.1	98.9	100.0
Percent of families owning asset:								
1992	86.4	63.8	NA	NA	14.9	8.5	NA	91.3
1995	84.1	64.7	11.8	9.4	11.1	9.0	90.9	96.3
1998	82.8	66.2	12.8	8.6	11.5	8.5	89.9	96.8

[1]Base figure too small to provide reliable data.

NA=Data not available.

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

Source: Board of Governors of the Federal Reserve System.

EDUCATIONAL SAVINGS PLANS AND LOANS

To encourage households to save for college education, states have developed Section 529 college savings plans, named after a part of the Internal Revenue tax code that allows earnings to accumulate free of federal income tax and to be withdrawn to pay for college costs tax-free. Slow to gain acceptance initially, these plans are now growing fast. By the end of 2002, all states and the District of Columbia are expected to have such plans. 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.

- Assets in Section 529 plans are expected to grow significantly over the decade, from $25 billion at the end of 2002 to $100 billion by 2005 and $380 billion by 2010, according to Financial Research Corp.
- In the first three months of 2002, dollars invested in Section 529 plans grew 25.8 percent from 2001.
- According to the Investment Company Institute, mutual funds accounted for 98 percent of savings plans assets at year-end 2001.

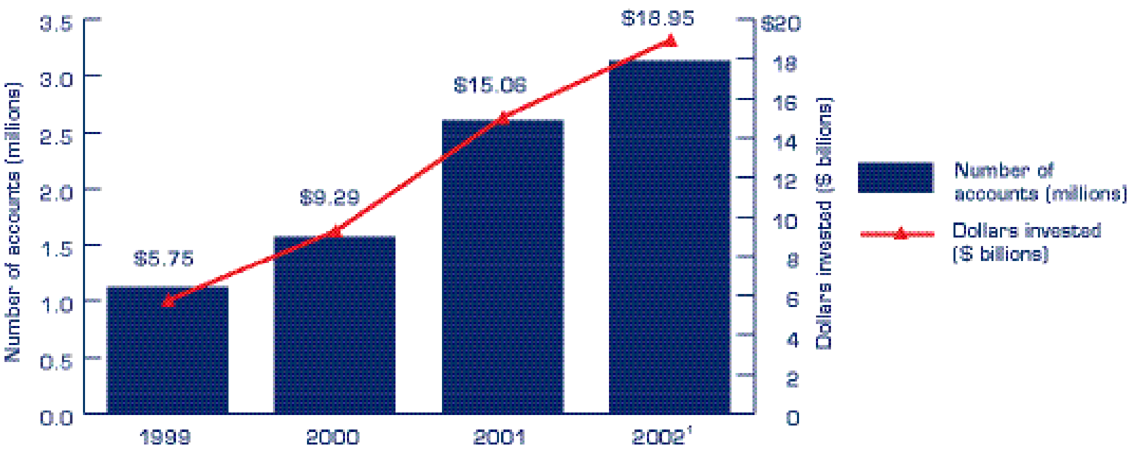
DOLLARS INVESTED AND NUMBER OF 529 PLAN ACCOUNTS, 1999-2002

Year	Total dollars invested ($ billions)	Total number of accounts (millions)
1999	$5.75	1.12
2000	9.29	1.57
2001	15.06	2.60
2002[1]	18.95	3.13

[1]As of March 2002.

Source: National Association of State Treasurers.

DOLLARS INVESTED AND NUMBER OF 529 PLAN ACCOUNTS, 1999-2002



[1]As of March 2002.

Source: National Association of State Treasurers.

The most significant source of federal educational loans is the Stafford Loan Program, accounting for 96 percent of all student loans in 1999-2000. Stafford loans may come directly from the federal government under the Direct Loan Program or through the Federal Family Education Loan Program (FFELP), which makes federally-guaranteed loans available through private lenders such as banks.

The Stafford Loan Program provides subsidized loans (awarded on the basis of need, interest free up to six months after a student leaves college) and unsubsidized loans. The FFELP made some $21 billion in student loans available in fiscal year 2000 and is about twice the size of the direct program.

TOP TEN ORIGINATORS OF FFELP LOANS, FISCAL YEARS 2000-2001[1]
($ millions)

	New guarantees	
Lender name/ State/(City)	Fiscal year 2000	Fiscal year 2001
J.P. Morgan Chase Bank, NY (Garden City)	$2,025.1	$2,295.0
Bank One Ed. Fin. Group, OH (Columbus)	1,999.8	2,203.3
Citibank, Student Loan Corp., NY (Pittsford)	2,057.1	2,167.0
Bank Of America, CA (Los Angeles)	1,512.9	1,639.6
Wells Fargo Education Financial Services, SD (Sioux Falls)	1,580.7	1,583.5
Sallie Mae, VA (Reston)	860.0	1,383.5
First Union Natl. Bank [Classnotes], CA (Sacramento)	1,231.2	1,248.7
National City Bank, OH (Cleveland)	886.6	896.6
American Express Ed. Assurance Co., CA (San Diego)	565.7	882.5
Firstar Bank, WI (Milwaukee)	712.3	798.6

[1]Federal Family Education Loan Program, available to the parents of dependent students. Includes Stafford loans (subsidized and unsubsidized) and PLUS loans. Excludes consolidation loans.

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

CONSUMER AND BUSINESS DEBT

Business borrowing slowed in 2001 as the recession took hold and banks reined in credit. But consumers continued to pile on debt.

CREDIT MARKET DEBT OUTSTANDING, OWED BY SECTOR, 1992-2001[1]
($ billions)

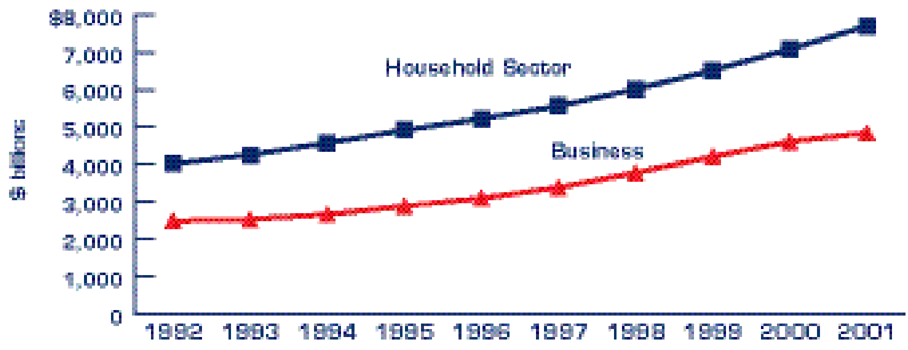
Year	Household sector	Nonfinancial corporate business
1992	$4,017.1	$2,477.0
1993	4,260.3	2,523.9
1994	4,574.5	2,655.0
1995	4,913.8	2,879.9
1996	5,223.9	3,093.0
1997	5,556.9	3,383.1
1998	6,011.4	3,776.1
1999	6,513.3	4,209.3
2000	7,078.3	4,612.3
2001	7,692.9	4,840.1

[1]Excludes corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

- **Household debt rose 8.7 percent from 2000 to 2001, compared with 4.9 percent for business debt. Over the 10 years, 1992-2001, business debt rose 95.4 percent, compared with 91.5 percent for household debt.**

CREDIT MARKET DEBT OUTSTANDING, OWED BY SECTOR, 1992-2001[1]
($ billions)



[1]Excludes corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

DEBT HELD BY FAMILIES, BY TYPE OF DEBT AND LENDING INSTITUTION, 1992-1998

Type of debt	1992	1995	1998
Total	**100.0%**	**100.0%**	**100.0%**
Home-secured debt	72.5	73.3	71.9
Installment loans	11.3	11.8	12.8
Other residential property	10.0	7.5	7.4
Credit card balances	3.2	3.9	3.8
Other debt	2.3	2.8	3.7
Other lines of credit	0.7	0.6	0.3
Purpose of debt			
Total	**100.0%**	**100.0%**	**100.0%**
Home purchase	67.4	70.4	68.1
Investment, real estate	10.8	8.2	7.8
Vehicles	7.0	7.5	7.5
Goods and services	5.6	5.7	6.0
Education	2.8	2.7	3.4
Investment	1.8	1.0	3.2
Home improvement	2.5	2.0	2.0
Other loans	2.2	2.4	1.9
Type of lending institution			
Total	**100.0%**	**100.0%**	**100.0%**
Real estate lender	27.1	32.7	35.9
Commercial bank	33.3	35.1	32.6
Savings and loan	16.8	10.8	9.6
Credit union	4.0	4.5	4.2
Finance or loan company	3.2	3.2	4.2
Credit and store cards	3.3	3.9	3.8
Brokerage	3.1	1.9	3.7
Individual lender	4.3	5.0	3.4
Other nonfinancial	1.6	0.8	1.3
Other loans	1.2	0.9	0.7
Government	2.0	1.3	0.6

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

Source: Board of Governors of the Federal Reserve System.

CREDIT OUTSTANDING: TRENDS IN MARKET SHARE, 1997-2002
($ billions)

	December 1997	April 2002	Percent change	Percent of total: December 1997	Percent of total: April 2002
Commercial banks	$512.6	$556.1	8.5%	53.9%	32.9%
Finance companies	160.0	230.2	43.9	12.7	13.6
Credit unions	152.4	187.3	22.9	12.1	11.1
Savings institutions	47.2	69.4	47.0	5.0	4.1
Nonfinancial business	78.9	56.9	-27.9	8.3	3.4
Total	**951.1**	**1,099.9**	**15.6**	**75.2**	**65.2**
Memo:					
Pools of securitized loans	313.1	585.6	87.0	24.8	34.7
Total including securitized loans	**1,264.2**	**1,685.5**	**33.3**	**100.0**	**100.0**

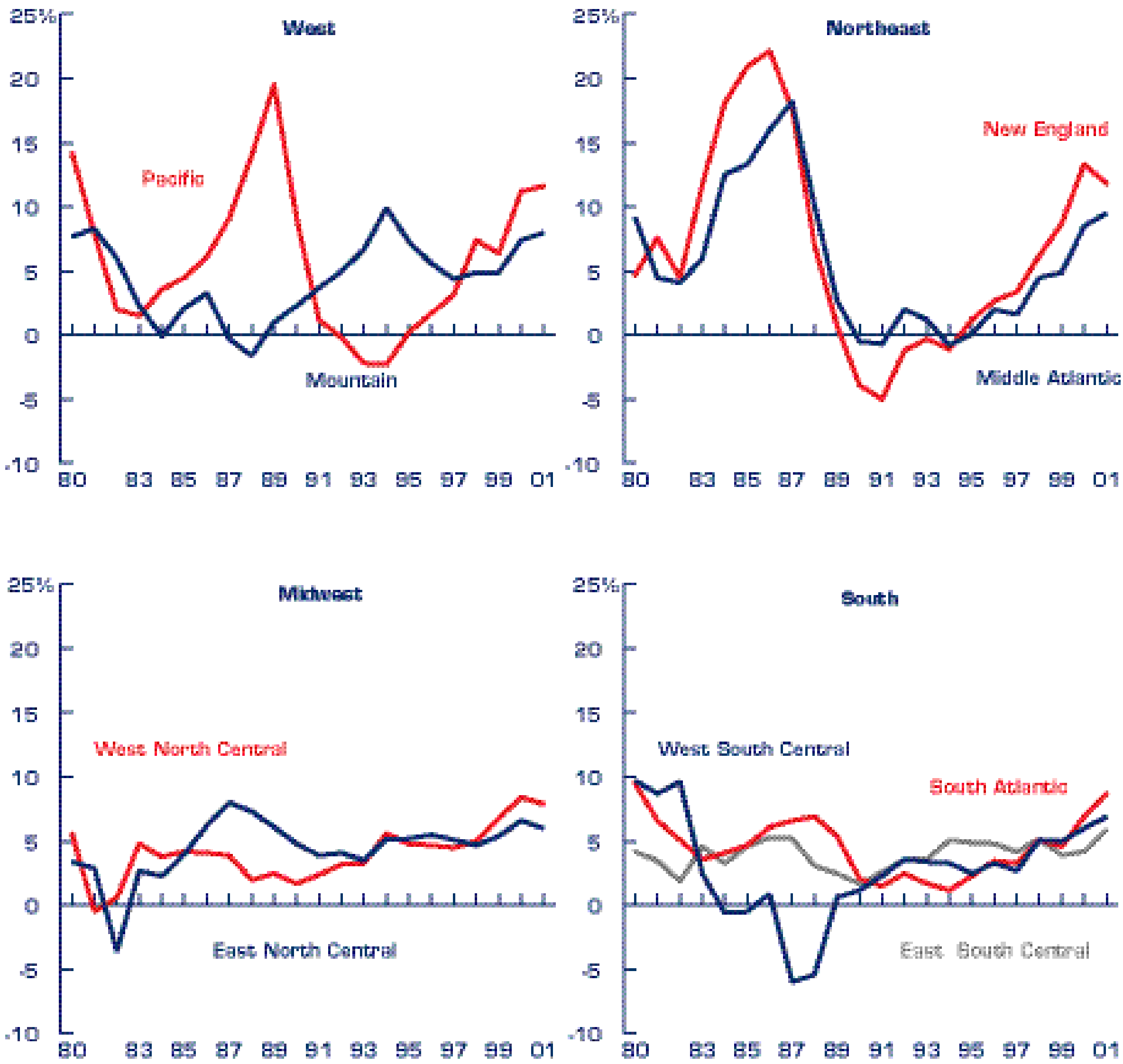
Source: American Financial Services Association; Board of Governors of the Federal Reserve System.

MORTGAGE DEBT AND HOME EQUITY LOANS

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 mortgage market has expanded as a result of business growth.

Overall, the mortgage market grew 10.3 percent in 2001 from the previous year. The steady growth in mortgage debt reflects not only increased prosperity and lower interest rates, but an increased availability of funds made possible by the rise of mortgage pools created by federal home lending agencies and private financial concerns. While mortgage holdings by life insurers and federal agencies and individuals remained relatively flat throughout the period 1992-2001, mortgages held in pools — the largest holders — more than doubled, outstripping the increase in commercial bank mortgage holdings. Rising home prices in many parts of the country have increased the value of household assets invested in real estate.

HOME PRICE APPRECIATION BY REGION, 1980-2001[1]



[1]Regions defined by the Bureau of the Census.

Source: U.S. Department of Housing and Urban Development, Office of Federal Housing Enterprise Oversight; PMI Group.

MORTGAGE HOLDINGS BY HOLDER, 1992-2001
($ billions, end of year)

Year	Commercial banks	Thrifts	Life insurers	Federal agencies	Mortgage pools and trusts	Individuals and others
1992	$894.5	$268.0	$246.7	$286.3	$1,433.2	$603.2
1993	940.6	598.4	224.4	326.0	1,570.7	601.0
1994	1,012.7	596.2	210.9	315.6	1,730.0	527.4
1995	1,090.2	596.8	213.1	308.8	1,863.2	531.9
1996	1,145.4	628.3	208.2	295.2	2,040.8	559.6
1997	1,245.3	631.8	206.8	286.2	2,239.4	601.8
1998	1,338.3	644.0	213.6	293.6	2,581.4	651.7
1999	1,496.8	668.6	230.8	322.1	1,948.3	693.6
2000	1,661.4	723.5	235.9	344.0	3,231.4	738.0
2001	1,793.1	758.1	240.9	373.1	3,717.4	775.5

Source: Board of Governors of the Federal Reserve System.

TOTAL MORTGAGES, 1995-2001
($ billions)

	1995	1996	1997	1998	1999	2000	2001
Total mortgages	**$4,576.6**	**$4,864.8**	**$5,202.2**	**$5,717.4**	**$6,322.8**	**$6,888.6**	**$7,594.7**
Home	3,507.9	3,720.0	3,978.3	4,365.5	4,790.2	5,206.8	5,740.1
Multifamily residential	273.0	288.7	301.1	331.5	369.8	406.3	453.7
Commercial	711.4	769.2	832.7	923.9	1,060.4	1,166.6	1,284.7
Farm	84.2	86.9	90.0	96.6	102.3	108.8	116.2

Source: Board of Governors of the Federal Reserve System.

HOME EQUITY LOANS, 1996-2001[1]
($ billions, end of year)

	1996	1997	1998	1999	2000	2001
Total	**$338.1**	**$416.2**	**$476.7**	**$532.8**	**$630.5**	**$702.3**
Commercial banking	153.8	174.0	176.9	189.5	234.8	258.6
Savings institutions	52.3	55.5	55.9	59.8	72.9	77.9
Credit unions	25.5	29.0	29.7	33.4	40.7	44.9
ABS issuers	51.6	90.2	124.2	141.9	151.5	178.3
Finance companies	55.0	67.5	90.0	108.2	130.6	142.5

[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 mortgage companies and individuals.

Source: Board of Governors of the Federal Reserve System.

BANKRUPTCIES

There are three major types of bankruptcies: Chapter 7 is a liquidation, under which assets are distributed by a court-appointed trustee and, if there are no assets, the debt is discharged and creditors receive nothing. Chapter 11 is a reorganization used mostly for 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. Chapter 7 filings have increased significantly in recent years, according to the Administrative Office of the U.S. Courts.

BANKRUPTCY PETITIONS FILED, BY TYPE, 1996-2001
(Year ending June 30)

Year	Business	Nonbusiness	Total
1996	52,938	989,172	1,042,110
1997	53,993	1,263,006	1,316,999
1998	50,202	1,379,249	1,429,451
1999	39,934	1,352,030	1,391,964
2000	36,910	1,240,012	1,276,922
2001[1]	35,992	1,271,865	1,307,857

[1]Year ending March 31.

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

OVERVIEW

The insurance industry safeguards the assets of its policyholders, ensuring that they or their families can get their lives back on track and continue to contribute to the economy even after a disaster. Insurance companies act as financial intermediaries in that they invest the premiums they collect for providing this service.

The insurance industry is divided into two groups, life/health and property/casualty. About 20 percent of the life/health sector's premiums consists of accident and health products, including a small amount of "pure" health insurance, such as coverage from HMOs. Due to the massive involvement of the federal government in health care financing, pure health insurance data are hard to isolate and generally not compatible with other insurance data. For this reason, specific health insurance data are not included in this book.

Insurance is a product that transfers risk from an individual or business to an insurance company. It differs from most products in that insurers must price and sell their policies before the full cost of coverage is known. In property/casualty insurance, claims may be more frequent and costly than anticipated and investment income may not fully offset the shortfall. In life insurance, expected returns from investments may not be sufficient to fund annuity contracts, especially fixed dollar annuities. If there is a downturn in the economy, policyholders may cancel life insurance policies before the company can recoup its selling expenses. They may also cash in policies that are based on stock market returns if the stock market falls.

Insurance company size is usually measured by net premiums written, that is, premium revenues less amounts paid for reinsurance. By that measure and others, the life insurance segment is larger than the property/casualty segment. Many large insurers offer both property/casualty and life/health insurance and a number are expanding into other financial services sectors, including banking and mutual funds.

REGULATION

All types of insurance are regulated by the states. The McCarran-Ferguson Act, passed by Congress in 1945, speaks of continued state regulation of the insurance industry as being in the public interest, but there have been and continue to be challenges to state regulation.

Each state has its own set of statutes and rules governing the industry. However, with the increasing globalization of financial services and intense competition from outside as well as inside the industry, state regulators are being asked to modernize the system, in particular to bring about greater uniformity in rate regulation and faster approval of new products. Meanwhile some insurers and other groups, including banks, which can choose a federal or state charter, are developing proposals for an optional federal regulatory system.

State insurance departments oversee insurer solvency, market conduct and, to a greater or lesser degree, review and rule on requests for rate increases for coverage, among other things. Personal lines of the property/casualty insurance business, such as auto and homeowners insurance, and workers compensation, in commercial lines, are the most highly regulated, largely because these coverages are generally mandated by state law or required by banks and other lenders. The National Association of Insurance Commissioners develops model rules and regulations for the industry, many of which must be approved by state legislatures before they can be implemented.

How Insurance Statutory Accounting Practices Differ from Generally Accepted Accounting Principles: Insurers are required to use a special accounting system when filing annual financial reports with state regulators and the Internal Revenue Service. This system is known as statutory accounting principles (SAP). SAP accounting is more conservative than generally accepted accounting principles (GAAP), as defined by the Financial Accounting Standards Board, to ensure that insurers have sufficient capital and surplus to cover insured losses. The two systems differ principally in matters of timing of expenses, tax accounting, the treatment of capital gains and accounting for surplus. Simply put, SAP recognizes liabilities earlier or at a higher value and recognizes assets later or at a lower value. GAAP accounting focuses on a business as a going concern, while SAP accounting treats insurers as if they were about to be liquidated. SAP accounting is defined by state law according to uniform codes established by the National Association of Insurance Commissioners. Insurance companies reporting to the Securities and Exchange Commission must maintain and report another set of figures that meet GAAP standards.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) COMPARED WITH STATUTORY ACCOUNTING PRINCIPLES (SAP)

	GAAP	SAP
Sales Costs	Accounted for over the period in which the premium is earned, i.e., the policy period.	Accounted for immediately on the sale of a policy.
Unearned income	Taxes on unearned income can be deferred until the income is earned.	Some taxes must be paid on a portion of unearned premium.
Loss reserve discounting	Reserves held to pay known losses in future need not be discounted for tax purposes.	Loss reserves must be discounted for tax purposes.
Reinsurance recoverables	Net worth may include reinsurance payments that may not be recoverable.	Net worth cannot include potentially unrecoverable reinsurance payments.
Nonadmitted assets	Certain assets, e.g., furniture and equipment, can be included in net worth.	Such assets cannot be included in net worth.
Taxes on unrealized capital gains	Deferred taxes on unrealized capital gains cannot be included in net worth.	Those anticipated taxes need not be deducted from net worth.
Bonds	Requires insurers to carry certain bonds at fair market value.	Most bonds can be carried at their amortized value.
Surplus notes	Surplus notes, a highly subordinated form of debt, must be carried as liabilities	Surplus notes can be carried as part of policyholder's surplus.

Source: Insurance Information Institute.

MERGERS AND ACQUISITIONS

THE TOP TEN INSURANCE-RELATED MERGERS AND ACQUISITIONS REPORTED IN 2001[1]
($ millions)

Seller	Buyer	Transaction value
American General Corp.	American International Group, Inc.	$23,200
Chiyoda Mutual Life Insurance Co.	American International Group, Inc.	2,760
Lincoln Re	Swiss Reinsurance Co.	2,000
Keyport Life Insurance Co. and Independent Financial Marketing Group	Sun Life Financial Services of Canada, Inc.	1,700
Provident Mutual Life Insurance Co.	Nationwide Financial Services, Inc.	1,560
RightCHOICE Managed Care, Inc.	Wellpoint Health Networks, Inc.	1,300
Care First Blue Cross Blue Shield	Wellpoint Health Networks, Inc.	1,300
J.C. Penney Direct Marketing Services, Inc.	Aegon NV	1,300
Fortis Financial Group	Hartford Financial Services Group, Inc.	1,120
National Mutual Life Assurance Society	GE Capital Corp.	803
Total		**$37,043**

[1]At least one of the companies involved in the transaction is a U.S.-domiciled insurer. Includes property/casualty, life, health/managed care, service and distribution companies.

Source: Conning & Company, 2002. Used with permission.

- **The value of property/casualty mergers and acquisitions peaked in 1998 at $56 billion with 117 deals and has declined steadily every year since. By 2001, the value had fallen to $1.2 billion with 41 deals.**
- **In 1998, there were 51 life insurance mergers and acquisitions worth $32 billion. In 2001, there were 33 deals valued at $36.1 billion.**
- **The total number of insurance-related mergers and acquisitions dropped from 565 deals in 1998 worth $165.4 billion, to 300 deals worth $41.5 billion in 2001.**

PROFITABILITY

The following chart illustrates the differences in annual financial results for the property/casualty and life/health insurance industries using SAP (statutory accounting) and GAAP accounting, see explanation, page 32.

ANNUAL RATE OF RETURN, PROPERTY/CASUALTY AND LIFE/HEALTH INSURANCE, 1995-2001

	Property/casualty insurance		Life/health insurance	
Year	SAP accounting[1]	GAAP accounting[2]	SAP accounting[3]	GAAP accounting[4]
1995	9.0%	8.7%	12.5%	11.0%
1996	9.5	9.3	12.7	10.0
1997	11.9	11.6	13.4	12.0
1998	9.0	8.5	9.7	11.0
1999	6.7	6.0	11.3	13.0
2000	6.5	5.9	12.8	10.0
2001	-2.3	-1.4	8.6	7.0

[1]Net income after taxes, divided by year-end policyholders' surplus. Calculated by the Insurance Information Institute from A.M. Best Company, Inc. data.

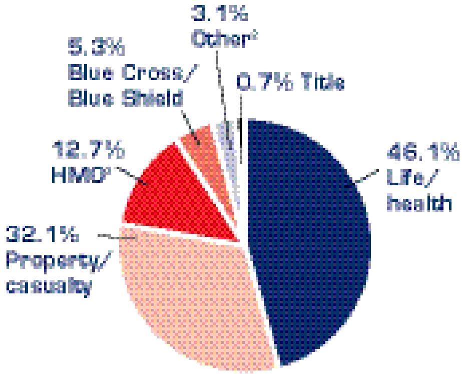
[2]Return on average net worth, Insurance Services Office, Inc.

[3]Return on equity, A.M. Best Company, Inc.

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

Source: A.M. Best Company, Inc.; Insurance Services Office, Inc.

PREMIUMS BY TYPE OF INSURER, 2000[1]



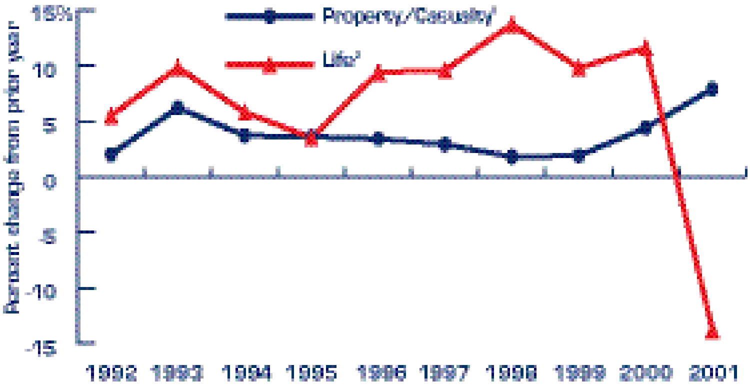
[1]Gross direct premiums. Total premiums for 2000 were $956.8 billion.

[2]Includes hospital, medical and dental indemnity, fraternal, limited benefit plans, and all other insurance.

[3]Health maintenance organizations.

Source: National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution is strictly prohibited.

GROWTH IN PREMIUMS, PROPERTY/CASUALTY AND LIFE INSURANCE, 1992-2001

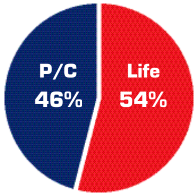


[1]Net premiums written, excluding state funds.

[2]Includes premiums written for ordinary, group, credit and industrial life insurance and annuities.

Source: A.M. Best Company, Inc.

U.S. PROPERTY/CASUALTY AND LIFE INSURANCE PREMIUMS, 2001



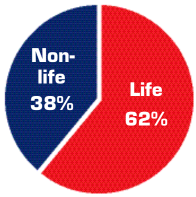
Source: A.M. Best Company, Inc.

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.

The number of countries in the survey of world insurance premiums below, conducted by Swiss Re, increased from 60 in 1991 to 88 in 2000. To be included, countries must have had reliable data and direct premiums of over $100 million from 1991 to 1998, and over $150 million thereafter.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 2000



Source: Swiss Re, *sigma*, No. 6/2001.

- Over the 10-year period, 1991 to 2000, total world insurance premiums grew 72.8 percent.
- Nonlife premiums grew 37.5 percent over the same 10 years, while life business grew 104.6 percent.
- In 2000, the inflation-adjusted growth rate from 1999 in the total world insurance market was 6.6 percent. Life premiums grew 9.1 percent, while nonlife premiums grew 2.7 percent. These growth rates were calculated using local currencies.

WORLD LIFE AND NONLIFE INSURANCE PREMIUMS, 1991-2000
(Direct premiums written, U.S. $ millions)

Year	Nonlife[1]	Life	Total
1991	$670,715	$743,648	$1,414,363
1992	697,503	768,436	1,465,939
1993	792,087	1,010,490	1,802,731
1994	846,600	1,121,186	1,967,787
1995	906,781	1,236,627	2,143,408
1996	909,100	1,196,736	2,105,838
1997	896,873	1,231,798	2,128,671
1998	891,352	1,275,053	2,166,405
1999	912,749	1,424,203	2,336,952
2000	922,420	1,521,253	2,443,673

[1]Includes accident and health insurance.

Source: Swiss Re, *sigma,* various issues.

EMPLOYMENT

Data compiled by the U.S. Bureau of Labor Statistics show the insurance industry provided 2.4 million jobs in 2001.

- Over the last 10 years, employment in the insurance industry (all sectors) has averaged 2.2 percent of the total U.S. employment.

EMPLOYMENT IN INSURANCE, 1992-2001
(000)

Year	Property/ casualty companies	Life, health and other companies[1]	Agents, brokers, service personnel, all sectors	All industry
1992	617,000	878,000	657,000	2,152,000
1993	617,000	912,000	668,000	2,197,000
1994	615,000	937,000	684,000	2,236,000
1995	597,000	932,000	696,000	2,225,000
1996	602,000	915,000	709,000	2,226,000
1997	611,000	928,000	725,000	2,264,000
1998	634,000	957,000	744,000	2,335,000
1999	643,000	967,000	758,000	2,368,000
2000	628,000	964,000	760,000	2,352,000
2001	624,000	972,000	773,000	2,369,000

[1]Includes accident, hospital and medical service plans, pension, health and welfare funds, bank deposit insurance, warranty and pet insurance.

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

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, YEAR-END 2000

State	Life/ health	Property/ casualty	Blue Cross/ Blue Shield, limited benefits, HMDI[1]	HMO[2]	Fraternal[3]	Title	Other[4]
Alabama	14	24	2	9	1	2	5
Alaska	0	7	1	0	0	0	0
Arizona	328	54	12	10	0	1	11
Arkansas	41	12	1	6	0	2	13
California	33	159	0	NA	6	9	22
Colorado	14	35	15	17	2	3	2
Connecticut	32	73	2	12	1	1	12
Delaware	46	87	6	6	2	0	0
D.C.	4	8	1	6	2	0	0
Florida	25	105	25	33	0	7	1
Georgia	21	39	1	15	0	0	33
Hawaii	5	33	5	5	0	0	63
Idaho	6	12	2	2	0	0	7
Illinois	83	204	18	12	19	0	118
Indiana	49	79	0	22	3	4	41
Iowa	33	59	1	4	1	0	130
Kansas	14	32	3	6	0	2	1
Kentucky	11	10	14	7	0	0	18
Louisiana	65	35	1	15	2	3	62
Maine	3	14	3	4	0	0	8
Maryland	13	49	18	10	0	1	2
Massachusetts	18	56	3	12	3	2	0
Michigan	19	70	16	29	2	0	11
Minnesota	18	54	3	11	8	1	0
Mississippi	35	17	0	10	4	2	7
Missouri	42	62	7	22	2	3	125
Montana	3	4	3	4	0	1	12

(table continues)

- According to the National Association of Insurance Commissioners (NAIC), there were 3,215 property/casualty companies in the United States in 2000, compared with 3,402 in 1999. Many are part of larger organizations.
- The life/health insurance industry consisted of 1,549 companies in 2000, compared with 1,615 in 1999, according to the NAIC.

- The number of Blue Cross/Blue Shield, limited benefits and HMDI companies rose to 334 in 2000 from 311 in 1999.
- Fraternal companies totaled 145 in 2000, compared with 142 the prior year.
- The number of title insurance companies fell to 100 in 2000, compared with 104 in 1999.

DOMESTIC INSURANCE COMPANIES BY STATE BY TYPE, YEAR-END 2000 (Cont'd)

State	Life/ health	Property/ casualty	Blue Cross/ Blue Shield, limited benefits, HMDI[1]	HMO[2]	Fraternal[3]	Title	Other[4]
Nebraska	27	43	6	5	1	0	39
Nevada	3	6	11	7	0	0	12
New Hampshire	6	35	2	5	1	0	3
New Jersey	8	76	3	13	4	2	0
New Mexico	0	1	9	5	6	0	0
New York	103	222	15	37	7	10	158
North Carolina	8	52	2	20	0	2	15
North Dakota	4	17	4	2	0	0	17
Ohio	46	131	11	23	15	13	52
Oklahoma	29	55	5	9	1	5	0
Oregon	3	16	18	7	1	3	80
Pennsylvania	37	210	17	26	29	6	0
Rhode Island	5	20	3	3	0	0	2
South Carolina	14	26	1	6	0	2	0
South Dakota	2	16	2	5	0	1	26
Tennessee	20	34	3	16	1	2	40
Texas	181	245	3	60	10	4	20
Utah	17	15	6	8	0	1	0
Vermont	2	377	2	1	0	0	0
Virginia	15	18	4	18	0	2	23
Washington	14	26	22	4	2	3	0
West Virginia	2	4	2	2	0	0	11
Wisconsin	28	175	19	22	9	0	98
Wyoming	0	2	1	1	0	0	0
Countrywide	**1,549**	**3,215**	**334**	**594**	**145**	**100**	**1,300**

[1]Blue Cross/Blue Shield: Earliest type of health care companies. Some are still nonprofit organizations offering coverage on an open enrollment basis; limited benefit plans cover only specified accidents or sicknesses; hospital, medical and dental indemnity (HMDI) plans 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]Health maintenance organizations (HMOs) provide a wide range of defined comprehensive health care services. [3]Fraternal groups provide insurance plans for their members. [4]Includes county mutuals, auto services companies and specialty companies. Source: Insurance Department Resources Report, 2000, published by the National Association of Insurance Commissioners. Reprinted with permission. Further reprint or redistribution is strictly prohibited.

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 professional misconduct. In terms of premiums written, private auto insurance is by far the largest single line of business, nearly four times greater than the next largest line, homeowners. 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.

Because property/casualty losses are more volatile than those in life insurance, property/casualty insurers invest largely in high-quality liquid securities which can be sold quickly to pay for claims resulting from a major hurricane, earthquake or man-made disaster such as the destruction of the World Trade Center.

ASSETS AND LIABILITIES OF NONLIFE INSURANCE COMPANIES, 1997 AND 2001[1]

($ billions)

	1997	2001
Total financial assets [2]	**$843.5**	**$881.1**
Checkable deposits and cash	4.2	14.9
Security repurchase agreements[3]	35.2	29.2
Credit market instruments	515.3	514.5
U.S. government securities	161.9	130.9
Municipal securities	191.6	188.0
Corporate and foreign bonds	159.5	193.9
Commercial mortgages	2.2	1.7
Corporate equities	186.0	185.2
Trade receivables	59.9	73.0
Miscellaneous assets	42.8	64.2
Total liabilities [2]	**535.7**	**596.1**
Taxes payable	13.4	22.4
Miscellaneous liabilities[4]	522.3	573.7

[1]Nonlife insurance includes every form of insurance except life.

[2]Amounts outstanding at year-end.

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

[4]Largely reserves, i.e., money held to pay known and anticipated claims.

Source: Board of Governors of the Federal Reserve System, as of March 2002.

CAPITAL AND SURPLUS

A property/casualty insurer must maintain a certain level of capital and surplus to underwrite risks. This capital is known as "capacity." When the industry is hit by high losses, such as after the World Trade Center terrorist attack, capacity is diminished. It can be restored by increases in net income, favorable investment returns, reinsuring more risk, and/or raising additional capital. When there is excess capacity, usually because of a high return on investments, premiums tend to decline as insurers compete for market share. As premiums decline, underwriting losses are likely to grow, reducing capacity and causing insurers to raise rates and tighten conditions and limits.

Property/casualty insurers rarely show an overall underwriting profit, i.e., a net gain from premiums after costs of sales, dividends to policyholders, loss payments, and loss adjustment costs (which include litigation costs). Some lines of insurance do produce a steady underwriting profit, but others record combined ratios (costs in excess of premiums) that are above 100 year after year. In 2001, the overall combined ratio was 116, which means insurers paid out $1.16 for every dollar in earned premium. The difference is generally covered by investment income from a number of sources, including capital and surplus accounts, money set aside for loss reserves and unearned premium reserves, as well as capital gains.

- **In 2001, the unprecedented cost of disasters together with a drop in the stock market and interest rates, which significantly lowered investment yields, resulted in the industry's first ever net aftertax loss.**

PROPERTY/CASUALTY INSURANCE INDUSTRY INCOME STATEMENTS, 1997-2001[1]

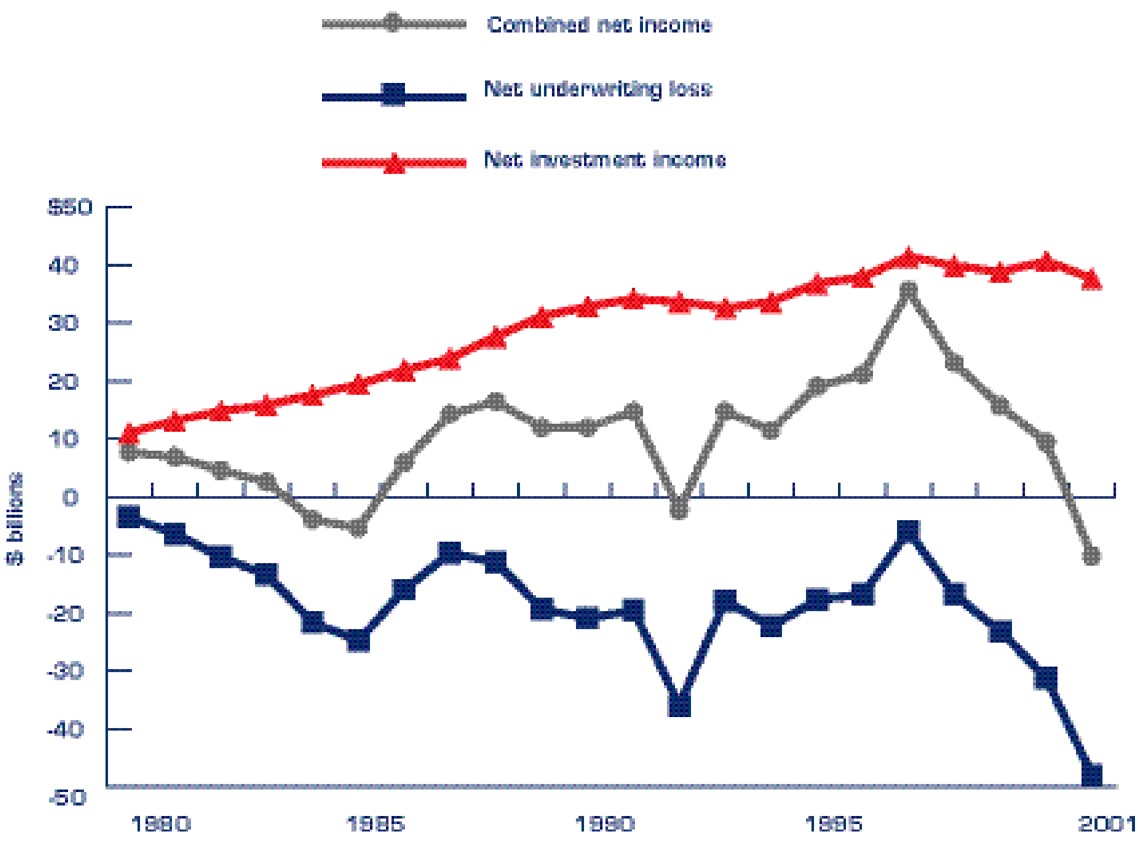
($ millions)

	1997	1998	1999	2000	2001
Net underwriting loss	-$5,723	-$16,469	-$21,868	-$30,792	-$52,602
Other income/expenses	-163	175	-1,068	294	1,062
Net investment income	40,946	39,358	38,320	40,573	37,739
Pretax operating income/loss	35,060	23,065	15,385	10,074	-13,800
Realized capital gains	10,871	17,323	12,851	16,208	6,631
Income tax	9,401	10,411	5,750	5,528	-199
Net aftertax income/loss	36,530	29,977	22,485	20,754	-6,970
Unrealized capital gain	28,616	10,048	2,194	-18,502	-18,037
Total return/loss	65,145	40,024	24,679	2,253	-25,007
Other surplus loss	-5,576	-7,345	-6,379	-4,204	-1,370
Contributed capital	4,425	3,785	112	3,079	11,312
Stockholder dividends	-11,216	-13,259	-16,201	-15,864	-11,797
Change in surplus	52,779	23,205	2,211	-14,737	-26,859
Year-end surplus	305,786	328,991	331,201	316,465	289,606

[1]Excludes state funds.

Source: A.M. Best Company, Inc.

OPERATING RESULTS, PROPERTY/CASUALTY INSURANCE, 1980-2001
($ billions)



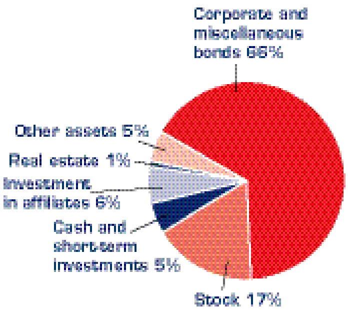
Source: A.M. Best Company, Inc.

ADMITTED ASSETS

To ensure the safety and soundness of the industry, state statutory accounting principles (SAP) do not permit certain assets to be included in insurer tallies. Only assets that can be easily sold or borrowed against and receivables for which payment can reasonably be anticipated are included in "admitted assets."

DISTRIBUTION OF PROPERTY/CASUALTY INSURER ASSETS, 2001

(Percent of total invested assets)



Note: Percentages of assets on the chart above do not agree with percentages in the adjacent chart because the chart above is based on total invested assets, rather than total admitted assets.

Source: A.M. Best Company, Inc.

PROPERTY/CASUALTY INSURER ADMITTED ASSET DISTRIBUTION, YEAR-END 2001[1]

($ millions)

Assets	Amount	Percent of total admitted assets
Unaffiliated		
Bonds	$514,135.7	54.0%
Common stock	121,719.2	12.8
Preferred stock	10,134.4	1.1
Mortgage loans	1,734.2	0.2
Other real estate investments	1,330.7	0.1
Cash and short-term investments	42,963.6	4.5
Other invested assets	33,057.1	3.5
Investment in affiliates	48,761.3	5.1
Real estate, offices	7,894.1	0.8
Total invested assets	**781,730.3**	**82.1**
Other assets		
Premium balances	87,864.3	9.2
Reinsurance funds	7,961.3	0.8
Reinsurance recoverable	19,997.1	2.1
Fed. income taxes recoverable	15,537.2	1.6
Guaranty funds receivable	421.9	0.0
Elec. data processing equip.	1,953.3	0.2
Accrued interest	7,848.8	0.8
Receivables from affiliates	12,196.8	1.3
Other assets	15,477.8	1.6
Total admitted assets	**952,609.4**	**100.0**

[1]Excludes state funds.

Source: A.M. Best Company, Inc.

TOP TEN PROPERTY/CASUALTY COMPANIES, BY NET PREMIUMS WRITTEN, 2001

Rank	Group	Net premiums written ($000)
1	State Farm Group	$37,897,080
2	Allstate Insurance Group	21,991,337
3	Zurich/Farmers Group	17,013,695
4	American International Group Inc.	14,006,551
5	Berkshire Hathaway Insurance Group	11,656,170
6	Travelers/Citigroup Companies	10,725,166
7	Nationwide Group	10,590,760
8	Liberty Mutual Insurance Cos.	8,966,985
9	CNA Insurance Companies	7,663,219
10	Progressive Insurance Group	7,262,944

Source: A.M. Best Company, Inc.

TOP TEN PROPERTY/CASUALTY COMPANIES, BY TOTAL ADMITTED ASSETS, 2001

Rank	Group	Total admitted assets ($000)
1	State Farm Group	$88,379,032
2	Berkshire Hathaway Insurance Group	73,399,725
3	American International Group Inc.	52,457,602
4	Allstate Insurance Group	39,289,547
5	Travelers/Citigroup Companies	38,146,727
6	CNA Insurance Companies	32,446,005
7	Liberty Mutual Insurance Cos.	30,894,618
8	Zurich/Farmers Group	30,295,325
9	Nationwide Group	24,274,923
10	Hartford Insurance Group	23,997,426

Source: A.M. Best Company, Inc.

DISTRIBUTION CHANNELS

Property/casualty insurance was 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." In the 1990s, these distinctions blurred as insurers began to use multiple channels to reach potential customers.

In the 1980s, banks began to explore the possibility of selling insurance as independent agents, usually buying agencies for that purpose, see page 70. Other distribution channels include sales by direct writers and agents to groups through professional organizations and workplaces.

The sale of insurance via the Internet, either at proprietary Web sites or at so-called "insurance malls," remains a very small portion of total sales. Most Internet sales are of "commodity" insurance products, i.e., auto, some homeowners, term and whole life, and other relatively simple coverages that do not require much explanation or customized risk analysis.

The Independent Insurance Agents & Brokers of America says that in 2000 (latest data available) on average personal property/casualty insurance accounted for 53 percent of agencies' insurance revenues. Commercial lines accounted for 39 percent of revenues, life and health insurance for 5 percent, and employee benefits for 3 percent.

- **In 2000, the average agency represented 7.3 personal lines insurers, 6.7 commercial lines insurers and 4.8 life and health carriers, accor d-ing to the Independent Insurance Agents & Brokers of America. The total number of insurers represented by agencies has grown since 1996.**

MARKET SHARE: PERCENT OF ALL PROPERTY/CASUALTY LINES, 1997-2001[1]

	1997	1998	1999	2000	2001
National agency cos.	29.39%	29.23%	28.67%	28.09%	28.05%
Regional agency cos.	22.04	22.20	22.92	23.42	23.19
Total agency cos.	51.43	51.42	51.59	51.51	51.25
Direct writers	48.57	48.58	48.41	48.49	48.75

[1]Based on direct premiums written.

Source: A.M. Best Company, Inc., Best's State/Line Reports and Databases, P/C.

NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 1997 AND 2001[1]

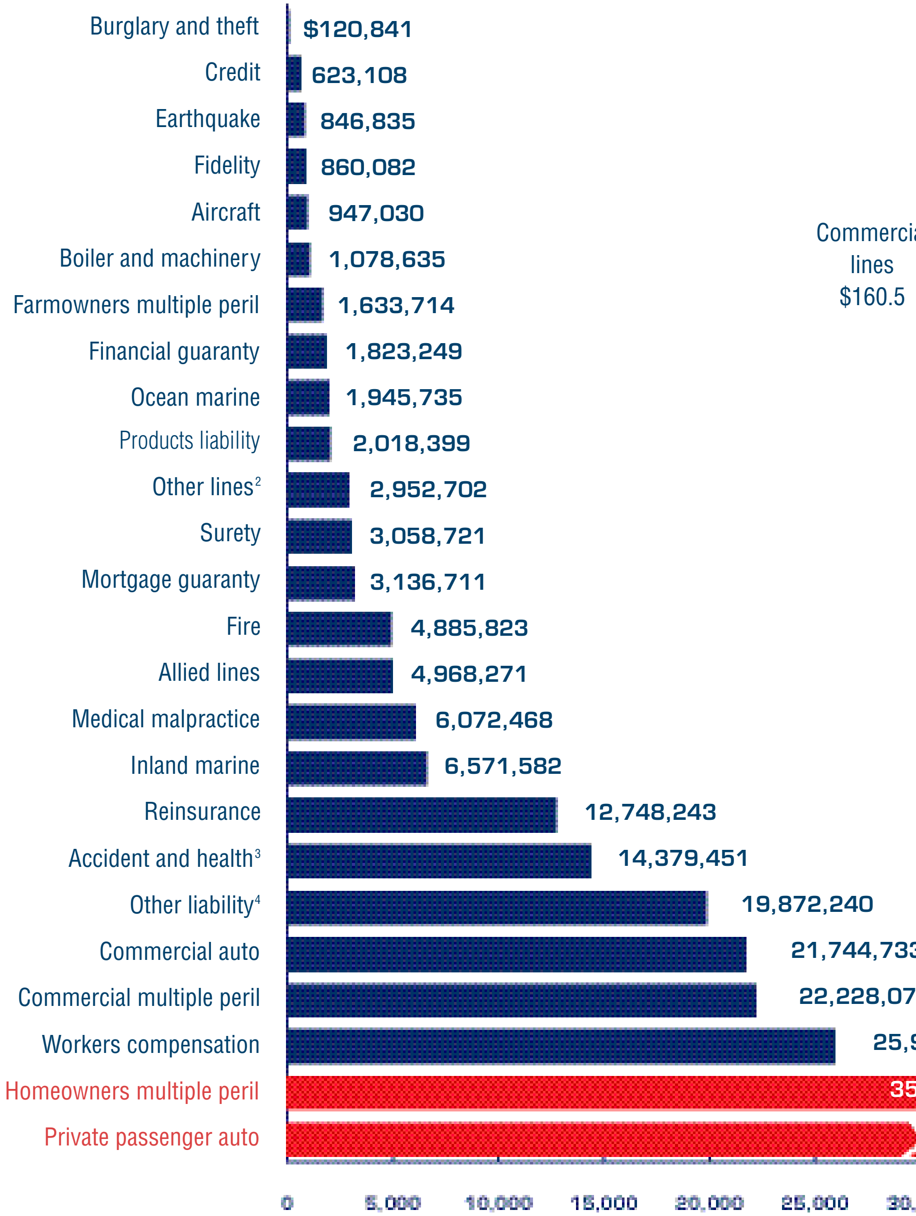
	1997		2001	
Lines of insurance	Net premiums written ($ 000)	Percent of total	Net premiums written ($ 000)	Percent of total
Private passenger auto				
Liability	$70,477,508	25.3%	$74,376,471	23.1%
Collision & comprehensive	43,094,030	15.6	53,460,420	16.5
Total private passenger auto	113,571,538	41.1	127,836,891	39.5
Commercial auto				
Liability	12,783,684	4.6	15,270,121	4.7
Collision & comprehensive	5,244,485	1.9	6,474,612	2.0
Total commercial auto	18,028,169	6.5	21,744,733	6.7
Fire	4,915,144	1.8	4,885,823	1.5
Allied lines	3,492,658	1.3	4,968,271	1.5
Earthquake	715,098	0.3	846,835	0.3
Farmowners multiple peril	1,360,731	0.5	1,633,714	0.5
Homeowners multiple peril	26,895,400	9.7	35,132,592	10.9
Commercial multiple peril	18,952,984	6.9	22,228,078	6.9
Ocean marine	1,889,243	0.7	1,945,735	0.6
Inland marine	5,674,103	2.1	6,571,582	2.0
Accident and health[2]	8,292,494	3.0	14,379,451	4.4
Workers compensation	24,061,999	8.7	25,962,502	8.0
Medical malpractice	4,892,496	1.8	6,072,468	1.9
Other liability[3]	18,342,379	6.6	19,872,240	6.1
Products liability	1,745,788	0.6	2,018,399	0.6
Aircraft	925,979	0.3	947,030	0.3
Burglary and theft	135,316	0.0	120,841	0.0
Boiler and machinery	858,566	0.3	1,078,635	0.3
Fidelity	859,700	0.3	860,082	0.3
Surety	2,744,253	1.0	3,058,721	0.9
Reinsurance	11,747,602	4.3	12,748,243	3.9
Credit	659,280	0.2	623,108	0.2
Mortgage guaranty	2,036,215	0.7	3,136,711	1.0
Financial guaranty	1,049,477	0.4	1,823,249	0.6
Other lines[4]	2,566,157	0.9	2,952,702	0.9
Total, all lines	**$276,412,769**	**100.0%**	**$323,448,636**	**100.0%**

[1]After reinsurance transactions, excluding state funds. [2]Includes Blue Cross and Blue Shield health insurance companies, group, credit (provided to or offered to borrowers in connection with a consumer credit transaction) and other accident and health. [3]Coverages protecting against legal liability resulting from negligence, carelessness, or failure to act. Some examples are contingent liability, errors and omissions, environmental pollution and umbrella and liquor liability insurance. [4]Includes international, space and miscellaneous coverages.

Source: A.M. Best Company, Inc.

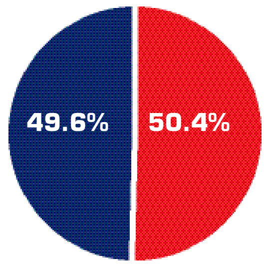
NET PREMIUMS WRITTEN BY LINE, PROPERTY/CASUALTY INSURANCE, 2001[1]

($000)



NET PREMIUMS WRITTEN, PERSONAL AND COMMERCIAL LINES, 2001

($ billions)



[1]After reinsurance transactions, excluding state funds. [2]Includes international, space and miscellaneous coverages. [3]Includes Blue Cross and Blue Shield health insurance companies, group, credit (provided to or offered to borrowers in connection with a consumer credit transaction) and other accident and health. [4]Coverages protecting against legal liability resulting from negligence, carelessness, or failure to act. Some examples are contingent liability, errors and omissions, environmental pollution and umbrella and liquor liability insurance.

Source: A.M. Best Company, Inc.

SURETY BONDS

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

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

SURETY BONDS, 1992-2001

Year	Net premiums written[1] ($000)	Annual % change	Combined ratio[2]	Annual point change
1992	$1,973,469	9.0%	92.7	9.0 pts.
1993	2,156,481	9.3	84.7	-8.0
1994	2,201,698	2.1	91.7	7.0
1995	2,527,008	14.8	88.2	-3.5
1996	2,606,188	3.1	84.1	-4.1
1997	2,744,253	5.3	82.7	-1.4
1998	3,047,263	11.0	84.7	2.0
1999	3,253,168	6.8	83.8	-0.9
2000	3,327,543	2.3	86.7	2.9
2001	3,058,721	-8.1	122.7	36.0

[1]After reinsurance transactions.

[2]After dividends to policyholders. A drop in the combined ratio represents an improvement; an increase represents a deterioration. See also Glossary.

Source: A.M. Best Company, Inc.

TOP TEN SURETY COMPANIES, 2001[1]

Rank	Group	Net premiums written ($000)
1	Travelers/Citigroup Companies	$390,263
2	St. Paul Companies	331,797
3	CNA Insurance Companies	292,510
4	Zurich/Farmers Group	190,905
5	American International Group Inc.	181,086
6	SAFECO Insurance Companies	131,499
7	Chubb Group of Insurance Companies	120,029
8	Hartford Insurance Group	95,808
9	Fairfax Financial (US) Group	94,854
10	Allianz of America, Inc.	86,800

[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

FINANCIAL GUARANTY INSURANCE

Insurers also provide other financial guarantees which help 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 the insurance lowered their borrowing costs. This kind of surety bond became known as financial guaranty insurance. Initially, financial guaranty insurance was considered a special category of surety covering the risk involved in financial transactions. It became a separate line of insurance in 1986.

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

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

FINANCIAL GUARANTY INSURANCE, 1993-2001

Year	Net premiums written[1] ($000)	Annual % change	Combined ratio[2]	Annual point change
1993	$1,177,425	19.2%	24.2	-42.3 pts.
1994	839,816	-28.7	57.5	33.3
1995	751,743	-10.5	46.8	-10.7
1996	956,665	27.3	32.5	-14.3
1997	1,116,848	16.7	32.5	0.0
1998	1,260,329	12.8	29.9	-2.6
1999	1,271,487	0.9	27.1	-2.8
2000	1,326,335	4.3	35.9	8.8
2001	1,823,249	37.5	22.5	-13.4

[1]After reinsurance transactions.

[2]After dividends to policyholders. A drop in the combined ratio represents an improvement; an increase represents a deterioration. See also Glossary.

Source: A.M. Best Company, Inc.

- **In 2001, domestic asset-backed securities was the largest sector insured by financial guaranty insur - ance, up 44 percent from the previous year , according to Standard & Poor's.**
- **In 2001, insurance on municipal bonds reached 46 percent of issues, up six percentage points from 2000 but down from a high of 51 per - cent in 1998. This was due in part to higher pr e-mium rates and mor e stringent underwriting.**

TOP TEN FINANCIAL GUARANTY INSURANCE COMPANIES, 2001[1]

Rank	Group	Direct premiums written ($000)
1	MBIA Group	$607,093
2	Ambac Financial Group	571,394
3	Financial Security Assurance Group	398,371
4	GE Financial Assurance Group	154,553
5	Radian Group	56,636
6	XL America Group	50,329
7	Travelers/Citigroup	1,492
8	Allianz of America	932
9	Old Republic General Group	497
10	CNA Insurance Companies	311

[1]Ranked by direct premiums written.

Source: A.M. Best Company, Inc.

CREDIT INSURANCE FOR SHORT-TERM TRADE RECEIVABLES

Credit insurance protects the policyholder, the product seller, against the risk of a customer's protracted default on its obligation to pay for goods or services or its insolvency. Credit insurance covers outstanding receivables over and above the level of losses for which a company would typically set up bad debt reserves and often is sold with a large package of credit management services. Credit insurance facilitates financing, enabling insured companies to get better credit terms from banks. (Export credit insurance is provided by private insurers under the sponsorship of the Export-Import Bank, a federal agency.)

CREDIT INSURANCE, 1993-2001

Year	Net premiums written[1] ($000)	Annual % change	Combined ratio[2]	Annual point change
1993	$235,491	4.1%	92.1	-1.0 pts.
1994	392,677	66.7	73.5	-18.6
1995	500,785	27.5	84.7	11.2
1996	571,460	14.1	82.1	-2.6
1997	474,521	-17.0	81.9	-0.2
1998	607,902	28.1	80.7	-1.2
1999	587,537	-3.4	72.7	-8.0
2000	616,799	5.0	78.0	5.3
2001	623,108	1.0	89.0	11.0

[1]After reinsurance transactions.

[2]After dividends to policyholders. A drop in the combined ratio represents an improvement; an increase represents a deterioration. See also Glossary.

Source: A.M. Best Company, Inc.

TOP TEN CREDIT INSURANCE COMPANIES, 2001[1]

Rank	Group	Direct premiums written ($000)
1	EULER American Credit Inc.	$120,965
2	Household Insurance Group	56,996
3	CNA Insurance Companies	52,912
4	ACE INA Group	52,472
5	Royal & SunAlliance	45,041
6	Radian Group	40,695
7	Swiss Reinsurance Group	37,927
8	White Mountains Insurance Group	35,074
9	Great American P&C Group	21,809
10	American National P&C Group	12,456

[1]Ranked by direct premiums written.

Source: A.M. Best Company, Inc.

MORTGAGE GUARANTEES

Private mortgage insurance (PMI), known in the insurance industry as mortgage guaranty insurance, guarantees that, in the event of a default, the insurer will pay the mortgage lender for any loss up to a specific amount suffered as a result of foreclosure on the property. PMI, which is purchased by the borrower, enables more people to purchase homes, thus enhancing bank lending opportunities. PMI is sometimes confused with mortgage insurance, a life insurance product that pays off the mortgage in the event the borrower dies before the loan is repaid, see page 65.

Banks generally require PMI for all borrowers with down payments less than 20 percent. With PMI, therefore, prospective homeowners with only enough cash for a 10-percent down payment can buy a home immediately rather than waiting to save enough to pay 20 percent. Or, from another perspective, mortgage insurance may enable them to buy a more expensive home.

MORTGAGE GUARANTY INSURANCE, 1993-2001

Year	Net premiums written[1] ($000)	Annual % change
1993	$1,030,158	26.4%
1994	1,133,204	10.0
1995	1,364,497	20.4
1996	1,735,466	27.2
1997	2,036,215	17.3
1998	2,283,979	12.2
1999	2,490,847	9.1
2000	2,807,044	12.7
2001	3,136,711	11.7

[1]After reinsurance transactions.

Source: A.M. Best Company, Inc.

TOP TEN PRIVATE MORTGAGE INSURANCE COMPANIES, 2001[1]

Rank	Group	Direct premiums written ($000)	Market share
1	Mortgage Guaranty Group	$1,078,139	31.3%
2	Radian Group	655,516	19.0
3	PMI Mortgage Group	598,229	17.4
4	American International Group, Inc.	589,729	17.1
5	Old Republic General Group	387,845	11.3
6	Triad Guaranty Group	95,551	2.8
7	CMG Mortgage Insurance Company	38,503	1.1
8	Aztec Insurance Company	223	0.0[2]
9	Travelers/Citigroup Companies	221	0.0[2]
10	CMG Mortgage Assurance Company	5	0.0[2]
	Total Market	**3,443,961**	**100.0**

[1]Ranked by direct premiums written.
[2]Less than 1 percent.

Source: A.M. Best Company, Inc.

THE SECURITIZATION OF INSURANCE RISK

Hurricanes Andrew and Iniki in 1992 and the Northridge earthquake in 1994 were megacatastrophes that resulted in a global shortage in reinsurance (insurance for insurers) for such disasters. In the aftermath of these events, insurers recognized the need to expand the amount of insurance available in areas prone to natural disasters and better diversify risk. Increased use of global capital markets allowed them to achieve both goals. Catastrophe bonds are one example of a specialized security that increases the ability of insurers to provide insurance protection while transferring the risk to investors around the world. The catastrophe bond market has been active since 1996.

Insurers and reinsurers typically issue catastrophe bonds through an issuer known as a special purpose vehicle or reinsurer, a specialized company set up specifically for this purpose. The bonds pay a high interest rate and also diversify an investor's portfolio because natural disasters occur randomly and are not associated with any economic factors. However, depending on how the bond is structured, if losses associated with the disaster covered by the bond, such as a California earthquake, reach the threshold specified in the bond offering, the investor may lose all or part of the principal or interest.

Swaps have also been arranged where a Japanese and a U.S. insurer exchanged a portion of specific natural disaster risks. In addition, insurers may use contingent capital deals to gain access to capital at a favorable rate. Contingent capital instruments give the buyer the right to issue and sell securities to investors at a fixed price if a specified situation occurs, such as a disaster loss in excess of a certain amount. To date, efforts to develop a market in exchange-traded catastrophe options have not been successful. There is growing interest in securitizing life insurance company portfolios and in Europe, a catastrophe bond public fund has been launched for individual investors.

MAJOR TRANSACTIONS SECURITIZING CATASTROPHE RISK, 2001[1]

Date	Insurer	Special Purpose Reinsurer	Size of Issue[2] ($ millions)
Jan. 2001	Munich Re	Prime CQEW	$129
Jan. 2001	Munich Re	Prime Hurricane	159
Feb. 2001	Swiss Re	Western Capital Ltd.	97
Mar. 2001	American Re	Gold Eagle Capital Ltd.	120
May 2001	Swiss Re	SR Wind Ltd.	116
July 2001	Zurich Re	Trinom Ltd. Morgan Stanley	157
Total			**$778**

[1]Form of securitization is catastrophe bonds.

[2]Stated amounts typically exclude the value of stock issued in conjunction with the sale of catastrophe bonds.

Source: ISO Properties, Inc.

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 (the insurers of insurance companies), 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 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 that want to hedge weather-related sales fluctuations can also buy an 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. Insurance risk management 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 cancelled by poor weather, and different from catastrophe bonds. Catastrophe bonds are issued by insurers generally to finance potential property damage claims stemming from a major hurricane or earthquake, see previous page.

- **According to a survey by Weather Risk Management Association, the international weather risk management trade association, and PricewaterhouseCoopers, from 2000 to 2001, the number of transactions in the weather market grew by 23 percent and the value of those transactions rose 71 percent.**

WEATHER RISK PRODUCTS, VALUE AND NUMBER OF CONTRACTS, 1998-2001[1]

Year	Notional value ($ millions)	Number
1998	$1,836	695
1999	$2,959	1,285
2000	$2,517	2,759
2001	$4,306	3,397

[1]Based on companies responding to a survey conducted by PricewaterhouseCoopers for the Weather Risk Management Association.

Source: PricewaterhouseCoopers.

PARTICIPANTS IN THE 2001 WEATHER RISK MANAGEMENT ASSOCIATION SURVEY

Participation by main line of business	
Agriculture	1
Banking	4
Energy	10
Insurance	5
Participation by location of respondent	
Asia	5
Europe	5
North America	10
Total	**20**

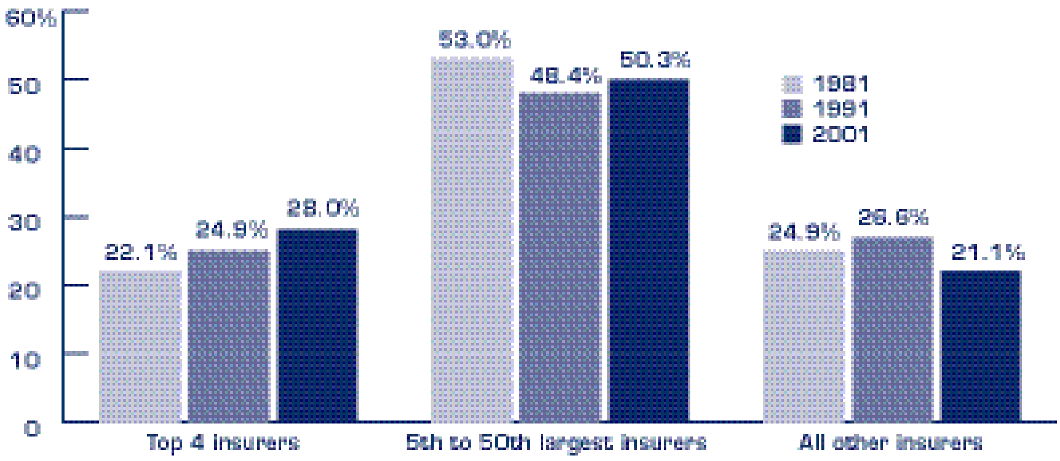
Source: PricewaterhouseCoopers.

- In the North American market, the industry's largest, there were 2,712 contracts in 2001, a 10 percent increase from last year' s 2,457. The value of transactions increased by 50 per - cent to more than $3.6 billion from $2.4 billion.

PROPERTY/CASUALTY INSURANCE INDUSTRY CONCENTRATION

The property/casualty insurance market is highly competitive despite the trend toward greater concentration in most product lines over the past few years. Data from the Insurance Services Office, Inc. indicate that concentration in the property/casualty insurance sector increased from 229 in 1980 to 307 in 2001 on the Herfindahl scale used to measure market concentration. Any score under 1,000 is considered unconcentrated. A score of 10,000 represents a monopoly.

MARKET SHARE TRENDS BY SIZE OF INSURER, 1981-2001[1]



[1]Based on net premiums written.

Source: Insurance Services Office, Inc.

REINSURANCE

Reinsurance is essentially "insurance for insurance companies." It is a way for primary insurance companies to protect against unforeseen or extraordinary losses. Depending on the contract, reinsurance can enable the insurer to improve its capital position, expand its business, limit losses and stabilize cash flow, among other things. In addition, the reinsurer, drawing information from many primary insurers, will usually have a far larger pool of data for assessing risks, information that can help the primary insurer.

Reinsurance can take a variety of forms. It may represent a layer of risk such as losses within certain limits, say $5 million to $10 million, for which a premium is paid, or a sharing of both losses and profits for a certain type of business.

Reinsurance is an international business. About 48 percent of the reinsurance business that comes from U.S. insurance companies is written by non-U.S. reinsurers. According to the A.M. Best Company, the U.S. property/casualty reinsurance market, as measured by the written premiums of 71 professional reinsurers, companies whose main business is reinsurance as opposed to other insurance entities which may operate reinsurance departments in addition to their basic primary insurance business, was $22.7 billion in 2001. Some investment banks are now setting up reinsurers as part of a move to develop alternative reinsurance deals such as catastrophe bonds, see page 53.

TOP TEN U.S. PROPERTY/CASUALTY REINSURERS, 2001[1]

Rank	Group	Net premiums written ($000)
1	Berkshire Hathaway Insurance Group	$3,915,825
2	Munich Reinsurance Group	1,461,307
3	Swiss Reinsurance Group	801,227
4	St. Paul Companies	769,476
5	GE Global Insurance Group	756,538
6	American International Group, Inc.	498,536
7	Fairfax Financial (U.S.) Group	395,525
8	Everest Re U.S. Group	296,292
9	State Farm Group	278,751
10	W.R. Berkley Group	235,561

[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

LIFE/HEALTH INSURANCE

The primary business of life/health insurance companies is no longer traditional life insurance, but the underwriting of annuities — contracts that guarantee a fixed or variable payment over a given period of time. Nevertheless, the sale of such life insurance products as whole life and term life policies in particular remains an important part of the business.

Life insurance is essentially an investment of savings that offers a tax-free sum to the beneficiary at some point in the future. Life insurers invest the premiums they collect primarily in government and corporate bonds, but also in mortgage loans (mostly commercial). Besides annuities and life insurance, life insurers may offer other types of financial products such as asset management and retirement funds, see page 12.

The life/health insurance sector, as defined by the A.M. Best Company, includes accident and health insurance, see page 31.

ASSETS AND LIABILITIES OF LIFE INSURANCE COMPANIES, 1997 AND 2001[1]
($ billions)

	1997	2001
Total financial assets	**$2,514.8**	**$3,305.8**
Checkable deposits and cash	8.1	28.1
Money market fund shares	92.8	185.3
Credit market instruments	1,751.1	2,076.2
U.S. government securities	312.1	306.7
Open market paper	65.9	66.4
Municipal securities	16.7	21.2
Corporate and foreign bonds	1,046.0	1,336.5
Policy loans	103.7	104.6
Mortgages	206.8	240.9
Corporate equities	558.6	935.2
Mutual fund shares	38.4	44.3
Miscellaneous assets	65.7	36.7
Total liabilities	**2,359.7**	**3,077.5**
Loans and advances	1.8	3.1
Life insurance reserves	632.7	830.3
Pension fund reserves[2]	1,086.1	1,507.8
Taxes payable	13.7	19.7
Miscellaneous liabilities	625.4	716.5

[1]Amounts outstanding at end of year. [2]Excludes unallocated contracts held by private pension funds which are included in miscellaneous liabilities.

Source: Board of Governors of the Federal Reserve System, as of March 2002.

- **Total financial assets of life insurers increased 31 percent between 1997 and 2001.**

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) are subtracted from assets (earned premiums, investments, reinsurance).

The life/health insurance industry's net income fell to $11.4 billion in 2001, down $12.7 billion or 52.6 percent from 2000. Net income was down $10.7 billion or 48.4 percent from 1997.

LIFE/HEALTH INSURANCE INDUSTRY INCOME STATEMENTS, 1997-2001

($ millions)

	1997	1998	1999	2000	2001
Net underwriting loss	-$100,277.6	-$106,488.1	-$104,097.7	-$107,433.2	-$117,588.5
Net investment income	128,468.5	129,498.7	131,443.5	137,261.3	138,243.3
Pretax net operating gain	28,191.0	23,010.6	27,345.8	29,828.1	20,654.8
Income taxes	8,273.5	7,411.8	8,193.7	7,071.7	4,773.9
Net operating gain	19,917.5	15,598.8	19,152.0	22,756.4	15,880.9
Realized capital gain/loss	2,219.6	2,843.6	2,176.8	1,362.0	-4,447.5
Net income	22,137.1	18,442.4	21,328.8	24,118.3	11,433.4
Unrealized capital gain/loss	6,038.3	446.6	-2,008.4	-7,551.2	-11,152.1
Change in AVR[1]	-3,258.0	-1,692.4	-2,342.5	2,246.5	6,320.6
Change in reserve valuation	-492.2	-450.5	-45.9	501.4	305.4
Contributed capital	5,573.2	5,254.1	5,621.9	11,884.7	18,093.3
Stockholder dividends	9,296.2	12,869.2	9,025.1	11,561.2	21,559.7
Other changes	-2,634.1	-3,007.4	-3,363.2	-11,486.2	-1,895.1
Change in capital and surplus	18,068.0	6,123.5	10,165.6	8,152.3	1,545.8
Year-end capital and surplus	157,517.3	164,125.1	173,861.4	182,938.3	185,574.8

[1]Asset valuation reserve, an accounting measure anticipating possible declines in asset values.

Source: A.M. Best Company, Inc.

ADMITTED ASSETS

Admitted assets are those that state law permits insurers to include in their annual statutory statements. Admitted assets exclude office furniture, equipment, and other illiquid and intangible assets. One-third of life insurers' total admitted assets of $3.3 trillion is maintained separately from insurers' general investment accounts and is used primarily for pension plans and variable life insurance accounts. Separation of these accounts permits life insurers to put more money into equity funds than regulations permit for general insurance accounts.

LIFE/HEALTH INSURER ADMITTED ASSET DISTRIBUTION, 2001
($ millions)

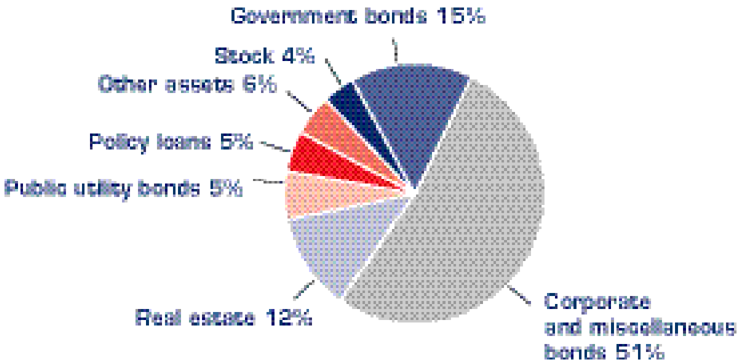
Asset type	Asset value	Percent of total admitted assets
Bonds	$1,517,326.7	46.55%
U.S. government	82,574.4	2.53
Canadian government	4,319.1	0.13
Other foreign governments	20,397.8	0.63
States, territories	12,267.5	0.38
Local governments, etc.	4,940.1	0.15
Special revenue	185,738.8	5.70
Public utilities	113,087.9	3.47
Industrial and miscellaneous	1,080,640.3	33.16
Affiliates, etc.	13,360.9	0.41
Common stock	60,833.9	1.87
Public utilities	439.9	0.01
Banks, trusts, etc.	2,973.6	0.09
Industrial and miscellaneous	25,632.9	0.79
Affiliates, etc.	31,787.5	0.98
Preferred stock	21,326.1	0.65
Public utilities	1,127.9	0.03
Banks, trusts, etc.	6,036.9	0.19
Industrial and miscellaneous	11,316.3	0.35
Affiliates, etc.	2,845.0	0.09
Mortgage loans	236,394.9	7.25
Other real estate investments	22,155.8	0.68
Policy loans	103,073.3	3.16
Cash and short-term investments	69,821.6	2.14
Other invested assets	63,676.6	1.95
Total invested assets	**2,094,608.9**	**64.27**
Life and annuity premiums due	13,751.9	0.42
Accident and health premiums due	5,365.6	0.16
Accrued interest	28,070.7	0.86
Other assets	46,869.8	1.44
Total assets excl. separate accounts	**2,188,666.9**	**67.15**
Separate account assets	1,070,547.6	32.85
Total admitted assets	**3,259,214.5**	**100.00**

Source: A.M. Best Company, Inc.

DISTRIBUTION OF LIFE/HEALTH INSURER ASSETS, 2001

(Percent of total invested assets)

- Government, industrial and miscellaneous bonds (mostly corporate) account for 71 percent of the invested assets of life insurers, with mortgages and other real estate investments making up another 12 percent.



Note: Percentages of assets on this chart do not agree with percentages on the previous chart because these are based on total invested assets, rather than total admitted assets.

Source: A.M. Best Company, Inc.

TOP TEN LIFE/HEALTH INSURANCE GROUPS AND COMPANIES, 2001[1]

($000)

Group	Net premiums written[2]	Rank	Percentage of total market	Admitted assets	Rank	Percentage of total market
American International Group	$31,593,649	1	6.7%	$210,606,910	2	6.5%
Hartford Life Inc.	24,490,945	2	5.2	139,677,338	4	4.3
Metropolitan Life & Affiliated Cos.	24,325,848	3	5.1	224,514,611	1	6.9
ING Group	21,621,376	4	4.6	123,246,772	7	3.8
AEGON USA Inc.	19,793,589	5	4.2	135,046,631	5	4.1
Prudential of America Group	17,921,292	6	3.8	204,103,036	3	6.3
New York Life Group	15,950,205	7	3.4	111,314,124	8	3.4
Nationwide Group	14,389,071	8	3.0	86,168,318	10	2.6
MassMutual Financial Group	12,237,345	9	2.6	78,996,961	12	2.4
GE Financial Assurance Group	11,779,857	10	2.5	65,899,757	18	2.0
Industry Total [3]	**472,730,123**			**3,259,214,516**		

[1]Ranked by net premiums written.

[2]Premiums and annuity considerations plus deposit-type funds.

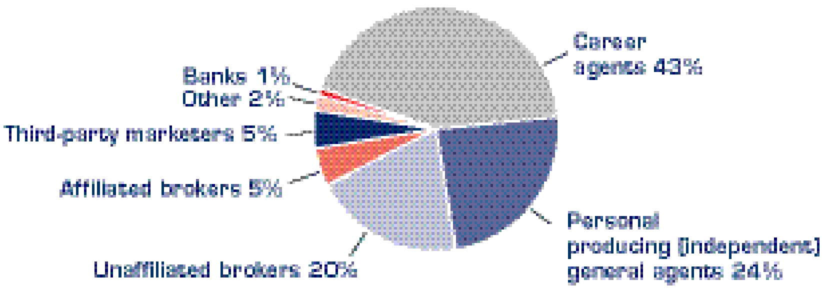
[3]Life insurance industry totals for net premiums written and admitted assets, respectively.

Source: A.M. Best Company, Inc.

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 company products are also sold by direct mail, telephone, and the Internet, directly to the public. In addition, in the 1980s, insurers began to market annuities and term life insurance through banks and financial advisors, professional organizations and workplaces. A large portion of variable annuities, which are based on stock market performance, and a small portion of fixed annuities, are sold by stockbrokers, see page 129.

MARKET SHARE, LIFE/HEALTH INSURANCE DISTRIBUTION 2000[1]



[1]Based on the tc

Source: A.M. Best Company, Inc.

PREMIUMS BY LINE

Prior to World War II, individual accident and health life insurance was very common. It was often sold door-to-door by agents who collected monthly premium payments. Known as industrial life, today it accounts for less than one percent of life insurance sales. Credit life and credit health and accident, guaranteeing the payment of a loan if the policyholder dies or becomes disabled before the loan is paid up, have also been in slow decline. The dominant product of life insurers today is the annuity.

Annuities fall into two major categories: fixed and variable. Fixed annuities, sometimes called fixed dollar annuities, guarantee that a specific sum of money will be paid in the future, generally a monthly benefit, for as long as the annuitant lives, regardless of fluctuations in the insurer's underlying investment returns. With variable annuities, fluctuations in the insurer's investment earnings over time affect the amount of funds available for benefit payments. Once payments start, they may be fixed and guaranteed or vary according to current investment earnings or combine the two payment features.

The annuity business grew from a scarcely noticeable sideline in 1945 to twice the volume of life insurance by 2001. The big growth in annuity sales began in the 1970s when investors began demanding returns that better reflected inflation and stock market values.

This demand resulted in the variable annuity, an instrument so closely aligned to the stock markets that it is sold by stockbrokers and its underwriters and agents must register as securities dealers with the Securities and Exchange Commission.

LIFE/HEALTH INSURANCE INDUSTRY PREMIUM, BY LINE, 1997 AND 2001
($000)

	1997		2001	
Lines of insurance	Net premiums written[1]	Percent of total	Net premiums written[1]	Percent of total
Ordinary life (individual)[2]	$86,859,689	21.4%	$94,637,264	20.0%
Group life	25,643,654	6.3	28,225,790	6.0
Individual annuities	90,564,020	22.3	140,780,136	29.8
Group annuities	107,302,594	26.5	109,593,590	23.2
Individual accident and health	24,308,275	6.0	27,933,265	5.9
Group accident and health	61,600,505	15.2	68,011,455	14.4
Other lines[3]	9,338,589	2.3	3,548,623	0.8
Total, all lines	**$405,617,326**	**100.0**	**$472,730,123**	**100.0**

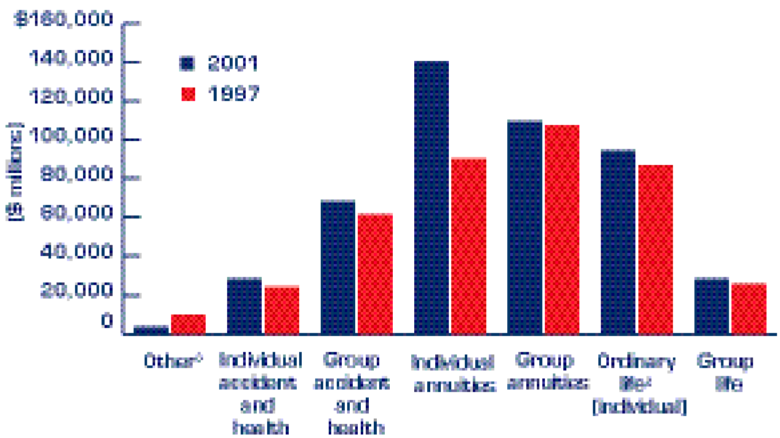
[1]Includes premium and annuity considerations, deposit-type funds and special premiums.

[2]Credit life, credit accident and health, industrial life and miscellaneous.

[3]Term and whole life.

Source: A.M. Best Company, Inc.

LIFE/HEALTH INSURERS' PREMIUMS BY LINE, 1997 AND 2001[1]
($ millions)



[1]Includes premium and annuity considerations, deposit-type funds and special premiums.

[2]Credit life, accident and health, industrial life and miscellaneous.

[3]Term and whole life.

Source: A.M. Best Company, Inc.

TOP TEN WRITERS OF ANNUITIES, 2001[1]
($000)

Individual annuities			Group annuities		
Rank	Company	Net premiums written	Rank	Company	Net premiums written
1	Hartford Life Inc.	$12,506,750	1	ING Group	$11,765,114
2	American International Group	11,894,860	2	Nationwide Group	8,322,894
3	AEGON USA Inc.	6,623,668	3	Metropolitan Life & Affiliated Cos.	8,242,495
4	Citigroup	6,351,098	4	AEGON USA Inc.	7,443,121
5	GE Financial Assurance Group	5,672,429	5	American International Group	7,395,614
6	TIAA Group	5,396,896	6	Prudential of America Group	6,479,474
7	Lincoln National Corp.	4,673,335	7	Equitable Group	5,802,948
8	Pacific Life Group	4,524,794	8	MassMutual Financial Group	5,378,360
9	Nationwide Group	4,456,639	9	Manulife Financial	5,151,759
10	Metropolitan Life & Affiliated Cos.	4,410,017	10	Hartford Life Inc.	5,022,238

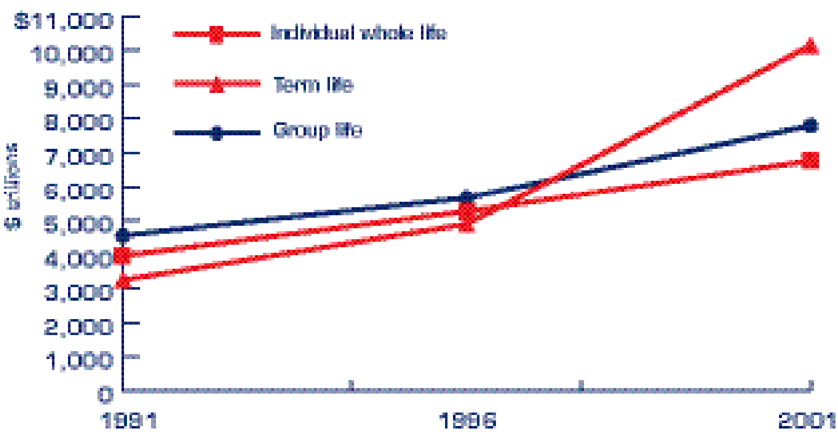
[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

LIFE INSURANCE IN FORCE BY LINE

In force business is the sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. The leading life insurance product in terms of insurance in force is no longer traditional whole life, a product with an investment feature, but term life, which provides coverage for a specific period of time at premiums that increase with age. Unlike whole life, term insurance builds up no cash value and cannot be borrowed against.

LIFE INSURANCE IN FORCE, MAJOR LINES, 1991-2001
($ trillions)



- In 1991, term life accounted for 28 percent of all life insurance in force; by 2001 it repr e-sented 41 percent of the total, followed by group life at 32 percent.

Source: A.M. Best Company, Inc.

LIFE INSURANCE IN FORCE BY LINE, 1996-2001
($ millions)

Year	Whole life and endowment	Group life[1]	Term life	Credit life	Industrial life[2]	Total
1996	$5,269,715	$5,670,123	$4,894,277	$305,545	$19,146	$16,158,807
1997	5,571,600	6,138,851	5,618,500	316,236	18,581	17,663,768
1998	5,954,201	6,611,909	6,697,514	311,649	17,662	19,592,935
1999	6,189,762	6,897,359	7,904,167	308,272	16,893	21,316,452
2000	6,757,033	7,231,844	8,810,822	323,529	16,258	23,139,486
2001	6,769,516	7,798,614	10,150,719	283,006	16,112	25,017,968

[1]An employee benefit which is usually term life insurance.

[2]Industrial life insurance is low-value life insurance for which the premiums are collected weekly or monthly at the home of the policyholder.

Source: A.M. Best Company, Inc.

BANKS IN INSURANCE

- **Among the top ten banks selling life insurance, premiums fell 1.3 percent from 2000 to 2001.**

LEADING INSURERS, LIFE INSURANCE SALES THROUGH BANKS, 2000 AND 2001[1]
($ millions)

Rank	Company	2000	2001
1	Nationwide	$27.2	$30.3
2	Hartford	15.3	15.2
3	CUNA Mutual	23.9	13.5
4	Equitable	1.0	10.0
5	Liberty Life	5.7	9.4
6	American General	7.5	8.5
7	Allstate Companies	3.5	6.7
8	Aegon	19.2	5.2
9	Sun Life of Canada	3.3	4.8
10	Jefferson Pilot	2.7	4.3
Top 10 Totals		**$109.3**	**$107.9**

[1]Insurance company sales of life insurance through banks. Ranked by 2001 weighted premium.

Source: Kenneth Kehrer Associates.

LEADING WRITERS OF INDIVIDUAL ANNUITIES SOLD THROUGH BANKS, 2000 AND 2001[1]
($ millions)

		Total premium	
Rank	Company	2000	2001
1	AIG/SunAmerica	$4,694	$6,552
2	Aegon/Transamerica	3,168	4,333
3	Hartford	4,141	3,358
4	Nationwide	2,857	3,030
5	GE Companies	1,750	2,197
6	Allstate Financial	2,597	2,171
7	Keyport	1,364	1,530
8	Jackson National	960	1,516
9	John Hancock	897	1,329
10	Lincoln National	129	1,263
11	American Enterprise	550	976
12	Western-Southern	502	947
13	New York Life	386	876
14	Ohio National	285	863
15	Safeco	120	756
16	ING/Aetna	704	739

[1]Ranked by total 2001 premium.

Source: Kenneth Kehrer Associates.

CREDIT LIFE INSURANCE

Credit life insurance, which is 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 the borrower dies. The face value of a credit life insurance policy decreases as the loan is paid off until both equal zero. When loans are paid off early, premiums for the remaining term must be returned to the policyholder. Credit accident and health is a similar product that makes monthly payments in the event the borrower becomes disabled.

CREDIT LIFE INSURANCE NET PREMIUMS WRITTEN, 1997-2001
($000)

Year	Net premiums written
1997	$1,857,064
1998	1,896,119
1999	1,886,314
2000	1,811,704
2001	1,585,468

Source: A.M. Best Company, Inc.

TOP TEN CREDIT LIFE INSURANCE WRITERS, 2001[1]
($000)

Rank	Company	Net premiums written
1	Household Insurance Group	$267,140
2	CUNA Mutual Group	231,013
3	Fortis Inc.	177,897
4	American International Group	153,155
5	Citigroup	122,899
6	Minnesota Mutual Group	56,487
7	Central States H & L Group	36,354
8	Zurich Insurance Group	34,907
9	AEGON USA Inc.	30,318
10	JMIC Life Group	30,315

[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

CREDIT ACCIDENT AND HEALTH INSURANCE NET PREMIUMS WRITTEN, 1997-2001
($000)

Year	Net premiums written
1997	$1,815,537
1998	1,725,071
1999	1,676,691
2000	1,616,676
2001	1,499,662

Source: A.M. Best Company, Inc.

TOP TEN WRITERS OF CREDIT ACCIDENT AND HEALTH INSURANCE, 2001[1]
($000)

Rank	Company	Net premiums written	Market share
1	CUNA Mutual Group	$378,312	25.23%
2	Household Insurance Group	189,312	12.62
3	Citigroup	176,903	11.80
4	Fortis Inc.	140,732	9.38
5	American International Group	110,657	7.38
6	Minnesota Mutual Group	72,104	4.81
7	AEGON USA Inc.	54,626	3.64
8	Guardian Life	35,823	2.39
9	JMIC Life Group	35,674	2.38
10	Centurion Life Insurance Co.	30,549	2.04
	Total Market	**1,499,662**	**100.00**

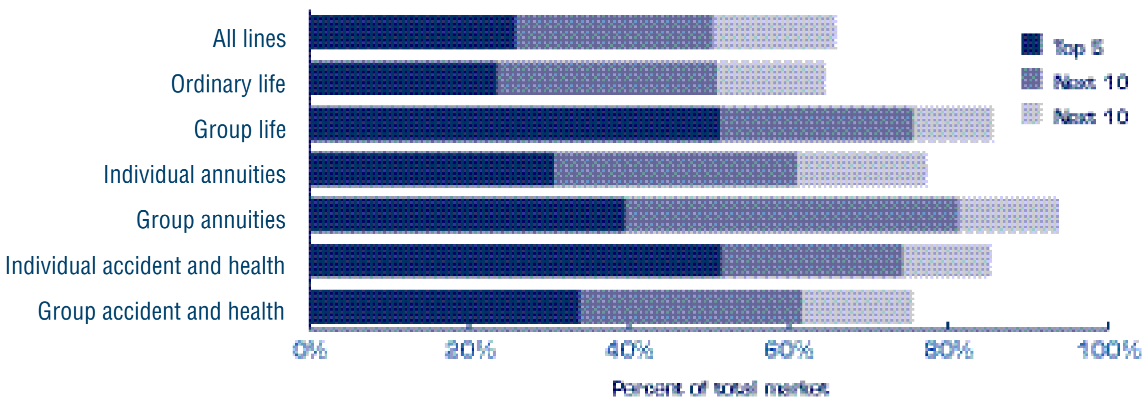
[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

LIFE INSURANCE INDUSTRY CONCENTRATION

The life/health insurance market is highly competitive. The market in group annuities is the most concentrated, largely because the product requires greater financial resources and expertise.

MARKET SHARES OF THE 25 LEADING LIFE/HEALTH INSURERS BY LINE, 2001
(Based on net premiums written)



Source: A.M. Best Company, Inc.

REINSURANCE

Reinsurance is essentially "insurance for insurance companies." The life side of the business is much smaller than the property/casualty side, see page 56, and less volatile, due to the nature of the underlying risks.

TOP TEN LIFE REINSURERS IN THE UNITED STATES, 2000[1]
($ millions)

		2000 reinsurance assumed	
Rank	Company	Face amount in force	Market share
1	Lincoln National Corp.	$627,957	10.9%
2	Metropolitan Life & Affiliated Cos.	612,156	10.6
3	Swiss Reinsurance Group	609,020	10.6
4	ING Group	445,224	7.7
5	Employers Re Group	382,385	6.6
6	Munich American Reassurance Group	309,889	5.4
7	CNA Insurance Group	247,907	4.3
8	CIGNA Group	173,800	3.0
9	Allianz Insurance Group	168,971	2.9
10	American United Life Group	159,132	2.8

[1]Ranked by reinsurance assumed.

Source: A.M. Best Company, Inc.

Chapter 4: Banking

OVERVIEW

Banking, the largest sector within the financial services industry, includes commercial banks and thrifts (savings and loan associations and savings banks) and credit unions. In their role as financial intermediaries, banks and other depository institutions 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. For example, when interest rates rose sharply at the end of the 1970s, savings institutions were forced to offer higher rates to depositors without being able to achieve a corresponding increase in earnings on assets, many of which were long-term fixed rate mortgages.

Beginning in the 1950s, banks' share of the loan market experienced steady erosion as first automakers and then other producers and retailers found ways to do their own lending. Gradually, the stock in trade of bankers — their hard-won knowledge of interest rates, credit risks and other market information — became more and more easily available to other potential lenders. By the 1990s, the bank share of the loan market had fallen from its former level of 75 percent or more to less than 50 percent. Also in the 1990s, bank deposits fell from their customary two-thirds to three-quarters of the gross domestic product to about half. A great deal of the missing deposits went into mutual funds and money management accounts offered by securities brokers.

Over the past decade, many banks have diversified and expanded into new business lines such as credit cards, stock brokerage and investment management services, see page 10. They are also moving into the insurance business, selling in particular annuities and life insurance products, often through the purchase of insurance agencies. Banks can be federally or state chartered. Except for industrial banks, only data for federally chartered institutions are included here.

REGULATION

Consumers rely on banking institutions to maintain their savings for retirement, emergencies and other situations that cannot be financed out of current income. The concept of depository insurance was introduced during the Great Depression, when many people lost their lifetime savings, to restore confidence in the banking system. Under the program administered by the Federal Depository Insurance Corporation (FDIC), which is an independent agency within the federal government, deposits in commercial banks and thrifts are insured for up to $100,000. The FDIC is also charged with liquidating failing banks or disposing of their insured liabilities by selling them to a solvent institution.

The FDIC regulates the activities of insured banks and sets guidelines for their investment portfolios to safeguard the assets of depositors. The Office of Thrift Supervision performs a similar function for savings and loan associations, and the

National Credit Union Administration does much the same for credit unions.

The Federal Reserve system was established by Congress in 1913 to regulate money supply according to the needs of the U.S. economy. The Federal Reserve 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. When the Federal Reserve buys Treasury bills, reserves in the federal banking system rise. When it sells, reserves in the system shrink. This tends to push up interest rates and therefore the cost of credit. Because of banks' sensitivity to interest rates, Federal Reserve policy has a major impact on the banking sector.

MERGERS AND ACQUISITIONS

Among the top ten bank mergers in 2001, two were cross-sector deals.

TOP TEN BANK MERGERS IN 2001[1]
($ millions)

Rank	Buyer	Industry	Target	Industry	Deal value[2]
1	First Union Corp.	Bank	Wachovia Corp.	Bank	$13,627.2
2	Washington Mutual Inc.	Thrift	Dime Bancorp Inc.	Thrift	5,167.5
3	Deutsche Bank AG	Bank	Zurich Scudder Investments Inc.	Investment adviser	2,500.0
4	BNP Paribas Group	Bank	BancWest Corp.	Bank	2,483.2
5	BNP Paribas Group	Bank	United California Bank	Bank	2,400.0
6	Royal Bank of Canada	Bank	Centura Banks Inc.	Bank	2,330.0
7	Citigroup Inc.	Bank	European American Bank	Bank	1,950.0
8	Washington Mutual Inc.	Thrift	Assets of HomeSide Lending Inc.	Specialty lender	1,920.0
9	BB&T Corp.	Bank	F&M National Corp.	Bank	1,162.8
10	FleetBoston Financial Corp.	Bank	Liberty Financial Cos. asset management operations	Investment adviser	900.0

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

Source: SNL Financial LC.

BANK PURCHASES OF INSURANCE AGENCIES, 1998-2001[1]

- **In 2001, the value of deals almost doubled from 2000, but the number was about average for the four-year period.**

	1998	1999	2000	2001
Number of deals	48	66	77	60
Deal value ($ millions)	$68.9	$116.3	$142.0	$272.1

[1]List does not include terminated deals.

Source: SNL Financial LC.

PROFITABILITY

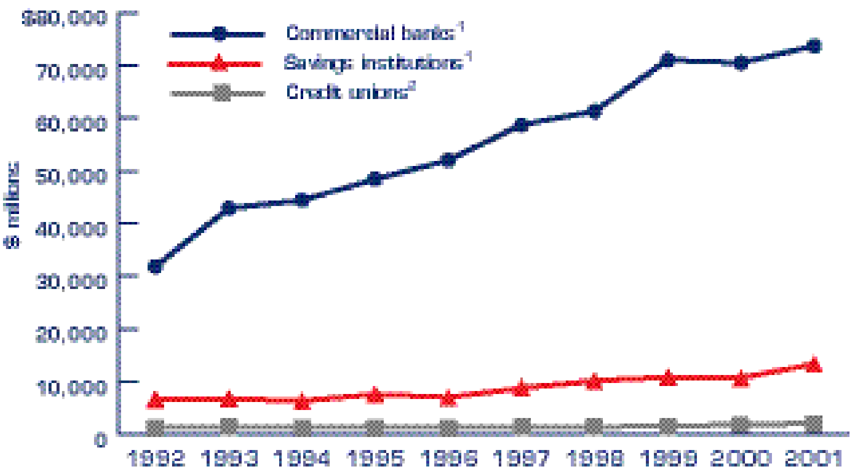
In their efforts to maximize profits, commercial banks and other depository institutions must balance credit quality and future economic conditions with liquidity needs and regulatory mandates.

PROFITABILITY OF SAVINGS AND COMMERCIAL BANKS AND CREDIT UNIONS, 1997-2001

	Return on equity		Return on average assets
Year	Savings banks	Commercial banks	Credit unions
1997	10.44%	14.68%	1.03%
1998	11.42	13.93	0.95
1999	12.16	15.31	0.94
2000	11.63	14.02	1.02
2001	13.10	13.09	0.96

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

NET INCOME OF SAVINGS INSTITUTIONS, COMMERCIAL BANKS AND CREDIT UNIONS, 1992-2001
($ millions)



- Commercial banks saw their net income grow 4.5 percent in 2001, compared with 2000. Net income increased 24.7 percent for savings institutions and 10.8 percent for credit unions.

[1]FDIC-insured.
[2]Federally insured state-chartered credit unions.

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

ASSETS

Although assets of credit unions are very small in relation to those of commercial banks, they are growing faster.

FINANCIAL ASSETS OF BANKING INSTITUTIONS, 1980-2001
($ billions, end of year)

Year	Commercial banking	Savings institutions	Credit unions
1980	$1,482	$792	$68
1990	3,338	1,323	217
1997	5,175	1,029	354
1998	5,642	1,088	392
1999	5,980	1,151	415
2000	6,462	1,219	441
2001	6,876	1,298	506

Source: Board of Governors of the Federal Reserve System, as of March 2002.

ASSETS OF FOREIGN BANKING OFFICES IN THE UNITED STATES, 1997-2001[1]
($ billions, end of year)

	1997	1998	1999	2000	2001
Total financial assets	**$811.3**	**$806.5**	**$747.0**	**$784.2**	**$850.9**
Reserves at Federal Reserve	2.9	1.0	1.4	0.5	0.6
Total bank credit	567.2	568.6	539.7	607.0	605.1
U.S. government securities	157.3	151.8	163.6	163.6	159.5
Treasury	95.1	84.8	92.3	91.7	104.7
Agency	62.2	67.0	71.3	71.9	54.8
Corporate and foreign bonds	41.3	47.1	42.0	49.6	77.4
Total loans	368.6	369.7	334.1	393.8	368.2
Open market paper	0.4	0.3	0.6	0.6	0.0
Other bank loans	284.0	282.2	259.9	275.7	256.2
Mortgages	26.1	20.6	16.4	17.1	17.9
Security credit	58.0	66.6	57.2	100.5	94.1
Corporate equities	0.0	0.0	0.0	0.0	0.0
Customers' liability on acceptances	6.9	2.2	1.6	1.6	1.0
Miscellaneous assets	234.3	234.6	204.2	175.1	244.2

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

Source: Board of Governors of the Federal Reserve System.

CREDIT MARKETS

Until about 1950, commercial banks dominated the credit market. Commercial banks' credit market share continues to decrease, falling from 16.1 percent in 2000 to 15.6 percent in 2001. While depository institutions continue to be the leading holders of credit assets, asset shares of other major groups have risen.

CREDIT MARKET ASSET HOLDINGS, 1997-2001[1]
(end of year, $ billions)

	1997	1998	1999	2000	2001	Percent of 2001 total
Total credit market assets held	**$21,310.3**	**$23,487.8**	**$25,735.6**	**$27,520.8**	**$29,495.8**	**100.0%**
By financial sectors:	**15,901.8**	**17,634.4**	**19,420.5**	**21,061.9**	**22,777.4**	**77.2**
Monetary authority	431.4	452.5	478.1	511.8	551.7	1.9
U.S.-chartered commercial banks	3,450.7	3,761.2	4,078.9	4,418.7	4,605.1	15.6
Foreign bank offices in the U.S.	516.1	504.2	484.1	508.1	512.0	1.7
Bank holding companies	27.4	26.5	32.7	20.5	24.3	0.1
Banks in U.S.-affiliated areas	37.8	43.8	48.3	55.0	61.4	0.2
Savings institutions	928.5	964.6	1,033.2	1,089.7	1,130.1	3.8
Credit unions	305.3	324.2	351.7	382.2	420.8	1.4
Bank personal trusts and estates	207.0	194.1	222.0	239.1	249.5	0.8
Life insurance companies	1,751.1	1,828.0	1,886.0	1,943.9	2,076.2	7.0
Nonlife insurance companies	515.3	521.1	518.2	509.4	514.5	1.7
Private pension funds	674.6	651.8	677.2	717.1	735.0	2.5
Public pension funds	632.5	704.6	751.4	806.0	790.9	2.7
Money market mutual funds	721.9	965.9	1,147.8	1,290.9	1,536.9	5.2
Mutual funds	901.1	1,028.4	1,076.8	1,097.8	1,223.9	4.1
Closed-end funds	98.3	103.7	111.1	102.7	94.2	0.3
Government-sponsored corps.	939.4	1,253.9	1,545.6	1,803.7	2,098.1	7.1
Federal mortgage pools	1,825.8	2,018.4	2,292.2	2,491.6	2,828.2	9.6
ABS issuers	937.7	1,219.4	1,424.6	1,602.9	1,859.0	6.3
Finance companies	568.2	645.5	742.5	850.5	867.0	2.9
Mortgage companies	32.1	35.3	35.6	35.9	37.2	0.1
Real estate investment trusts	50.6	45.5	42.9	36.6	47.1	0.2
Broker/dealers	182.6	189.4	154.7	223.6	321.2	1.1
Funding corporations	166.7	152.3	285.0	324.4	193.1	0.7
By the federal government	**205.4**	**219.1**	**258.0**	**265.4**	**272.8**	**0.9**
By others, domestic	**2,945.7**	**3,094.6**	**3,380.9**	**3,188.9**	**3,015.0**	**10.2**
By others, foreign	**2,257.3**	**2,539.8**	**2,676.2**	**3,004.6**	**3,430.6**	**11.6**

[1]Excluding corporate equities and mutual fund shares.

Source: Board of Governors of the Federal Reserve System.

EMPLOYMENT

Employment in commercial banks and savings institutions, in decline for several years, has recently begun to move upward. By contrast, the number of employees in credit unions has steadily increased over the past decade, rising 47 percent from 1992-2001.

- In 2001, the number of employees in commercial banks rose 0.1 percent from 2000, compared with a 2 percent jump in employment in savings institutions and a 5 percent increase in credit unions.

EMPLOYMENT IN THE BANKING INDUSTRY, 1992-2001
(000)

Year	Commercial banks	Savings banks	Credit unions	Total
1992	1,489.5	345.9	138.3	1,973.7
1993	1,497.2	324.1	144.3	1,965.6
1994	1,484.3	305.1	150.1	1,939.5
1995	1,465.5	275.8	156.3	1,897.6
1996	1,458.3	265.8	163.6	1,887.7
1997	1,462.5	259.8	171.7	1,894.0
1998	1,471.8	256.3	179.3	1,907.4
1999	1,467.8	254.2	187.3	1,909.3
2000	1,432.1	250.3	193.6	1,876.0
2001	1,433.6	255.8	203.3	1,892.7

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

BANK BRANCHES

Consolidation in commercial banking has substantially reduced the number of these institutions, but has not reduced consumers' access to their deposits as the number of commercial bank branches and ATMs continues to grow. However, there are fewer savings institutions than earlier in the decade, both in terms of banks and branches. Since 1980, the number of credit unions has dropped by over 74 percent.

BANKING OFFICES BY TYPE OF BANK, 1990-2001

	1990	1997	1998	1999	2000	2001
All banking offices	**94,131**	**94,981**	**95,788**	**97,021**	**96,358**	**96,912**
Commercial banks	62,346	68,897	70,150	71,664	71,784	73,027
Number of banks	12,329	9,124	8,756	8,563	8,297	8,062
Number of branches	50,017	59,773	61,394	63,101	63,487	64,965
Savings institutions	21,625	14,846	14,643	14,729	14,258	13,901
Number of banks	2,815	1,780	1,690	1,642	1,589	1,533
Number of branches	18,810	13,066	12,953	13,087	12,669	12,368
Credit unions	10,160	11,238	10,995	10,628	10,316	9,984

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

BANK SALES OF INSURANCE AND MUTUAL FUNDS

Financial services firms are increasingly selling products traditionally associated with other financial services sectors. This trend is most visible in the banking industry.

TOP TEN BANKS AND THRIFTS, INCOME FROM MUTUAL FUND AND ANNUITY SALES, 2001

Rank	Bank	Income from mutual funds and annuities[1] ($ millions)
1	Bank of America NA	$680.0
2	Mellon Bank NA	665.3
3	First Union NB	536.0
4	PNC Bank NA	501.8
5	JPMorgan Chase Bank	388.0
6	Wells Fargo Bank NA	357.0
7	Bank of New York	186.7
8	Washington Mutual Bank	179.9
9	Fleet NA Bank	175.0
10	Citibank NA	168.0

[1]Ranked by income from the sale and servicing of mutual funds and annuities. This is primarily gross commissions, but it may also include investment advisory fees.

Source: Singer's Annuity & Funds Report, www.singerpubs.com.

TOP TEN THRIFTS, ANNUITY SALES, 2001[1]

Rank	Thrift	Annuity sales ($ millions)
1	Washington Mutual Bank	$2,541.2
2	California Federal Bank	758.2
3	Guaranty Bank	494.6
4	Dime Savings Bank of NY	462.8
5	Charter One Bank, FSB	413.6
6	Sovereign Bank	410.5
7	Commercial FB	232.7
8	Astoria FS & LA	210.1
9	World Savings Bank, FSB	197.8
10	Webster Bank	178.1

[1]Ranked by annuity sales.

Source: Singer's Annuity & Funds Report, www.singerpubs.com.

- Bank life insurance sales increased by 31 percent in 2001, compared with the previous year, and by 53 percent in 2000, compared with 1999.

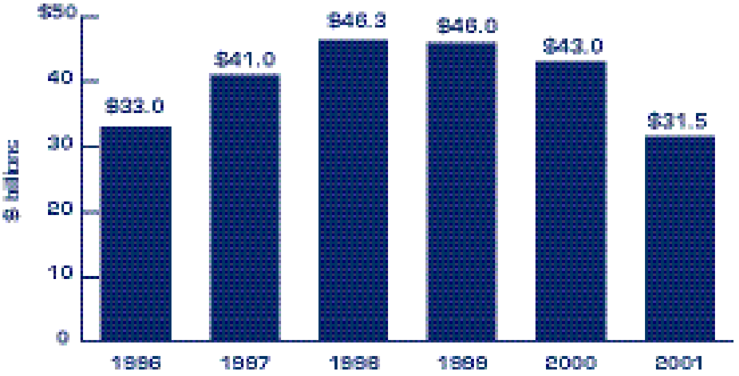
BANK SALES OF LIFE INSURANCE: NEW (FIRST YEAR) PREMIUM, 1998-2001
($ millions)

1998	$189
1999	225
2000	345
2001	452

Source: Kenneth Kehrer Associates.

- Bank sales of retail mutual funds were down 26.7 percent from 2000 to 2001.

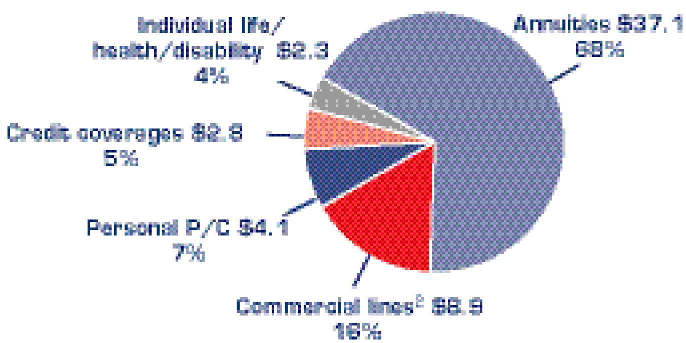
BANK SALES OF RETAIL MUTUAL FUNDS, 1996-2001
($ billions)



Source: Kenneth Kehrer Associates.

- In 2001, bank insurance premiums increased by an estimated 23 percent to $55.2 billion from $44.9 billion the previous year, according to a survey conducted by the American Bankers Insurance Association.
- Sales of commercial lines coverages, including group life/health, rose to 16 percent in 2001 from 12 percent in 2000.

BANK INSURANCE PREMIUMS, BY TYPE OF COVERAGE, 2001[1]
($ billions)



[1]Total estimated at $55.2 billion.
[2]Commercial property/casualty and group life/health.

Source: American Bankers Insurance Association.

BANK INSURANCE DISTRIBUTION CHANNELS

The results of a survey by the American Bankers Insurance Association (ABIA) show that in 2001 more banks were working directly with commercial loan officers to market insurance. According to survey data, in the area of commercial insurance, the number of banks that used agents working with commercial bankers rose 19 percentage points from 2000. There was a 31 percentage point increase in the number of banks that used agents working with commercial bankers saying it was their primary distribution channel for commercial insurance. In personal lines, there was an increase in the use of direct mail and an increase in agents working with commercial bankers and trust departments as well as a rise in the percentage of banks using these channels as their primary distribution tool.

BANK DISTRIBUTION CHANNELS FOR PROPERTY/CASUALTY INSURANCE, 2001

	Commercial insurance			Personal insurance		
	Percent using	Percent using as primary	Effectiveness[1]	Percent using	Percent using as primary	Effectiveness[1]
Direct mail	45.0%	0.0%	2.7	50.0%	11.0%	2.6
Telemarketing	14.0	0.0	2.3	27.0	21.0	2.6
Bank/platform employees	24.0	12.0	2.2	14.0	5.0	3.3
Internet	18.0	0.0	1.0	45.0	5.0	1.7
Agents in branches	36.0	0.0	2.5	36.0	21.0	2.4
Agents working with:						
Commercial bankers	95.0	88.0	3.3	55.0	21.0	3.1
Trust department	54.0	0.0	2.7	50.0	16.0	2.7
Securities/investment group	54.0	0.0	2.6	14.0	0.0	2.3

[1]Measured on a scale of 1 to 5 with 5 being the most effective.

Source: American Bankers Insurance Association.

FINANCIAL HOLDING COMPANIES

Long before the passage of the Gramm-Leach-Bliley Act, banks had been able to underwrite certain securities such as U.S. Treasury securities and general obligation municipal bonds. Rulings in the 1980s expanded these activities. In 1982, the Office of the Comptroller of the Currency ruled that national banks could own brokerage firms. In 1986, the Federal Reserve ruled that bank holding companies could engage in limited securities underwriting through affiliates under Section 20 of Glass-Steagal. A 1996 ruling expanded permissible revenue from securities underwriting through affiliates from 10 percent to 25 percent. Now, under Gramm-Leach-Bliley, financial holding companies (FHCs) may engage in securities underwriting, dealing, and market-making activities, as well as others of a financial nature as long as they do not pose a substantial risk to the safety and soundness of the institution.

- The average asset size of FHCs as of August 2002 was $10.6 billion, according to the Financial Market Center .
- FCHs accounted for 17 percent of all U.S. finan - cial sector assets as of August 2002, according to the Financial Market Center.

TOP TEN FINANCIAL HOLDING COMPANIES WITH SECURITIES SUBSIDIARIES, 2002[1]
($ millions, as of March 2002)

Rank	Company	Assets
1	Citigroup Inc.	$1,057,657
2	J.P. Morgan Chase & Co.	712,508
3	Bank of America Corporation	619,921
4	Wachovia Corporation	319,853
5	Wells Fargo & Company	311,509
6	Bank One Corporation	262,947
7	Taunus Corporation[2]	235,867
8	FleetBoston Financial Corporation	192,032
9	ABN AMRO North America Holding Company	174,451
10	U.S. Bancorp	164,745

[1]Ranked by assets

[2]Taunus' Deutsche Bank division is an FHC.

Source: Board of Governors of the Federal Reserve System; Federal Financial Institutions Examination Council.

TOP TEN FINANCIAL HOLDING COMPANIES, INCOME FROM MUTUAL FUND AND ANNUITY SALES, 2001
($ millions)

Rank	Bank holding company	Income from mutual funds and annuities[1]
1	Citigroup Inc.	$2,431.0
2	Franklin Resources	1,758.3
3	Wachovia Corp.	1,160.0
4	Charles Schwab Corp.	1,053.7
5	MetLife, Inc.	882.9
6	Mellon Financial Corp.	719.6
7	Bank of America Corp.	680.0
8	PNC Financial Services	676.5
9	U.S. Bancorp	460.1
10	J.P. Morgan Chase	407.0

[1]Ranked by income from the sale and servicing of mutual funds and annuities. This is primarily gross commissions, but it may also include investment advisory fees.

Source: Singer's Annuity & Funds Report, www.singerpubs.com.

COMMERCIAL BANKS

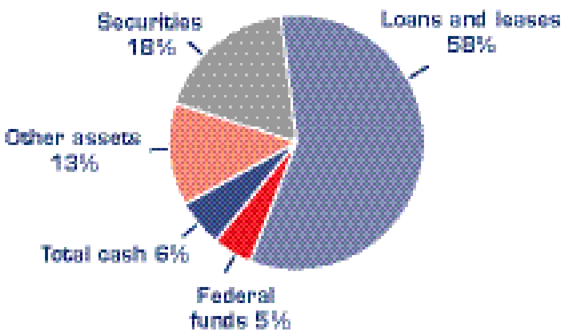
Commercial banks vary greatly in size from the "money center" banks located in the nation's financial centers that offer a broad array of traditional and nontraditional banking services, including international lending, to the smaller regional and local community banks engaged in more typical banking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

The number of small commercial banks continues to drop while the number of larger banks grows. There were 356 fewer commercial banks with assets of less than $100 million in 2001 than in the previous year, but 116 more in the $100 million to $1 billion asset size, and five more in the $1 billion or more category.

ASSETS AND LIABILITIES

A bank's assets and liabilities are managed to maximize revenues and maintain liquidity. The lending business'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 does include equity as well as other asset classes.

ASSETS OF FDIC-INSURED COMMERCIAL BANKS, 2001



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

Source: Federal Deposit Insurance Corporation.

ASSETS AND LIABILITIES OF FDIC-INSURED COMMERCIAL BANKS GROUPED BY ASSET SIZE, 2001

($ millions, end of year)

	Total commercial banks	By asset size: Less than $100 million	$100 million to $1 billion	$1 billion or more	Foreign offices
Number of institutions	8,080	4,486	3,194	400	140
Total assets	**$6,569,240**	**$221,622**	**$819,393**	**$5,528,225**	**$765,933**
Cash and due from depository institutions	390,998	12,675	37,996	340,327	105,128
Noninterest-bearing	267,800	9,209	31,081	227,510	NA
Interest-bearing	123,198	3,465	6,915	112,817	NA
Securities	1,179,562	53,188	185,567	940,807	NA
Federal funds sold and re-repos[1]	317,645	12,408	29,224	276,013	60,369
Loans and leases, net	3,823,246	133,471	524,767	3,165,008	NA
Plus: allowance for losses and allocated transfer risk reserve	72,110	1,904	7,660	62,546	NA
Loans and leases, total	3,895,355	135,375	532,426	3,227,554	296,351
Assets held in trading accounts[2]	303,285	6	364	302,916	77,117
Bank premises and fixed assets	76,758	4,173	14,871	57,715	NA
Other real estate owned	3,833	314	992	2,528	NA
Intangible assets	122,415	576	4,843	116,995	NA
All other assets	351,497	4,812	20,771	325,915	NA
Total liabilities, limited-life preferred stock, and equity capital	**$221,622**	**$221,622**	**$819,393**	**$5,528,225**	**NA**
Total liabilities	**5,971,783**	**197,467**	**740,039**	**5,034,277**	**863,168**
Deposits, total	**4,391,623**	**187,699**	**668,372**	**3,535,552**	**629,681**
Noninterest-bearing	873,671	28,819	104,878	739,974	31,708
Interest-bearing	3,517,952	158,880	563,495	2,795,578	597,973
Federal funds purchased and repos[3]	503,159	2,015	22,141	479,002	42,589
Trading liabilities	183,300	0	0	183,300	NA
Other borrowed money	566,792	5,970	39,626	521,196	38,692
Subordinated notes and debentures	95,317	12	432	94,873	NA
All other liabilities	231,593	1,772	9,467	220,353	NA
Total equity capital	**$597,457**	**$24,155**	**$79,353**	**$493,948**	**NA**
Perpetual preferred stock	4,387	42	198	4,147	NA
Common stock	30,299	3,504	7,181	19,614	NA
Surplus	306,370	9,696	30,233	266,441	NA
Undivided profits	256,401	10,913	41,741	203,746	NA

[1]Re-repos are security resale agreements, reverse repos. [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. [3]Repos are repurchase agreements.

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. These guidelines have a similar impact on the banking industry that statutory accounting practices has on the insurance industry — to emphasis solvency, see page 32.

DEPOSITS, INCOME AND EXPENSES OF FDIC-INSURED COMMERCIAL BANKS, 1997-2001
($ millions, end of year)

	1997	1998	1999	2000	2001
Number of institutions	9,123	8,755	8,561	8,297	8,062
Total deposits (domestic and foreign) individuals, partnerships, corps.	**$3,022,282**	**$3,257,616**	**$3,389,962**	**$3,704,748**	**$2,843,238**
U.S. government	6,673	7,182	7,486	8,513	12,291
States and political subdivisions	123,636	136,715	150,538	160,215	172,894
All other	246,621	253,576	255,557	275,610	1,328,945
Total domestic and foreign deposits	**3,399,212**	**3,655,088**	**3,803,543**	**4,149,087**	**4,357,367**
Interest-bearing	2,726,570	2,940,157	3,104,980	3,397,412	3,489,053
Noninterest-bearing	672,641	714,931	698,563,257	751,675	868,314
Domestic office deposits					
Demand deposits	587,220	582,670	523,131	526,674	570,569
Savings deposits	1,165,802	1,341,997	1,413,398	1,559,684	1,879,315
Time deposits	1,120,152	1,158,565	1,211,639	1,356,315	1,278,055
Total domestic deposits	**2,873,174**	**3,083,232**	**3,148,168**	**3,442,674**	**3,727,938**
Transaction	757,295	746,479	679,617	672,125	738,542
Nontransaction	2,115,879	2,336,752	2,468,551	2,770,549	2,989,396
Income and expenses					
Total interest income	336,853	359,050	363,967	424,441	398,964
Total interest expense	163,774	177,832	173,464	222,178	185,650
Net interest income	173,079	181,218	190,502	202,263	213,314
Total noninterest income (fees, etc.)	104,133	123,298	144,043	153,009	156,691
Total noninterest expense	168,901	193,023	203,044	214,910	221,050
Provision for loan and lease losses	19,648	21,935	21,574	29,716	42,710
Pretax net operating income	88,662	89,557	109,927	110,647	106,244
Securities gains (losses)	1,823	3,091	175	-2,278	4,439
Income taxes	31,754	31,828	39,246	37,848	36,759
Net extraordinary items	19	507	169	-32	-240
Net income	58,750	61,327	71,026	70,488	73,684

Source: Federal Deposit Insurance Corporation.

INVESTMENT MIX

SECURITIES OF FDIC-INSURED COMMERCIAL BANKS, 2001
($ millions, end of year)

		By asset size[1]		
	Total commercial banks	Less than $100 million	$100 million to $1 billion	$1 billion or more
Securities (debt and equity)	**$1,179,562**	**$53,188**	**$185,567**	**$940,807**
Securities held-to-maturity (amortized cost)	96,466	10,295	28,920	57,250
Securities available-for-sale (fair value)	1,083,096	42,892	156,647	883,557
By security type:[2]				
U.S. Treasury securities and U.S. government agency and corporation obligations	765,687	40,215	132,597	592,875
U.S. Treasury securities	45,055	2,925	9,008	33,122
U.S. government agency and corporation obligations	720,632	37,289	123,590	559,753
Securities issued by states and political subdivisions	96,489	9,763	34,575	52,151
Other domestic debt securities[3]	128,133	2,532	13,589	112,011
Foreign debt securities[3]	60,359	9	485	59,865
Equity securities	20,717	589	3,379	16,749
Other items: [2]				
Pledged securities	554,914	19,028	79,717	456,170
Mortgage-backed securities	613,586	13,204	64,494	535,888
Certificates of participation in pools of residential mortgages	382,551	8,909	38,150	335,492
Issued or guaranteed by the U.S.	358,118	8,879	38,033	311,206
Privately issued	24,432	29	116	24,287
Collateralized mortgage obligations	166,725	3,987	22,622	140,117
Issued by FNMA or FHLMC (includes REMICs)	256,286	5,851	25,051	225,384
Privately issued	101,832	3,028	12,982	85,822

[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."

Source: Federal Deposit Insurance Corporation.

CONCENTRATION

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

COMMERCIAL BANKS' CONCENTRATION, NUMBERS AND ASSETS, 1996 AND 2001

($ billions, end of year)

	By asset size								
	Less than $100 million	Percent of total	$100 million to $1 billion	Percent of total	$1 billion to $10 billion	Percent of total	More than $10 billion	Percent of total	Total banks
1996									
Number of banks	6,205	65.1%	2,925	30.7%	325	3.4%	73	0.8%	9,528
Total assets	$280.2	6.1	$713.3	15.6	$1,002.4	21.9	$2,582.4	56.4	$4,578.3
Total deposits	252.7	7.9	593.6	18.6	701.9	22.0	1,659.1	51.9	3,197.2
Return on assets	1.17	NA	1.28	NA	1.31	NA	1.12	NA	1.19
Return on equity	11.02	NA	13.56	NA	14.88	NA	15.12	NA	14.46
2001									
Number of banks	4,486	55.5	3,194	39.5	320	4.0	80	1.0	8,080
Total assets	$221.6	3.4	$819.4	12.5	$915.4	13.9	$4,612.8	70.2	$6,569.2
Total deposits	187.7	4.3	668.4	15.2	625.0	14.2	2,910.5	66.3	4,391.6
Return on assets	0.91	NA	1.20	NA	1.31	NA	1.13	NA	1.16
Return on equity	8.07	NA	12.24	NA	13.77	NA	13.43	NA	13.10

NA=Not applicable.

Source: Federal Deposit Insurance Corporation.

TOP TEN COMMERCIAL BANKS, BY REVENUE, 2001

($ millions)

Rank	Company	Revenues
1	Bank of America Corp.	$52,641
2	J.P. Morgan Chase	50,429
3	Wells Fargo	26,891
4	Bank One Corp.	24,527
5	Wachovia Corp.	22,396
6	FleetBoston	19,190
7	U.S. Bancorp	16,443
8	MBNA	10,145
9	National City Corp.	9,093
10	SunTrust Banks	8,435

Source: Fortune.

- In 2001, the largest com - mercial banks, those with assets of more than $10 billion, increased their share of bank assets by 0.5 percentage points and their share of deposits by 1.0 percentage points from the previous year. Ther e were two fewer banks in this category than the pr e- vious year.

TOP TEN COMMERCIAL BANKS, BY ASSETS, 2001
($ millions)

Rank	Company	Assets
1	Citigroup, Inc.	$1,050,000
2	J.P. Morgan Chase & Co.	693,575
3	Bank of America Corporation	621,764
4	Wachovia Corporation	330,452
5	Wells Fargo & Company	307,569
6	Bank One Corporation	268,954
7	FleetBoston Financial Corporation	203,638
8	U.S. Bancorp	171,390
9	National City Corporation	105,817
10	SunTrust Banks, Inc.	104,741

Source: Federal Deposit Insurance Corporation.

TOP TEN U.S. BANK HOLDING COMPANIES, 2001[1]
($ millions)

Rank	Company	Assets
1	Citigroup Inc.	$1,057,657
2	J.P. Morgan Chase Co.	712,508
3	Bank of America Corporation	619,921
4	Wachovia Corporation	319,853
5	Wells Fargo & Company	311,509
6	Bank One Corporation	262,947
7	Taunus Corporation	235,867
8	FleetBoston Financial Corporation	192,032
9	ABN AMRO North America Holding Company	174,451
10	U.S. Bancorp	164,745

[1]Ranked by assets.

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 homeownership 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 2001, due mostly to acquisitions by or conversions to commercial banks or state-chartered savings banks, the number of savings and loans institutions regulated by the Office of Thrift Supervision had dropped to around 1,500.

SELECTED INDICATORS, FDIC-INSURED SAVINGS INSTITUTIONS, 1997-2001

	1997	1998	1999	2000	2001
Return on assets (%)	0.93%	1.01%	1.00%	0.92%	1.09%
Return on equity (%)	10.84	11.35	11.73	11.14	12.76
Core capital (leverage) ratio (%)	7.95	7.85	7.86	7.80	7.80
Noncurrent assets plus other real estate owned to assets (%)	0.95	0.72	0.58	0.56	0.66
Net charge-offs to loans (%)	0.25	0.22	0.17	0.20	0.28
Asset growth rate (%)	-0.28	6.06	5.52	5.99	6.76
Net interest margin	3.23	3.10	3.10	2.96	3.23
Net operating income growth (%)	19.98%	7.71%	16.62%	3.05%	7.35%
Number of institutions reporting	1,780	1,690	1,642	1,589	1,533
Percentage of unprofitable institutions (%)	4.10%	5.27%	8.28%	8.56%	8.22%
Number of problem institutions	12	15	13	18	19
Assets of problem institutions ($ billions)	$2	$6	$6	$7	$4
Number of failed/assisted institutions	0	0	1	1	1

Source: Federal Deposit Insurance Corporation.

OTS-REGULATED THRIFT INDUSTRY INCOME STATEMENT DETAIL, 1997-2001

($ millions, end of year)

	1997	1998	1999	2000	2001
Interest income	$55,296	$54,900	$57,006	$64,199	$65,233
Interest expense	33,479	33,402	34,104	40,925	37,618
Net interest income before provisions for losses	21,817	21,497	22,902	23,275	27,615
Provision for losses for interest bearing assets[1]	1,989	1,585	1,312	1,659	2,532
Net interest income after provisions for losses	19,828	19,912	21,590	21,616	25,083
Non-interest income[2]	7,041	9,897	9,063	10,023	13,137
Non-interest expense	16,797	18,210	17,706	19,238	22,591
Net income before taxes and extraordinary items	10,072	11,599	12,947	12,400	15,629
Taxes	3,655	3,940	4,729	4,382	5,696
Other[3]	-5	-90	10	-4	269
Net income	6,413	7,569	8,228	8,014	10,202
Other items:					
Preferred and common stock cash dividends	4,298	5,671	4,836	4,131	4,823
Reinvested earnings[4]	2,115	1,898	3,392	3,883	5,379
Net income of profitable thrifts	6,988	8,059	8,508	8,560	10,826
Net losses of unprofitable thrifts	-575	-490	-280	-546	-611

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

[2]Net gain (loss) on sale of assets is reported in non-interest Income.

[3]Defined as extraordinary items, net of tax effect, and 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.

BALANCE SHEET OF THE FEDERALLY-INSURED THRIFT INDUSTRY, 1997-2001

($ millions, end of year)

	1997	1998	1999	2000	2001
Number of thrifts	1,779	1,687	1,640	1,590	1,532
Assets					
Cash and invested securities	$101,759	$92,300	$98,271	$97,724	$123,721
Mortgage-backed securities	180,601	207,061	221,723	213,826	196,512
1-4 family loans	506,980	518,055	530,225	574,341	597,867
Multi-family development	57,612	54,469	55,591	56,797	58,990
Construction and land loans	19,758	23,370	29,073	34,832	38,397
Nonresidential loans	47,509	47,840	53,418	59,765	63,140
Consumer loans	47,677	52,581	62,099	65,286	69,421
Commercial loans	16,209	21,040	26,534	34,420	36,754
Real estate owned	2,084	1,578	1,125	1,003	1,050
Other assets	45,997	69,390	70,875	84,641	113,157
Total assets	**1,026,186**	**1,087,684**	**1,148,934**	**1,222,635**	**1,299,009**
Liabilities and equity					
Deposits	704,115	704,531	707,097	738,234	797,822
FHLB advances	118,620	143,081	231,449	261,495	254,271
Other borrowings	100,572	127,306	95,770	98,250	111,140
Other liabilities	13,483	18,339	19,659	21,098	26,158
Total liabilities	936,790	993,257	1,053,975	1,119,077	1,189,391
Equity capital	89,396	94,427	94,959	103,558	109,618
Total liabilities and equity	**1,026,186**	**1,087,684**	**1,148,934**	**1,222,635**	**1,299,009**

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

INVESTMENT SECURITIES OF FDIC-INSURED SAVINGS INSTITUTIONS, 1991-2001

($000, end of year)

Year	U.S. Treasury	U.S. agencies and corporations	U.S. Treasury, agencies and corporations	States and political subdivisions	Other debt securities
1991	$24,160,317	$167,871,347	$192,031,664	$2,121,948	$52,495,735
1992	32,270,404	176,191,310	208,461,714	1,763,600	50,560,623
1993	26,456,436	188,449,328	214,905,764	1,857,984	50,378,410
1994	26,933,445	207,526,150	234,459,595	1,940,411	47,248,436
1995	18,409,353	213,365,215	231,774,568	1,947,135	47,418,326
1996	10,236,447	49,219,443	212,743,981	2,066,642	39,410,068
1997	6,933,789	48,679,986	206,706,212	2,095,877	31,430,905
1998	4,264,043	50,438,530	222,111,708	3,171,012	35,217,791
1999	2,997,824	53,335,330	235,785,533	3,599,176	42,954,167
2000	2,136,495	51,381,074	225,718,319	3,831,619	42,697,325
2001	3,038,729	50,129,861	228,932,228	4,488,298	43,319,915

Year	Equity securities	Less: contra accounts[1]	Less: trading accounts	Total investment securities[2]	Memo: mortgage-backed securities
1991	$5,781,455	-$37,111	$1,184,653	$251,283,260	$178,514,294
1992	6,127,195	-635,818	1,360,884	266,188,070	183,550,487
1993	7,956,628	-1,116,501	1,727,245	274,488,043	197,742,015
1994	6,412,981	-595,646	415,472	290,241,603	213,992,545
1995	7,469,948	-537,152	607,564	288,539,565	215,661,369
1996	8,647,891	-357,343	946,566	262,279,348	193,021,111
1997	9,380,675	27,093	914,561	248,672,016	180,645,350
1998	10,974,229	22,961	1,956,480	269,495,300	207,287,430
1999	10,077,800	1,211	1,028,090	291,387,371	221,713,248
2000	10,495,028	1,361	758,615	281,982,315	212,652,669
2001	10,199,552	1,657	1,821,259	285,117,077	196,510,813

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

[2]Book value.

Source: Federal Deposit Insurance Corporation.

TOP SEVEN THRIFT COMPANIES, RANKED BY REVENUES, 2001
($ millions)

Rank	Company	Revenues
1	Washington Mutual	$17,692
2	Golden West Financial	4,446
3	Golden State Bancorp	4,320
4	Charter One Financial	2,852
5	Sovereign Bancorp	2,649
6	Greenpoint Financial	1,722
7	Astoria Financial	1,540

Source: Fortune.

TOP TEN THRIFT COMPANIES, RANKED BY ASSETS, 2002
($ millions)

Rank	Company	Assets[1]
1	Washington Mutual Inc.	$275,223
2	Golden West Financial	59,348
3	Golden State Bancorp Inc.	54,089
4	Charter One Financial	37,704
5	Sovereign Bancorp Inc.	36,833
6	Astoria Financial Corp.	22,107
7	GreenPoint Financial Corp.	21,072
8	Commercial Federal Corp.	12,747
9	Webster Financial Corp.	12,342
10	Hudson City Bancorp Inc. (MHC)	12,295

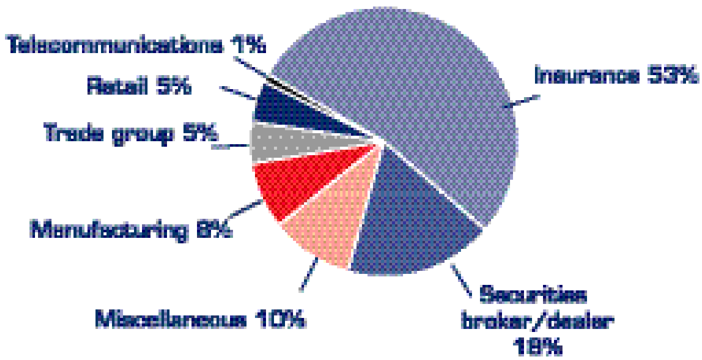
[1]As of March 31, 2002.

Source: Federal Deposit Insurance Corporation.

NEW APPLICATIONS FOR THRIFT CHARTERS

As reform of financial services appeared more likely, companies wanting to expand into banking applied for thrift charters. Many of these were insurance companies. Applications by nonfinancial entities such as retailers and manufacturers were filed before GLB was signed into law.

APPLICATIONS FOR THRIFT CHARTERS BY NONFINANCIAL INSTITUTION, JANUARY 1, 1997 - MAY 31, 2001



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

TOTAL NEW THRIFT CHARTERS FILED, JANUARY 1,1997 - DECEMBER 31, 2001

Year	Number of charters
1997	56
1998	89
1999	59
2000	16
2001	17
Total	**237**

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

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 almost 80 million people in the United States.

In 1934, President Roosevelt signed the Federal Credit Union Act into law, authorizing the establishment of federally-chartered credit unions in all states. The purpose of the federal law was "to make more available to people of small means credit for provident [provisions for the future] purposes through a national system of cooperative credit..." In 1970, the National Credit Union Administration, which charters and supervises credit unions, was created along with the National Credit Union Share Insurance Fund, which insures members' deposits. Individual credit unions are served by 35 federally-insured corporate credit unions, which provide investment, liquidity and payment services for their members.

FEDERAL CREDIT UNIONS AND FEDERALLY-INSURED STATE CHARTERED CREDIT INSTITUTIONS, 1980-2001
(end of year)

	1980	1990	1995	1999	2000	2001
Operating credit unions						
Federal	12,440	8,511	7,329	6,566	6,336	6,118
State	4,910	4,349	4,358	4,062	3,980	3,866
Number of failed institutions	236	164	22	23	29	22
Members						
Federal	24,519	36,241	42,163	44,076	43,883	43,817
State	12,338	19,454	24,927	31,308	33,705	35,532
Assets ($ millions)						
Federal	$40,092	$130,073	$193,781	$239,316	$242,881	$270,125
State	20,870	68,133	112,861	172,086	195,363	231,280
Loans						
Federal	26,350	83,029	120,514	155,172	163,851	170,326
State	14,852	44,102	71,606	116,366	137,485	152,014
Savings						
Federal	36,263	117,892	170,300	207,614	210,188	235,202
State	18,469	62,082	99,838	149,305	169,053	201,807

Source: National Credit Union Administration.

- **From 1980 to 2001, federal and federally-insured state credit union assets grew seven-fold to $440 billion. In 2001 alone, assets increased $63 billion, or 14 percent from 2000.**
- **There are currently fewer than 500 nonfederally-insured state chartered credit unions.**

ASSETS AND LIABILITIES OF CREDIT UNIONS, 1997-2001
($ billions, end of year)

	1997	1998	1999	2000	2001
Total financial assets	**$353.8**	**$391.5**	**$414.5**	**$441.1**	**$505.5**
Checkable deposits and currency	8.1	9.1	26.4	12.2	19.8
Time and savings deposits	17.0	23.4	16.6	17.1	25.5
Federal funds and security repos	3.5	6.8	9.3	4.0	2.5
Credit market instruments	305.3	324.2	351.7	382.2	420.8
Open market paper	0.2	0.4	1.9	1.2	2.4
U.S. government securities	66.7	71.5	70.9	69.2	88.0
Treasury	15.6	13.1	9.6	8.2	7.4
Agency	51.0	58.4	61.3	60.9	80.6
Home mortgages	86.0	96.9	111.0	127.4	144.2
Consumer credit	152.4	155.4	167.9	184.4	186.2
Mutual fund shares	2.4	3.6	2.5	2.2	3.7
Miscellaneous assets	17.6	24.3	8.0	23.4	33.2
Total liabilities	**320.6**	**355.3**	**376.1**	**398.1**	**458.9**
Shares/deposits	315.4	349.0	366.7	389.1	450.2
Checkable	36.6	43.0	45.4	51.3	54.7
Small time and savings	264.4	287.5	299.8	312.7	361.3
Large time	14.4	18.5	21.6	25.1	34.1
Other loans and advances	0.6	1.1	3.4	3.4	4.9
Miscellaneous liabilities	4.6	5.2	6.0	5.6	3.8

Source: Board of Governors of the Federal Reserve System, as of March 2002.

Credit Unions

TOP TEN CREDIT UNIONS, 2001[1]
($ millions)

Rank	Company	Assets
1	Navy	$15,106.6
2	State Employees'	8,186.7
3	Pentagon	4,270.0
4	Boeing Employees'	3,957.7
5	The Golden 1	3,772.5
6	United Airlines Employees	3,612.4
7	American Airlines	3,396.0
8	Orange County Teachers	3,351.7
9	Suncoast Schools	2,997.6
10	Kinecta	2,442.0

[1]Ranked by assets.

Source: Federal Deposit Insurance Corporation.

INDUSTRIAL BANKS

Industrial banks, known originally as state-chartered loan companies, were 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 blue collar workers. Many later merged with commercial banks and although 12 states still have industrial bank-charter options on their books, most of the remaining industrial banks now exist in a few states, mainly in the west. Many serve niche markets such as real estate lending and automobile loans. They may be owned by firms in other financial services businesses such as banks, finance companies, credit card issuers, securities firms or by nonfinancial businesses.

TOP TEN FDIC-INSURED INDUSTRIAL BANKS, 2002[1]
($000)

Rank	Bank	City	State	Total assets	Total deposits
1	Merrill Lynch Bank USA	Salt Lake City	UT	$64,410,112	$59,530,382
2	American Express Centurion Bank	Midvale	UT	15,872,928	4,184,362
3	Fremont Investment & Loan	Anaheim	CA	5,387,421	4,189,123
4	Southern Pacific Bank	Torrance	CA	1,324,870	1,177,882
5	Imperial Capital Bank	La Jolla	CA	1,266,518	904,940
6	Fireside Thrift Company	Pleasanton	CA	918,603	753,752
7	BMW Bank of North America	Salt Lake City	UT	889,654	139,016
8	Advanta Bank Corp.	Draper	UT	876,528	651,376
9	First Fidelity Investment & Loan	Tustin	CA	628,890	452,106
10	Affinity Bank	Ventura	CA	593,248	434,767

[1]Ranked by assets, as of March 31, 2002.

Source: Federal Deposit Insurance Corporation.

OVERVIEW

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

Investment banking involves the underwriting of new debt securities (bonds) and equity securities (stocks) issued by private or government entities to finance new projects. Investment banks buy the new issues and, acting essentially as wholesalers, sell them, primarily to institutional investors such as banks, mutual funds and pension funds. Investment banks may also be called 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, 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/wholesalers, they face the risk that the securities in their inventory will drop in price before they can resell them.

Securities markets are subject to a high level of volatility due to changes in interest rates, inflation levels, investor sentiment, corporate earnings, business cycles within market sectors, and political events.

REGULATION

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

A component of the Securities Act of 1933 is the requirement that publicly-held companies disclose their financial information to provide transparency, ensuring that potential investors have access to key information needed for investment decisions. A new regulation was passed in 2000 to give individual and institutional investors equal access to critical investment information. A company must now make announcements about earnings and other substantial market-moving news to both groups of investors, not just institutional investors and stock market analysts.

The National Association of Securities Dealers: The National Association of Securities Dealers (NASD) is a self-regulated body which was developed under the National Recovery Act of 1933. The NASD has created greater transparency in over-the-counter (OTC) markets by automating and providing greater access to pricing and other key information with the national electronic stock market quotation system (NASDAQ).

MERGERS AND ACQUISITIONS

The value of top mergers and acquisitions deals in the securities industry dropped in 2001, compared with 2000. However, banks continued to target securities firms.

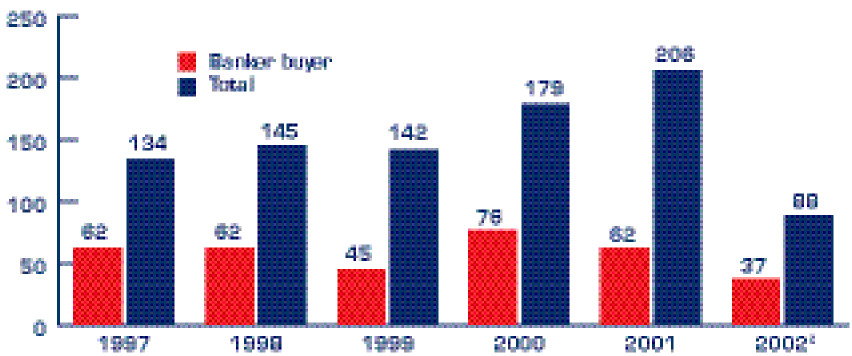
TOP TEN SECURITIES AND INVESTMENT FIRMS MERGERS AND ACQUISITIONS, 2001[1]

Rank	Buyer	Industry	Target	Industry	Deal value[2] ($ millions)
1	Deutsche Bank AG	Bank	Zurich Scudder Investments Inc.	Investment adviser	$2,500.0
2	Legg Mason Inc.	Broker/ dealer	Private Capital Management LP	Investment adviser	1,382.0
3	FleetBoston Financial Corp.	Bank	Liberty Financial Cos. asset management operations	Investment adviser	900.0
4	Societe Generale	Bank	51% of TCW Group Inc.	Investment adviser	881.3
5	Royal Bank of Canada	Bank	Tucker Anthony Sutro	Broker/ dealer	639.9
6	Hunter Partners LLC	Broker/ dealer	Wagner Stott Mercator LLC	Broker/ dealer	625.0
7	Allegheny Energy Inc.	Not classified	Global Energy Markets	Broker/ dealer	604.2
8	Bank of Montreal	Bank	CSFBdirect Holdings Inc.	Broker/ dealer	520.0
9	Robeco Groep NV	Investment adviser	Harbor Capital Advisors Inc.	Investment adviser	490.0
10	LaBranche & Co. Inc.	Broker/ dealer	Robb Peck McCooey Financial Svcs.	Broker/ dealer	342.7

[1]At least one of the companies involved is a U.S.-domiciled company. List does not include terminated deals.
[2]At announcement.
Source: SNL Financial LC.

MERGERS AND ACQUISITIONS OF U.S. SECURITIES FIRMS, 1997-2002[1]

- **Bank purchases of securities firms accounted for 38 percent of securities industries mergers and acquisitions from 1997 through the first eight months of 2002.**

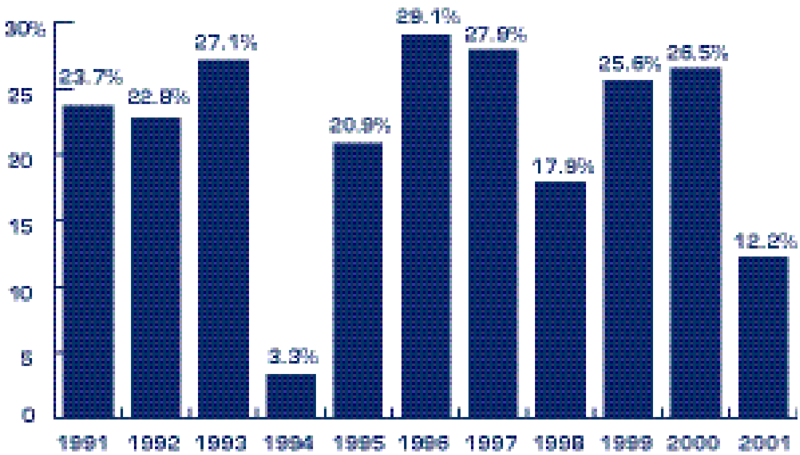


[1]Terminated deals are not included. [2]As of August 13, 2002.
Source: SNL Financial LC.

PROFITABILITY

By every financial measure, securities industry profitability fell significantly in 2001, compared with the previous year.

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY, 1991-2001



Source: Securities Industry Association.

- According to the Securities Industry Association, revenues of the U.S. securities industry dropped to $195 billion in 2001, a 20.4 percent decline from a record high of $245 billion in 2000.
- Pretax net income dropped to $10.4 billion, falling 50.5 percent from the record of $21.0 billion set in 2000. Despite the precipitous drop, pretax profits in 2001 were the industry's fifth highest ever.

BROKER/DEALERS

There are four categories of broker/dealers. The largest is the National Full Line (NFL), which are full service broker/dealers with an extensive national and international branch network system. NFL broker/dealers are also known as wirehouses, a term that harks back to when only the largest firms had access to high speed communications. Primarily headquartered in New York City, they command the largest share of revenues and employees. Many NFL firms have substantial investment banking operations.

Another category is regional brokers. Operating on a somewhat smaller scale than their New York City counterparts, 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.

The third category of broker/dealers, known as New York City-based, is made up mostly of broker/dealer subsidiaries of U.S. and foreign banks and securities organizations, excluding those that fall into other listed categories.

The last of the four groups is discounters. Discounters are broker/dealers primarily engaged in the discount brokerage business. They tend to charge less for trading than other brokers but also provide less in the way of research and other advisory services. They focus on retail customers. The discount broker market has been impacted significantly by the increased use of the Internet and online trading by individual investors.

SECURITIES INDUSTRY PRETAX RETURN ON EQUITY BY FIRM CATEGORY, 1991-2001

Year	National Full Line	Large investment bank	Regional	NYC-based	Discounter	Total firms[1]
1991	19.9%	25.2%	34.9%	16.3%	35.5%	23.7%
1992	21.4	23.7	40.0	8.9	33.7	22.8
1993	28.4	23.8	43.7	17.1	39.1	27.1
1994	4.8	-7.2	21.7	-2.5	26.4	3.3
1995	20.3	11.5	33.8	17.3	38.5	20.9
1996	28.2	26.2	40.2	17.3	42.6	29.1
1997	32.8	23.4	32.8	12.8	37.4	27.9
1998	26.1	16.4	13.7	-1.0	29.7	17.9
1999	32.5	28.0	21.2	4.7	46.3	25.6
2000	32.9	24.6	24.9	10.7	48.6	26.5
2001	11.5	20.9	9.5	4.1	2.5	12.2

[1]Total firms, a proxy for total industry, consists of all New York Stock Exchange member broker/dealers doing public business. Although small in number, this group accounts for between 60 percent and 80 percent of revenues, capital, assets, and other financial parameters of all broker/dealers in the United States.

Source: Securities Industry Association.

- **Total assets of security broker/dealers rose 17.7 percent in 2001, to $1.4 trillion from $1.2 trillion in 2000.**

ASSETS AND LIABILITIES OF SECURITIES BROKER/DEALERS, 1997-2001
($ billions, end of year)

	1997	1998	1999	2000	2001
Total financial assets	**$779.2**	**$921.2**	**$1,001.0**	**$1,221.4**	**$1,437.4**
Checkable deposits and currency	21.7	25.4	28.7	30.3	46.8
Credit market Instruments	182.6	189.4	154.7	223.6	321.2
Open market paper	24.3	28.0	26.0	39.2	47.8
U.S. government securities	45.1	66.7	23.3	60.4	93.5
Treasury	-5.3	15.8	-42.6	-3.3	15.7
Agency	50.4	50.9	66.0	63.7	77.8
Municipal securities	13.2	13.1	11.9	11.3	19.0
Corporate and foreign bonds	100.0	81.4	93.4	112.7	161.0

(table continues)

ASSETS AND LIABILITIES OF SECURITIES BROKER/DEALERS, 1997-2001 (Cont'd)
($ billions, end of year)

	1997	1998	1999	2000	2001
Corporate equities	$51.9	$54.4	$66.9	$77.2	$82.8
Security credit	131.2	152.8	227.9	235.1	194.7
Miscellaneous assets	391.8	499.3	522.8	655.1	791.9
Total liabilities	**729.2**	**866.2**	**937.7**	**1,148.0**	**1,361.9**
Security repos (net)	203.5	208.1	245.2	302.2	354.8
Corporate bonds	35.3	42.5	25.3	40.9	42.3
Trade payables	19.9	18.9	30.9	35.9	39.1
Security credit	337.9	419.6	448.7	587.6	619.4
Customer credit balances	215.5	276.7	323.9	412.4	443.4
From banks	122.5	142.9	124.8	175.2	176.0
Taxes payable	1.3	1.3	2.2	2.1	1.8
Misc. liabilities	131.1	175.8	185.5	179.3	304.5
Foreign direct investment in U.S.	8.5	10.1	15.8	16.7	20.5
Due to affiliates	254.5	351.9	413.7	452.3	516.9
Other	-131.9	-186.2	-244.1	-289.7	-232.9

Source: Board of Governors of the Federal Reserve System, as of March 2002.

EQUITY AND DEBT OUTSTANDING, 1991-2001
($ billions, end of year)

Year	Corporate equities	Corporate bonds	Total U.S. government securities	Municipal bonds
1991	$4,863.3	$1,886.4	$4,335.7	$1,272.2
1992	5,430.9	2,065.6	4,795.6	1,302.8
1993	6,296.9	2,346.8	5,216.9	1,377.5
1994	6,318.2	2,504.0	5,665.0	1,341.7
1995	8,474.8	2,848.1	6,013.5	1,293.5
1996	10,281.6	3,209.4	6,389.9	1,296.0
1997	13,301.7	3,607.2	6,625.9	1,367.5
1998	15,577.3	4,170.8	7,044.2	1,464.3
1999	19,581.2	4,635.8	7,565.0	1,532.5
2000	17,566.4	5,050.0	7,702.6	1,567.8
2001	15,186.0	5,661.6	8,322.3	1,688.4

Source: Board of Governors of the Federal Reserve System.

- **Over the period, 1991 to 1999, the value of corpo - rate equities more than tripled, reaching a high of $19.6 trillion at the end of 1999. By contrast, from year-end 1999 to year-end 2001, the value of equities outstanding dropped 22.4 percent.**

SECURITIES INDUSTRY INCOME STATEMENT, 2001[1]
($ millions)

Revenue	2001
Commissions	$26,825.2
Listed equity on an exchange	16,992.7
Listed equity (OTC[2])	993.5
Listed options	1,790.6
All other	7,048.4
Trading gain (loss)	24,914.1
From OTC market making	3,654.7
From OTC market making in listed equity	-6.9
From debt trading	16,909.4
From listed options market making	42.8
From all other trading	4,307.2
Investment account gain (loss)	297.5
Realized gain	334.5
Unrealized gain	-109.6
Underwriting revenue	15,630.9
Equity underwriting revenue	3,921.0
Margin interest	12,843.7
Mutual fund sale revenue	6,329.0
Fees, asset management	13,196.6
Research revenue	183.6
Commodities revenue	4,907.6
Other revenue related to the securities business	79,714.8
Other revenue	9,923.2
Total revenue	**$194,766.2**

[1]New York Stock Exchange members doing a public business.
[2]Over the counter equities not listed and traded on an organized exchange.

Source: Securities Industry Association.

Expenses	2001
Total compensation	$60,605.6
Registered representative compensation	23,731.5
Clerical employee compensation	32,491.6
Voting officer compensation	2,598.4
Other employee compensation (Focus IIA only)	1,784.1
Total floor costs	4,361.0
Floor brokerage paid to brokers	1,279.6
Commissions and clearance paid to other brokers	1,815.6
Clearance paid to non-brokers	853.3
Commissions paid to broker-dealers (Focus IIA only)	412.5
Communications expense	5,330.4
Occupancy and equipment costs	7,561.6
Promotional costs	2,381.8
Interest expense	81,601.6
Losses from error accounts and bad debts	630.3
Data processing costs	2,816.7
Regulatory fees and expenses	976.2
Non-recurring charges	146.5
Other expenses	17,943.5
Total expenses	**$184,355.2**
Pre-tax net income	10,411.0
Federal income tax (tax benefit)	2,488.6
Income (loss) from unconsolidated subsidiaries	550.8
Extraordinary gain (loss)	-140.2
Cumulative effect of accounting changes	0.0
Net income	**$8,333.0**

EMPLOYMENT

SECURITIES INDUSTRY EMPLOYMENT BY FIRM CATEGORY, 1996-2001

Year	National Full Line	Large investment bank	Regional	NYC-based	Discounter	Total firms[1]
1996	124,216	38,904	55,063	23,585	13,539	264,603
1997	132,496	42,858	56,114	30,481	14,206	285,996
1998	139,486	42,964	60,928	30,173	13,116	300,618
1999	146,703	47,348	73,668	29,323	17,182	326,151
2000	160,951	50,646	83,448	33,822	22,745	365,381
2001	146,132	56,566	83,359	30,305	17,198	346,221

[1]Total firms, a proxy for total industry, consists of all New York Stock Exchange member broker/dealers doing public business. Although small in number, this group accounts for between 60 percent and 80 percent of revenues, capital, assets, and other financial parameters of all broker/dealers in the United States.

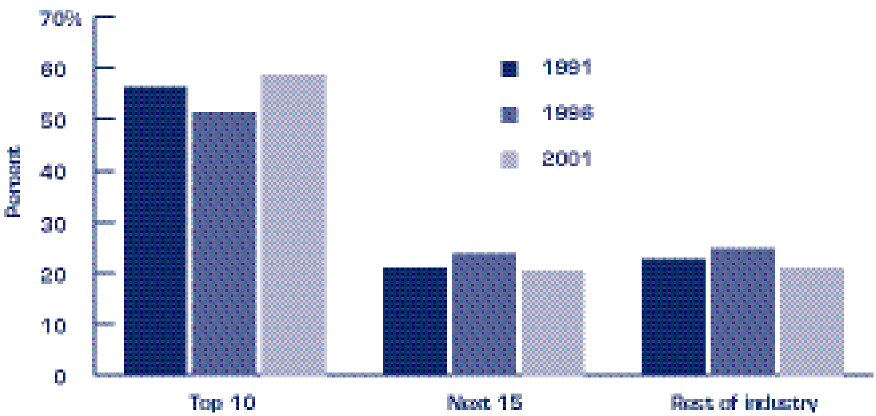
Source: Securities Industry Association.

- **Total securities industr y employment dropped 5.2 percent from 2000 to 2001, but the work force at large invest - ment banks grew 11.7 percent over the same period.**

CONCENTRATION

As in the banking and insurance sectors, the largest companies are now increasing their share of total revenue and capital, reversing a trend in the 1990s when second-tier companies were gaining at the expense of the top ten.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL REVENUE, 1991, 1996 AND 2001[1]



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

Source: Securities Industry Association.

SECURITIES INDUSTRY CONCENTRATION BY TOTAL CAPITAL, 1991-2001[1]
($ billions)

Year	Top 10	Next 15	Rest of industry	Capital
1991	62.1%	17.4%	20.5%	$39.1
1992	62.2	18.0	19.8	43.4
1993	63.4	18.0	18.6	56.3
1994	60.9	18.7	20.4	56.8
1995	59.3	18.1	22.6	64.3
1996	58.5	18.8	22.7	70.7
1997	55.5	21.5	23.0	92.5
1998	57.1	21.8	21.1	105.7
1999	56.6	22.7	20.7	121.5
2000	53.8	23.1	23.2	141.5
2001	56.3	22.3	21.4	148.8

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

Source: Securities Industry Association.

TOP TEN SECURITIES FIRMS, BY REVENUES, 2001
($ millions)

Rank	Company	Revenues	Percent change from 2000
1	Morgan Stanley	$43,727	-4%
2	Merrill Lynch	38,793	-14
3	Goldman Sachs Group	31,138	-6
4	Lehman Brothers Hldgs.	22,392	-15
5	Bear Stearns	8,701	-15
6	Charles Schwab	5,281	-26
7	A.G. Edwards	2,839	1
8	Franklin Resources	2,355	1
9	E*Trade Group	2,062	5
10	Raymond James Financial	1,658	-2

Source: Fortune.

THE TOP FIVE SECURITIES FIRMS, BY ASSETS, 2001
($ millions)

Rank	Company	Assets
1	Morgan Stanley	$482,628
2	Merrill Lynch	419,419
3	Goldman Sachs Group	312,218
4	Lehman Brothers Hldgs.	247,816
5	Bear Stearns	185,530

Source: Fortune.

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 are the recent rise and retreat of technology stocks; the varying levels of initial public offerings, where new stock issues are first offered to the public; and fluctuations in merger and acquisition activity.

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

CORPORATE UNDERWRITING, 1996-2001
($ billions)

	Value of U.S. corporate underwritings			Number of U.S. corporate underwritings		
Year	Debt	Equity	Total	Debt	Equity	Total
1996	$827.0	$151.9	$979.0	6,892	1,794	8,686
1997	1,163.9	153.4	1,317.3	10,435	1,619	12,054
1998	1,715.6	152.7	1,868.3	12,322	1,200	13,522
1999	1,768.0	191.7	1,959.8	12,722	1,201	13,923
2000	1,646.6	204.5	1,851.0	11,980	961	12,941
2001	2,365.4	169.7	2,535.1	14,449	766	15,215

Source: Securities Industry Association.

PRIVATE PLACEMENTS

Investment banks may distribute new security issues in a public offering to individual and institutional investors or they may arrange for the sale of all the securities of an issuer to a single institutional investor such as a bank or insurance company or a small group of them through private placement.

PRIVATE PLACEMENTS, 1996-2001
($ billions)

	Value of U.S. private placements			Number of U.S. private placements		
Year	Debt	Equity	Total	Debt	Equity	Total
1996	$159.0	$44.4	$203.4	2,230	502	2,732
1997	286.3	80.4	366.7	2,925	670	3,595
1998	376.9	89.5	466.3	3,555	526	4,081
1999	368.8	77.7	446.5	3,285	462	3,747
2000	358.7	124.4	483.2	2,879	661	3,540
2001	509.4	71.8	581.2	2,067	801	2,868

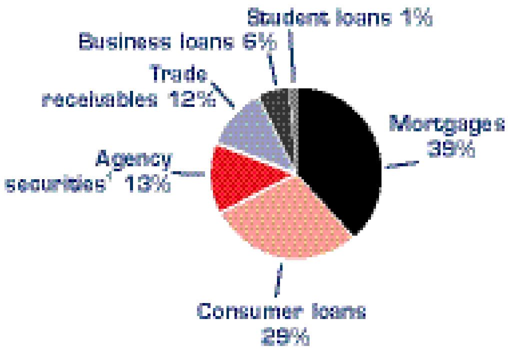
Source: Thompson Financial Securities Data; Securities Industry Association.

ASSET-BACKED SECURITIES

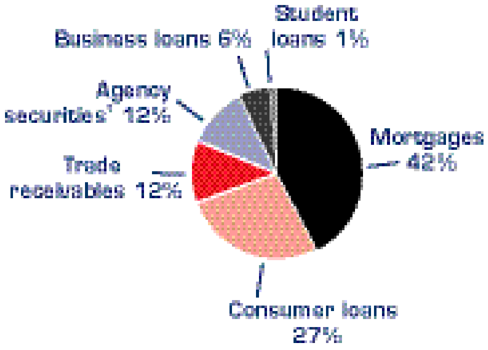
Asset-backed securities (ABS) are bonds that represent pools of loans of similar types, duration and interest rates. By selling their loans to ABS packagers, the original lenders recover cash quickly, enabling them to make more loans. The asset-backed securities market has grown as different types of loans are securitized and sold in the investment markets. Asset-backed securities may be insured by bond insurers, see page 48.

ASSET-BACKED SECURITY SOURCES, 1997 AND 2001

1997



2001



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

Source: Board of Governors of the Federal Reserve System.

ASSET-BACKED SECURITY SOURCES, 1985-2001
($ billions)

Year	Agency securities[1]	Mortgages	Consumer loans	Student loans	Business loans	Trade receivables	Total
1985	$10.1	$24.7	$0.0	$0.0	$0.0	$2.4	$37.2
1990	103.0	68.5	76.7	0.0	4.3	17.4	269.9
1995	132.8	278.3	211.6	1.0	29.6	55.7	709.1
1996	137.4	326.7	265.8	6.3	37.7	80.7	854.6
1997	142.3	406.2	313.1	14.1	62.1	128.1	1,065.8
1998	180.2	563.0	372.4	17.9	85.9	165.9	1,385.4
1999	220.4	656.1	435.1	19.4	93.6	187.0	1,611.6
2000	224.7	739.8	500.1	29.9	108.4	220.0	1,822.9
2001	246.9	889.2	572.4	30.5	120.0	245.9	2,104.8

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

Source: Board of Governors of the Federal Reserve System.

MUNICIPAL BONDS

Municipal bonds represent a small part of all government debt, about 3 percent, and average daily trading volume runs between $8 billion and $10 billion. Nevertheless, the bonds play a significant role in portfolios because their yield is tax-free.

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

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

- **The rise or fall in the number and value of municipal bond issues each year is determined largely by prevailing interest rates. As rates fall, the number and value of municipal bond issues tend to rise. In 2001, the number of underwritings rose 46 percent from 2000, while the value jumped by 27 percent.**

NUMBER AND VALUE OF LONG-TERM MUNICIPAL BOND UNDERWRITINGS, 1991-2001[1]
($ billions)

	Revenue bonds		General obligation bonds		Total municipal bonds	
Year	Value	Number	Value	Number	Value	Number
1991	$113.1	4,974	$57.9	5,594	$171.0	10,568
1992	151.6	6,232	81.5	6,159	233.1	12,391
1993	195.6	6,633	92.3	7,030	287.9	13,663
1994	104.2	5,408	57.7	5,358	161.9	10,766
1995	95.2	4,874	59.8	4,957	155.0	9,831
1996	115.7	5,272	64.5	5,538	180.2	10,810
1997	142.6	5,790	72.0	5,786	214.6	11,576
1998	187.0	7,150	92.8	7,251	279.8	14,401
1999	149.2	6,342	69.8	5,914	219.0	12,256
2000	129.7	5,310	64.3	5,149	194.0	10,459
2001	181.8	6,413	101.8	6,822	283.5	13,235

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

Source: Thomson Financial Securities Data.

FOREIGN HOLDINGS OF U.S. SECURITIES, 1991-2001
($ billions, end of year)

Year	Stocks	Corporate bonds	Treasuries[1]	Total
1991	$299.0	$233.4	$535.1	$1,067.5
1992	329.0	251.5	595.0	1,175.5
1993	373.5	273.3	702.4	1,349.2
1994	397.7	311.4	757.7	1,466.8
1995	527.6	369.5	996.1	1,893.2
1996	656.8	453.2	1,289.5	2,399.5
1997	919.5	537.8	1,498.5	2,955.8
1998	1,175.1	660.0	1,622.2	3,457.3
1999	1,537.8	820.8	1,633.6	3,992.2
2000	1,748.3	1,003.9	1,772.4	4,524.6
2001	1,692.8	1,234.1	1,961.3	4,888.2

[1]Includes agency issues.

Source: Board of Governors of the Federal Reserve System.

U.S. HOLDINGS OF FOREIGN SECURITIES, 1991-2001
($ billions, end of year)

Year	Stocks	Bonds	Total
1991	$279.0	$130.4	$409.4
1992	314.3	147.2	461.5
1993	543.9	230.1	774.0
1994	627.5	242.3	869.8
1995	776.8	299.4	1,076.2
1996	1,002.9	366.3	1,369.2
1997	1,207.8	427.7	1,635.5
1998	1,476.2	462.6	1,938.8
1999	2,026.6	479.4	2,506.0
2000	1,787.0	504.6	2,291.6
2001	1,503.3	486.8	1,990.1

Source: Board of Governors of the Federal Reserve System.

DERIVATIVES

Financial derivatives are contracts that derive their value from an underlying financial asset, such as publicly-traded securities and foreign currencies. They are used as hedging instruments to protect assets against changes in 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. Futures contracts traded on U.S. exchanges grew 28 percent in 2001, compared with 2000.

Credit derivatives are contracts that lenders, large bondholders and others can purchase to protect against the borrower defaulting on bonds. Credit derivative products can take many forms, such as credit default options, credit limited notes and total return swaps. Large banks use credit derivatives to manage their credit risk. According to the International Swaps and Derivatives Association (ISDA), credit default swaps, which ISDA began to survey at mid-year 2001, grew 45 percent to $918.9 billion at the end of the second half of 2001 from the $631.5 billion reported in June of that year. Bond insurers write coverage for credit default swaps, see page 48.

NUMBER OF FUTURES CONTRACTS TRADED ON U.S.EXCHANGES, 1991-2001
(millions)

Year	Interest rate	Agricultural commodities	Energy products	Foreign currency	Equity indices	Precious metals	Non-precious metals	Other	Total
1991	119.8	52.2	33.7	28.7	14.9	11.8	1.6	0.2	262.9
1992	153.3	51.2	37.8	26.6	14.7	9.8	1.7	0.3	295.3
1993	173.8	56.7	45.6	30.8	15.0	14.7	2.1	0.4	339.1
1994	248.7	58.7	49.7	29.7	20.6	15.7	2.7	0.4	426.3
1995	223.6	63.5	47.2	23.2	20.7	14.1	2.5	0.5	395.3
1996	212.5	74.9	47.2	22.6	22.2	14.9	2.3	0.8	397.4
1997	244.6	74.9	52.9	26.6	25.8	15.4	2.4	1.1	443.7
1998	279.2	73.3	63.8	27.0	42.4	13.8	2.5	1.2	503.2
1999	240.7	73.0	75.1	23.7	46.7	14.5	2.9	1.3	477.9
2000	248.7	73.2	73.1	19.4	62.8	10.2	2.8	1.3	491.5
2001	341.9	72.3	72.5	21.7	107.2	9.6	2.9	0.7	629.0

Source: Futures Industry Association; Securities Industry Association.

NUMBER OF OPTIONS CONTRACTS TRADED ON U.S. EXCHANGES, 1991-2001
(millions)

Year	Equity	Stock index	Foreign currency	Interest rate	Futures	Total
1991	104.9	83.1	10.8	0.1	62.2	261.1
1992	106.5	83.3	12.2	0.1	69.2	271.3
1993	131.7	87.7	13.1	0.1	81.9	314.5
1994	149.9	121.1	10.1	0.2	100.9	382.2
1995	174.4	107.9	5.0	0.1	94.2	381.5
1996	198.6	92.4	3.2	0.1	102.0	396.2
1997	269.6	78.2	2.6	0.1	111.1	461.5
1998	325.8	74.8	1.8	0.1	127.5	530.0
1999	444.8	62.3	0.8	[1]	115.0	622.9
2000	665.3	53.3	0.5	[1]	103.1	822.2
2001	635.7	79.5	0.5	[1]	168.2	884.0

[1]Less than 50,000.

Sources: Options Clearing Corporation; Futures Industry Association; Securities Industry Association.

- **The number of options contracts traded on U.S. exchanges increased by 7.5 percent from 2000 to 2001, compared with a jump of 30.7 percent from 1999 to 2000.**

GLOBAL DERIVATIVES MARKET, 1991-2001[1]
($ billions, end of year)

Year	Exchange-traded	Over-the-counter (OTC)	Total
1991	$3,519	$4,449	$7,968
1992	4,633	5,346	9,979
1993	7,761	8,475	16,236
1994	8,898	11,303	20,201
1995	9,283	17,713	26,996
1996	10,018	25,453	35,471
1997	12,403	29,035	41,438
1998	13,932	80,318	94,250
1999	13,522	88,202	101,724
2000	14,215	95,199	109,414
2001	23,717	111,115	134,832

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

Source: Bank for International Settlements.

EXCHANGES

Exchanges are markets where sales of securities are transacted. Most stock exchanges are auction markets where stocks are traded through competitive bidding in a central location. The oldest exchanges in the United States are the New York Stock Exchange (NYSE) and the American Stock Exchange (AMEX). The National Association of Securities Dealers operates a national electronic stock market, the NASDAQ, for over-the-counter (OTC) securities. Securities traded in the OTC market are generally those not listed by major exchanges. They include technology and small company stocks, asset-backed securities, and U.S. government and corporate bonds. In contrast to organized exchanges, business in the OTC market is carried out through dealers in different locations who buy and sell NASDAQ securities.

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.

Advances in technology have enabled exchanges to keep up with the demands of growing investor participation. Exchanges are transacting increasingly large volumes of trades, especially in times of heavy market activity due to unexpected news about earnings or interest rates, or other announcements that can cause sudden swings in value. In the past decade, the use of the Internet, for trading as well as investment research, and the tremendous growth in institutional and individual investor participation have helped set trading records for the equity market.

EXCHANGE LISTED COMPANIES, 1991-2001

Year	NASDAQ	NYSE	AMEX
1991	4,094	1,885	860
1992	4,113	2,089	816
1993	4,611	2,361	869
1994	4,902	2,570	824
1995	5,122	2,675	791
1996	5,556	2,907	751
1997	5,487	3,047	771
1998	5,068	3,114	770
1999	4,829	3,025	769
2000	4,734	2,862	765
2001	4,109	2,798	691

Source: Securities Industry Association.

The volume of shares traded on the New York Stock Exchange in 2001 rose 17 percent from 2000, while the average share price dropped 15 percent.

EXCHANGE ACTIVITIES, 1991-2001

	NYSE		AMEX		NASDAQ		Regional	
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)	Share volume (millions)	Value of shares traded ($ millions)
1991	45,266	$1,520,164	3,367	$40,919	41,311	$693,852	7,255	$204,292
1992	51,376	1,745,466	3,596	42,238	48,455	890,785	8,526	234,147
1993	66,923	2,283,390	4,582	56,737	66,540	1,350,100	9,809	284,569
1994	73,420	2,454,242	4,523	58,511	74,353	1,449,301	9,514	279,514
1995	87,217	3,082,916	5,072	72,717	101,158	2,398,214	11,446	355,879
1996	104,636	4,063,655	5,628	91,330	138,112	3,301,777	12,289	414,201
1997	133,312	5,777,602	6,170	143,230	163,882	4,481,691	14,809	573,212
1998	169,745	7,317,949	7,280	287,929	202,040	5,758,558	19,888	753,110
1999	203,851	8,945,205	8,231	477,822	272,605	11,013,192	27,794	1,147,556
2000	262,478	11,060,046	13,318	945,391	442,753	20,395,335	40,058	1,716,869
2001	307,509	10,489,323	16,317	817,042	471,217	10,934,572	42,990	1,206,088

Source: Securities Industry Association.

STOCK MARKET PERFORMANCE INDICES, 1991-2001
(End of year)

Year	DJIA[1]	S&P 500	NYSE Composite	AMEX Composite[2]	NASDAQ Composite
1991	3,168.83	417.09	229.44	395.05	586.34
1992	3,301.11	435.71	240.21	399.23	676.95
1993	3,754.09	466.45	259.08	477.15	776.80
1994	3,834.44	459.27	250.94	433.67	751.96
1995	5,117.12	615.93	329.51	550.00	1,052.13
1996	6,448.27	740.74	392.30	572.34	1,291.03
1997	7,908.25	970.43	511.19	684.61	1,570.35
1998	9,181.43	1,229.23	595.81	688.99	2,192.69
1999	11,497.12	1,469.25	650.30	876.97	4,069.31
2000	10,786.85	1,320.28	656.87	897.75	2,470.52
2001	10,021.50	1,148.08	589.80	847.61	1,950.40

[1]Dow Jones Industrial Average.

[2]Amex Market Value Index through 1994; Amex Composite Index thereafter.

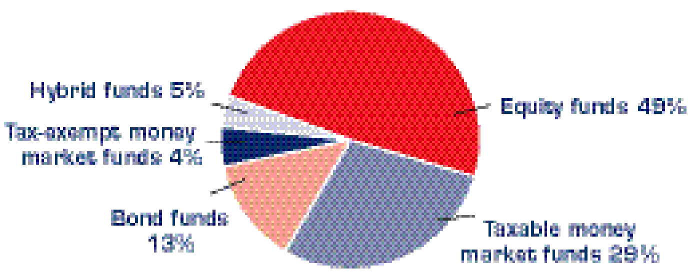
Source: Securities Industry Association.

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 over the past two decades. According to data from the Investment Company Institute, the trade association for the mutual fund industry, nearly one out of two American households owned mutual funds in 2000, see page 21.

Mutual funds are regulated by the Investment Management Act of 1940, which stipulates that all investment advisers disclose to investors the methods and investment guidelines of their funds. Institutional fund managers have a substantial presence in the securities markets as they trade and manage the securities within the mutual funds they oversee.

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 2001



Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS, NUMBER OF FUNDS AND SHAREHOLDER ACCOUNTS, 1985-2001

- **At year-end 2001, mutual funds accounted for 22 percent of the U.S. retirement market, or $2.4 trillion. This amount represented about one-third of all mutual fund assets.**
- **Mutual funds own 21 percent of all U.S. corporate equity.**

Year	Total net assets ($ millions)	Number of funds	Number of shareholder accounts
1985	$495,385.1	1,528	34,098,401
1990	1,065,190.2	3,079	61,947,955
1995	2,811,292.2	5,725	131,219,225
1996	3,525,800.8	6,248	150,045,888
1997	4,468,200.6	6,684	170,367,063
1998	5,525,209.3	7,314	194,147,377
1999	6,846,339.2	7,791	227,260,442
2000	6,964,667.0	8,155	244,409,464
2001	6,974,975.9	8,307	247,841,168

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS BY TYPE OF FUND, 1985-2001
($ billions)

Year	Equity funds	Hybrid funds	Bond funds	Taxable money market funds	Tax-exempt money market funds	Total
1985	$111.3	$17.6	$122.6	$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
1996	1,726.0	252.6	645.4	762.0	139.8	3,525.8
1997	2,368.0	317.1	724.2	898.1	160.8	4,468.2
1998	2,978.2	364.7	830.6	1,163.2	188.5	5,525.2
1999	4,041.9	378.8	812.5	1,408.7	204.4	6,846.3
2000	3,962.0	346.3	811.1	1,607.2	238.1	6,964.7
2001	3,418.2	346.3	925.1	2,012.9	272.4	6,974.9

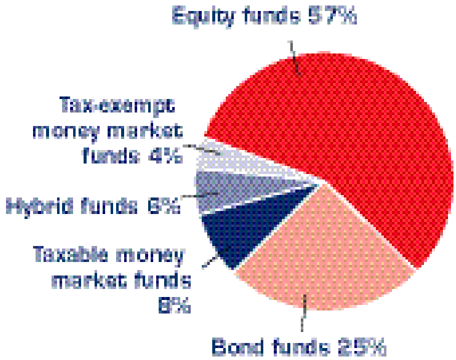
Source: Investment Company Institute.

NUMBER OF MUTUAL FUNDS BY TYPE, 1985-2001

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
1996	2,570	466	2,224	666	322	6,248
1997	2,951	501	2,219	682	331	6,684
1998	3,513	525	2,250	685	341	7,314
1999	3,952	532	2,262	702	343	7,791
2000	4,385	523	2,208	703	336	8,155
2001	4,717	484	2,091	689	326	8,307

Source: Investment Company Institute.

NUMBER OF MUTUAL FUNDS BY TYPE, 2001



Source: Investment Company Institute.

TOP TEN MUTUAL FUND COMPANIES, 2002[1]
($000, as of June 30, 2002)

Rank	Company	Assets
1	Fidelity Investments	$723,365,470
2	Vanguard Group	570,323,630
3	Capital Research & Management	369,120,385
4	Merrill Lynch Investment Managers	193,961,690
5	Morgan Stanley & Co.	191,015,837
6	Putnam Funds	186,465,161
7	Federated Investors	179,207,707
8	Dreyfus Corporation	171,209,533
9	Franklin Templeton Companies	170,348,654
10	Citigroup Asset Management	160,485,805

[1]Ranked by assets.

Source: Investment Company Institute.

OVERVIEW

Finance companies supply credit to businesses and consumers. As financial intermediaries, they 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 a group, finance companies are very diverse, competing with banks, savings institutions and credit unions to provide all kinds of loans. 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, or receivables, rather than assets or revenues, determine a company's standing within the industry. In 2000 the top 20 finance companies owned more than two-thirds of the sector's total receivables.

Most finance companies offer a wide range of financial services. Some, known as captive finance companies, are affiliated with motor vehicle or appliance manufacturers. Among other things, these companies finance dealer inventories and consumer purchases of their products, sometimes at below-market rates. Consumer finance companies, formerly called small loan 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 but despite their expansion in this area, according to the Federal Reserve, finance companies still account for a very small share of the total. They also offer credit cards and engage in motor vehicle, aircraft and equipment leasing. There is no federal registry of the number of companies.

TOP TEN SPECIALTY LENDER MERGERS AND ACQUISITIONS, 2001[1]

Buyer	Industry	Target[2]	Deal value[3] ($ millions)
Tyco International Ltd.	Not classified	CIT Group Inc.	$9,446.6
General Electric Co.	Not classified	Heller Financial Inc.	5,596.6
Washington Mutual Inc.	Thrift	Assets of HomeSide Lending Inc.	1,920.0
Penske Truck Leasing	Specialty lender	Rollins Truck Leasing Corp.	767.9
Washington Mutual Inc.	Thrift	Fleet Mortgage Corp.	660.0
Berkshire Hathaway Inc.	Insurance	XTRA Corp.	590.1
Citigroup Inc.	Bank	People's Bank (MHC) U.K. credit card operations	525.1
MBNA Corp.	Specialty lender	Abbey National Plc credit card business	414.1
Chase Manhattan Corp.	Bank	Advanta Mortgage	309.7
General Electric Co.	Not classified	SAFECO Credit Co. Inc.	247.8

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

[2]The target industry is specialty lender.

[3]At announcement.

Source: SNL Financial LC.

PROFITABILITY

BUSINESS AND CONSUMER FINANCE COMPANIES, RETURN ON EQUITY, 1997-2001[1]

	Business finance companies return on average equity[2]		Consumer finance companies return on average equity[3]	
Year	Median	Average	Median	Average
1997	2.49%	15.38%	13.46%	13.06%
1998	14.10	8.68	15.19	14.42
1999	8.48	-8.62	17.72	16.25
2000	8.34	-5.57	17.30	2.25
2001	8.46	-25.93	11.26	3.18

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

[2]Consists of 27 publicly-traded commercial finance companies including niche and diversified commercial and equipment finance companies. Does not include GSEs, finance REITs, or mortgage and real estate companies.

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

Source: SNL Financial LC.

- **There was a 20.5 percent drop in the number of finance companies from 1996 to 2000, with the smallest entities declining by 25 percent.**

NUMBER OF FINANCE COMPANIES, 1996 AND 2000
(As of June 30)

Size of company by net assets, $ millions	1996	2000
$20,000 and more	30[1]	11
$1,000-$19,000	33[2]	57
$200-$999	54	61
$50-$199	87	57
$10-$49	138	128
Less than $10	895	670
Total	**1,237**	**984**

[1]$5,000 or more.

[2]$1,000 - $4,999.

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

ASSETS AND LIABILITIES OF FINANCE COMPANIES, 1997-2001[1]

($ billions)

	1997	1998	1999	2000	2001
Total financial assets	**$763.9**	**$852.7**	**$1,003.0**	**$1,137.9**	**$1,155.9**
Checkable deposits and currency	20.6	22.8	25.3	27.9	30.8
Credit market instruments	568.2	645.5	742.5	850.5	867.2
Other loans and advances	304.1	340.9	395.1	458.4	447.0
Mortgages	96.5	121.2	145.8	172.3	183.7
Consumer credit	167.5	183.3	201.5	219.8	236.5
Miscellaneous assets	175.1	184.4	235.3	259.6	257.9
Total liabilities	**780.8**	**856.6**	**994.6**	**1,159.5**	**1,179.7**
Credit market instruments	568.3	625.5	695.7	776.9	777.0
Open market paper	202.6	233.3	230.4	238.8	158.6
Corporate bonds	341.5	365.6	429.9	502.2	567.6
Other bank loans	24.2	26.5	35.4	35.9	50.8
Taxes payable	6.5	7.3	8.1	9.1	10.2
Miscellaneous liabilities	206.0	223.8	290.7	373.5	392.5
Foreign direct investment in U.S.	35.7	38.3	49.7	67.3	76.7
Investment by parent	47.1	34.3	87.8	102.5	99.3
Other	123.2	151.2	153.1	203.6	216.5
Memo: Consumer leases not included above[2]	98.8	96.6	102.9	108.2	103.5

[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, as of June 2002.

EMPLOYMENT

FINANCE COMPANY EMPLOYMENT, 1997-2001

(000)

Year	Personal credit institutions	Business credit institutions	Total
1997	179.3	114.1	293.4
1998	186.9	122.7	309.6
1999	200.3	134.4	334.7
2000	211.6	142.9	354.5
2001	222.3	149.8	372.1

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

SOURCES OF FINANCE COMPANY FUNDING, 1996 AND 2000
(As of June 30)

	Amount ($ billions)		Percentage change, 1996-2000		Share of total	
Category	1996	2000	Cumulative	Average annual	1996	2000
Liabilities	$725.7	$1,113.4	53.4%	11.3%	89.0%	88.4%
Bank loans	17.7	32.8	85.7	16.7	2.2	2.6
Commercial paper	169.6	224.3	32.3	7.2	20.8	17.8
Debt due to parent	56.3	95.1	68.9	14.0	6.9	7.6
Debt not elsewhere classified	319.0	483.7	51.6	11.0	39.1	38.4
Other	163.2	277.5	70.1	14.2	20.0	22.0
Capital, surplus, and undivided profits	89.7	145.7	62.4	12.9	11.0	11.6
Total	**815.4**	**1,259.0**	**54.4**	**11.5**	**100.0**	**100.0**
Memo:						
Securitized receivables	122.4	198.1	61.9	12.8	13.1	13.6
Total managed assets	**937.8**	**1,457.1**	**55.4**	**11.6**	**100.0**	**100.0**

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

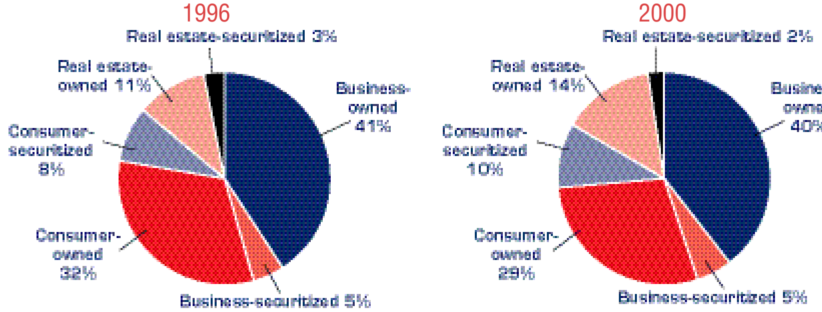
TOTAL RECEIVABLES AT FINANCE COMPANIES, BY CATEGORY, 1996 AND 2000
(As of June 30)

- **The total value of receivables increased an average of about 11 percent a year over the period 1996-2000, five percentage points more than the overall GDP and one point more than the financial services industry as a whole.**

	Amount ($ billions)		Percentage change, 1996-2000		Share of total	
Category	1996	2000	Cumulative	Average annual	1996	2000
Total	**$749.1**	**$1,119.6**	**49.5%**	**10.6%**	**100.0%**	**100.0%**
Owned	626.7	921.5	47.0	10.1	83.7	82.3
Securitized	122.4	198.1	61.9	12.8	16.3	17.7
Business	341.3	502.5	47.2	10.2	45.6	44.9
Owned	305.7	441.9	44.5	9.6	40.8	39.5
Securitized	35.6	60.6	70.2	14.2	4.8	5.4
Consumer	303.9	431.8	42.1	9.2	40.6	38.6
Owned	240.6	321.8	33.8	7.5	32.1	28.7
Securitized	63.3	110.0	73.6	14.8	8.5	9.8
Real estate	103.8	185.3	78.5	15.6	13.9	16.6
Owned	80.4	157.7	96.3	18.4	10.7	14.1
Securitized	23.5	27.5	17.4	4.1	3.1	2.5

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

TOTAL RECEIVABLES AT FINANCE COMPANIES, BY CATEGORY, 1996 AND 2000



Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

BUSINESS RECEIVABLES AT FINANCE COMPANIES, 1996 AND 2000[1]

	Amount ($ billions)		Percentage change, 1996-2000		Share of category		Share of total	
Category	1996	2000	Cumulative	Average annual	1996	2000	1996	2000
Total	**$341.3**	**$502.5**	**47.2%**	**10.2%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Equipment	205.0	289.9	41.4	9.1	100.0	100.0	60.1	57.7
Leases	141.9	203.4	43.3	9.4	69.2	70.1	41.6	40.5
Owned	137.9	196.9	42.8	9.3	67.3	67.9	40.4	39.2
Securitized	4.1	6.4	58.0	12.1	2.0	2.2	1.2	1.3
Loans	63.0	86.6	37.3	8.3	30.8	29.9	18.5	17.2
Owned	58.2	70.7	21.6	5.0	28.4	24.4	17.0	14.1
Securitized	4.9	15.8	225.0	34.3	2.4	5.5	1.4	3.1
Motor vehicle	89.2	105.9	18.8	4.4	100.0	100.0	26.1	21.1
Wholesale loans	54.5	65.0	19.2	4.5	61.1	61.3	16.0	12.9
Owned	32.3	38.5	19.3	4.5	36.2	36.4	9.5	7.7
Securitized	22.2	26.4	19.0	4.5	24.9	25.0	6.5	5.3
Retail	34.7	41.0	18.1	4.3	38.9	38.7	10.2	8.2
Loans	26.9	22.8	-15.2	-4.0	30.2	21.5	7.9	4.5
Owned	25.0	19.9	-20.4	-5.5	28.1	18.8	7.3	4.0
Securitized	1.9	2.9	53.8	11.4	2.1	2.7	0.6	0.6
Leases	7.8	18.2	133.7	23.6	8.7	17.1	2.3	3.6
Owned	7.8	15.8	103.1	19.4	8.7	14.9	2.3	3.1
Securitized	0.0*	2.4	NA	NA	0.0*	2.2	0.0*	0.5
Other	47.1	106.6	126.4	22.7	100.0	100.0	13.8	21.2
Owned	44.6	100.0	124.2	22.4	94.7	93.8	13.1	19.9
Securitized	2.5	6.6	164.9	27.6	5.3	6.2	0.7	1.3

[1]As of June 30. NA=Not applicable. *= Negligible.

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

CONSUMER RECEIVABLES AT FINANCE COMPANIES, 1996 AND 2000
(As of June 30)

Category	Amount ($ billions) 1996	Amount ($ billions) 2000	Percentage change, 1996-2000 Cumulative	Percentage change, 1996-2000 Average annual	Share of category 1996	Share of category 2000	Share of total 1996	Share of total 2000
Total	**$303.9**	**$431.8**	**42.1%**	**9.2%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Motor vehicle	217.3	337.6	55.3	11.6	100.0	100.0	71.5	78.2
Loans	123.0	220.6	79.3	15.7	56.6	65.3	40.5	51.1
Owned	86.3	143.1	65.8	13.5	39.7	42.4	28.4	33.1
Securitized	36.7	77.4	111.2	20.5	16.9	22.9	12.1	17.9
Leases	94.3	117.0	24.1	5.5	43.4	34.7	31.0	27.1
Owned	86.7	109.1	25.8	5.9	39.9	32.3	28.5	25.3
Securitized	7.6	7.9	4.1	1.0	3.5	2.3	2.5	1.8
Revolving	29.7	37.8	27.0	6.2	100.0	100.0	9.8	8.7
Owned	29.7	31.1	4.7	1.2	100.0	82.4	9.8	7.2
Securitized	0.0	6.6	NA	NA	0.0	17.6	0.0	1.5
Other	56.9	56.4	-0.8	-0.2	100.0	100.0	18.7	13.1
Owned	37.8	38.4	1.7	0.4	66.4	68.1	12.4	8.9
Securitized	19.1	18.0	-5.7	-1.5	33.6	31.9	6.3	4.2

NA=Not applicable.

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

REAL ESTATE RECEIVABLES AT FINANCE COMPANIES, 1996 AND 2000
(As of June 30)

Category	Amount ($ billions) 1996	Amount ($ billions) 2000	Percentage change, 1996-2000 Cumulative	Percentage change, 1996-2000 Average annual	Share of category 1996	Share of category 2000	Share of total 1996	Share of total 2000
Total	**$103.8**	**$185.3**	**78.5%**	**15.6%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
One-to four-family	70.7	146.8	107.6	20.0	100.0	100.0	68.1	79.2
Owned	47.3	119.4	152.6	26.1	66.8	81.4	45.5	64.4
Securitized	23.4	27.4	16.7	3.9	33.2	18.6	22.6	14.8
Commercial	33.1	38.5	16.4	3.9	100.0	100.0	31.9	20.8
Owned	33.1	38.4	15.9	3.8	100.0	99.5	31.9	20.7
Securitized	0.0	0.2	NA	NA	0.0	0.5	0.0	0.1

NA=Not applicable.

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

CONCENTRATION

TOTAL RECEIVABLES AT FINANCE COMPANIES, 1996 AND 2000

($ billions as of June 30)

Category	All finance companies		Twenty largest finance companies[1] Amount		Share of all finance company receivables	
	1996	2000	1996	2000	1996	2000
Total	**$749.1**	**$1,119.6**	**$524.9**	**$770.3**	**70.1%**	**68.8%**
Owned	626.7	921.5	459.1	639.9	73.3	69.4
Business	305.7	441.9	194.5	232.0	63.6	52.5
Consumer	240.6	321.8	203.5	281.8	84.6	87.6
Real estate	80.4	157.7	61.1	126.1	76.0	79.9
Securitized	122.4	198.1	65.8	130.4	53.8	65.8
Memo:						
Total net assets	**815.4**	**1,259.0**	**615.9**	**962.5**	**75.5**	**76.4**

[1]Based on total net assets.

Source: Board of Governors of the Federal Reserve System, based on Survey of Finance Companies 2000.

- **The top 20 companies increased their share of nonsecuritized consumer loans by 3.0 percentage points and nonsecuritized real estate receivables by 3.9 percentage points between 1996 and 2000.**
- **The top 20 companies' share of securitized loans grew 12 percentage points during the same period.**

TOP TEN CONSUMER AND COMMERCIAL FINANCE COMPANIES, 2001[1]

($ millions)

Rank	Company	Total managed receivables[2]
1	Ford Motor Credit Company	$211,100.0
2	General Electric Capital Corp.	203,358.0[3]
3	Citigroup Inc.	108,900.0
4	Household International, Inc.	100,822.7
5	MBNA Corporation	97,496.1
6	USA Education, Inc.	79,400.0
7	American Express Company	75,800.0
8	First USA, Inc.	68,200.0
9	Tyco Capital Corporation/CIT Group Inc.	52,236.1
10	Discover Bank	49,571.0

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

Source: SNL Financial LC.

TOP TEN MORTGAGE FINANCE COMPANIES, 2001[1]
($ millions)

Rank	Company	Total managed mortgaged receivables[2]
1	Washington Mutual Bank	$496,700.0
2	Wells Fargo Home Mortgage Inc.	487,822.7
3	Chase Manhattan Mortgage Corp.	429,840.0
4	General Motors Acceptance Corporation	408,868.0
5	Countrywide Credit Industries, Inc.	336,627.0
6	Bank of America Consumer Real Estate Lending	320,854.0
7	SR Investment, Inc.	187,367.0
8	ABN AMRO Mortgage Group, Inc.	146,479.0
9	California Federal Bank	117,911.7
10	First Nationwide Mortgage Corp.	112,263.0

[1]Ranked by total managed mortaged receivables.

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

Source: SNL Financial LC.

OVERVIEW

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. In addition, because this sector represents such a large area of economic activity, the Federal Reserve Board identifies pension funds as a separate category of financial services. Pension plan assets made up 17 percent of total financial services assets in 2001.

RETIREMENT FUNDS, ASSETS AND ASSET MIX

The assets of retirement funds have dropped as stock market prices have declined in recent years.

ASSETS OF PRIVATE PENSION FUNDS, BY TYPE OF ASSET, 1997-2001[1]
($ billions, end of year)

	1997	1998	1999	2000	2001
Total financial assets	**$3,746.5**	**$4,178.3**	**$4,630.8**	**$4,521.6**	**$4,147.1**
Checkable deposits and currency	6.6	5.7	6.6	7.1	6.1
Time and savings deposits	119.4	147.7	144.7	147.6	151.8
Money market fund shares	61.4	63.4	75.1	79.6	69.0
Security repurchase agreements	27.6	28.8	28.6	29.6	29.7
Credit market instruments	674.6	651.8	662.5	701.7	732.8
Open market paper	31.3	34.3	37.5	35.8	34.3
U.S. government securities	354.9	307.3	311.0	335.9	344.7
Treasury	143.5	112.5	110.4	110.1	103.3
Agency	211.4	194.8	200.6	225.9	241.4
Corporate and foreign bonds	278.7	300.9	303.3	318.0	340.2
Mortgages	9.7	9.3	10.7	12.0	13.5
Corporate equities	1,696.4	1,990.7	2,325.7	2,195.1	1,905.3
Mutual fund shares	569.6	668.2	753.8	733.6	638.7
Miscellaneous assets	590.9	622.2	633.7	627.3	613.8
Unallocated insurance contracts[2]	381.9	384.6	393.5	378.4	363.4
Contributions receivable	93.5	114.9	116.1	117.4	118.6
Other	115.4	122.7	124.1	131.6	131.7
Pension fund reserves (liabilities)[3]	3,793.6	4,232.5	4,688.3	4,582.6	4,211.9

[1]Private defined benefit plans and defined contribution plans [including 401(k) type plans], and the Federal Employees Retirement System Thrift Savings Plan. [2]Assets of private pension plans held at life insurance companies (e.g., GICs, variable annuities). [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, as of June 2002.

ASSETS OF STATE AND LOCAL GOVERNMENT EMPLOYEE RETIREMENT FUNDS, BY TYPE OF ASSET, 1997-2001
($ billions, end of year)

	1997	1998	1999	2000	2001
Total financial assets	**$1,817.1**	**$2,054.1**	**$2,226.8**	**$2,289.6**	**$2,176.7**
Checkable deposits and currency	5.3	10.0	9.2	9.1	12.0
Time and savings deposits	2.4	2.0	1.7	1.1	2.0
Security repurchase agreements	28.6	37.5	40.4	44.7	48.0
Credit market instruments	632.5	704.6	751.4	806.0	790.9
Open market paper	28.6	37.5	40.4	44.7	48.0
U.S. government securities	340.2	360.1	376.4	398.5	374.0
Treasury	216.9	217.7	211.2	195.7	186.0
Agency	123.3	142.4	165.3	202.8	188.0
Municipal securities	1.5	3.3	3.0	1.6	1.0
Corporate and foreign bonds	244.5	279.6	310.0	339.7	343.0
Mortgages	17.6	24.1	21.5	21.5	24.9
Corporate equities	1,084.8	1,233.9	1,343.2	1,335.1	1,215.7
Miscellaneous assets	63.5	66.1	81.0	93.5	108.1
Pension fund reserves (liabilities)[1]	1,842.0	2,085.4	2,262.3	2,331.5	2,223.6

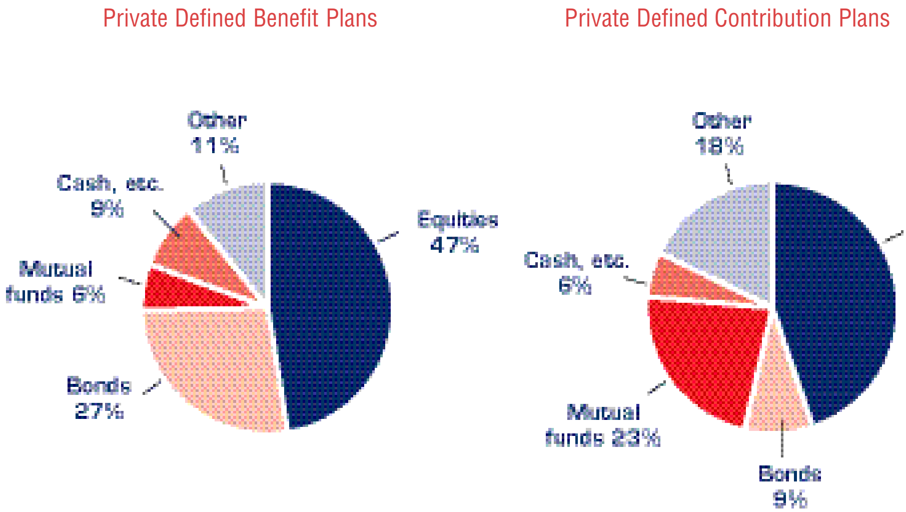
[1]Equal to the value of tangible and financial assets. These liabilities are assets of the household sector.

Source: Board of Governors of the Federal Reserve System, as of June 2002.

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 stipulated in a contract, and is based on that person's earnings and number of years with the company. In a defined contribution plan, a type of savings plan in which tax on earnings is 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.

The Individual Retirement Account (IRA) is a tax-deductible savings plan for those who are self-employed, or those whose earnings are below a certain level, or whose employers do not offer retirement plans. Others may make limited IRA contributions on a tax-deferred basis. The Roth IRA, a special kind of retirement account created in 1997, may offer greater tax benefits to certain individuals. There are several other types of retirement funds, such as profit-sharing plans and Keogh plans which are tax-deferred programs for the self-employed and employees of small businesses.

RETIREMENT FUNDS ASSET MIX, 2001



Source: Securities Industry Association.

INVESTMENT MIX OF DEFINED BENEFIT PLAN ASSETS, 1997-2001
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
1997	$876	$478	$81	$128	$183	$1,747
1998	987	458	101	145	195	1,886
1999	1,157	462	129	152	202	2,102
2000	1,046	480	124	158	202	2,010
2001	859	492	107	155	198	1,811

Source: Securities Industry Association.

INVESTMENT MIX OF DEFINED CONTRIBUTION PLAN ASSETS, 1997-2001
($ billions)

Year	Equity	Bonds	Mutual funds	Cash items	Other assets	Total assets
1997	$820	$165	$488	$118	$408	$2,000
1998	1,004	160	567	135	427	2,293
1999	1,169	163	625	141	431	2,529
2000	1,149	186	610	142	425	2,512
2001	1,046	206	532	136	416	2,336

Source: Securities Industry Association.

IRA MARKET SHARES, BY HOLDER, 1997 TO 2001
($ billions, end of year)

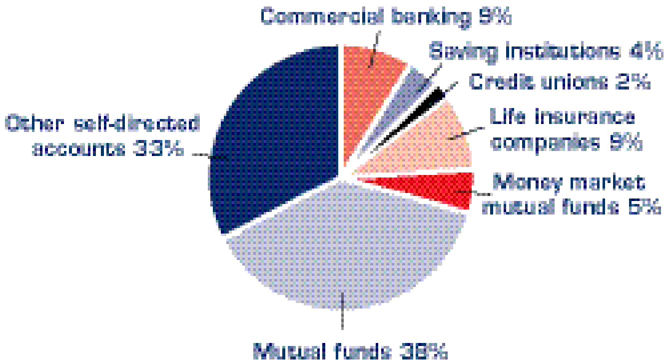
By holder	1997	1998	1999	2000	2001
Commercial banking	$152.0	$151.4	$148.0	$156.9	$160.1
Saving institutions	67.0	61.8	58.7	56.5	54.6
Credit unions	35.0	35.3	36.2	36.7	39.9
Life insurance companies	160.0	190.1	245.5	245.5	247.1
Money market mutual funds	93.0	116.0	137.0	141.0	161.0
Mutual funds	658.0	824.0	1082.0	1051.0	966.0
Other self-directed accounts	563.0	771.4	834.6	819.4	770.2
Total	**$1,728.0**	**$2,150.0**	**$2,542.0**	**$2,507.0**	**$2,399.0**

Source: Board of Governors of the Federal Reserve System.

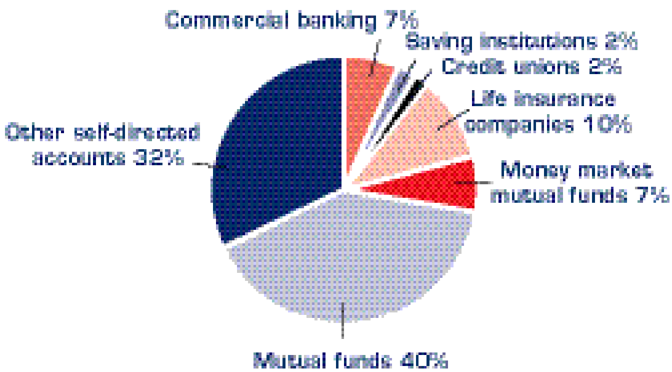
- **The banking sector — commercial banking, savings institutions and credit unions — lost four percentage points of the IRA market share over the four-year period, 1997 to 2001.**

IRA MARKET SHARES, BY HOLDER

1997



2001



Source: Investment Company Institute.

ASSETS IN 401(K) PLANS, 1990-2001
($ billions)

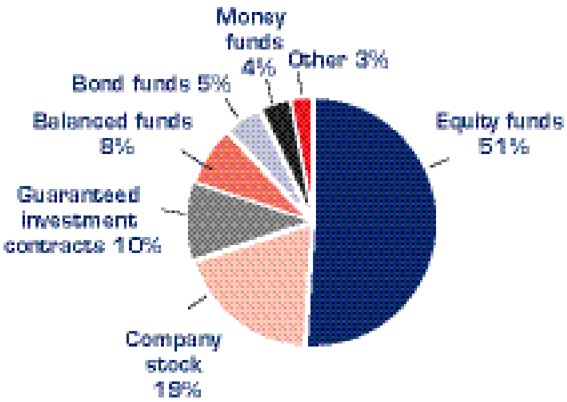
Year	Mutual fund 401(k) plan assets	Other 401(k) plan assets	Total
1990	$35	$350	$385
1991	46	394	440
1992	82	471	553
1993	140	476	616
1994	184	491	675
1995	266	598	864
1996	349	712	1,061
1997	473	791	1,264
1998	605	936	1,541
1999	793	1,018[2]	1,811[2]
2000	783	1,025[2]	1,809[2]
2001[1]	765	990[2]	1,754[2]

[1]Preliminary data.
[2]Estimated.

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

Source: Investment Company Institute.

AVERAGE ASSET ALLOCATION FOR ALL 401(K) PLAN BALANCES, 2000



Note: Funds include mutual funds and other pooled investments.

Source: Investment Company Institute.

SALES OF FIXED AND VARIABLE ANNUITIES

Fixed annuities guarantee that a specific sum of money will be paid each period, generally on a monthly basis, regardless of fluctuations in the value of the annuity issuer's underlying investments. Variable annuity payments are based on the portfolio of stocks in which the issuer invests so that the monthly payment may fluctuate, depending on whether the value of the investments goes up or down. Annuities may also be classified as immediate, which begin to pay as soon as the premium is received, or deferred, which accumulate assets before payments begin, generally at retirement.

INDIVIDUAL ANNUITIES CONSIDERATIONS, 1995-2001[1]

($ billions)

Year	Variable	Fixed	Total
1995	$49.5	$49.0	$98.5
1996	72.8	38.0	110.8
1997	87.9	38.2	126.1
1998	99.5	32.0	131.5
1999	121.8	41.7	163.5
2000	137.2	52.7	189.9
2001	111.0	74.3	185.3

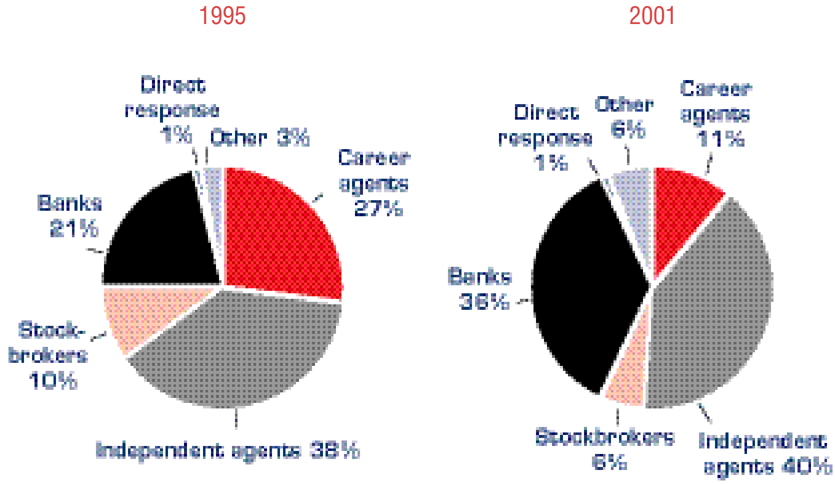
[1]Considerations are LIMRA's estimates of the total annuity sales market.

Source: LIMRA International.

ANNUITY DISTRIBUTION SYSTEMS

The difference in distribution channels between fixed and variable annuities is related to the nature of the product. Variable annuities are similar to stock market-based investments and therefore attract a different type of customer from fixed annuities, which tend to be associated with other fixed rate products such as certificates of deposit sold by banks. In addition, state and federal regulators require people who sell variable annuities to register with the National Association of Securities Brokers as securities dealers. Career agents, agents who sell mostly the products of a single life insurance company, are more likely to sell variable annuities than independent agents because they have stronger ties to the company marketing them.

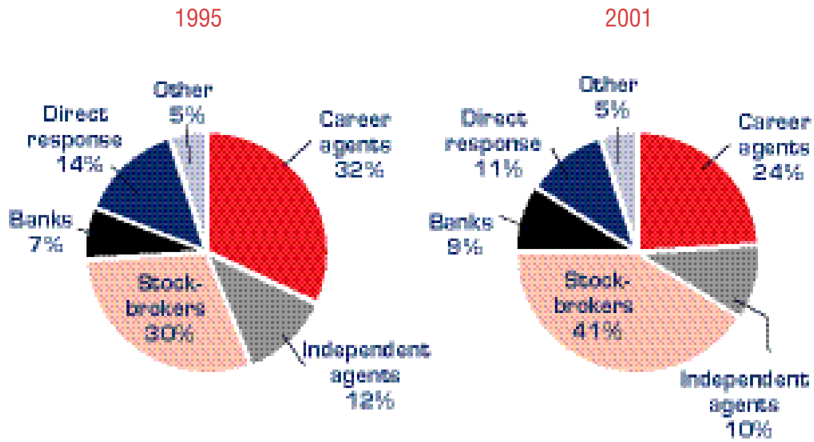
SALES OF FIXED ANNUITIES BY DISTRIBUTION CHANNELS, 1995 AND 2001



Source: LIMRA International.

- Over the six- year period, 1995 -2001, banks increased their share of fixed annuity sales by 15 percentage points. By contrast, career agents' share fell 16 percentage points.

SALES OF VARIABLE ANNUITIES BY DISTRIBUTION CHANNELS, 1995 AND 2001

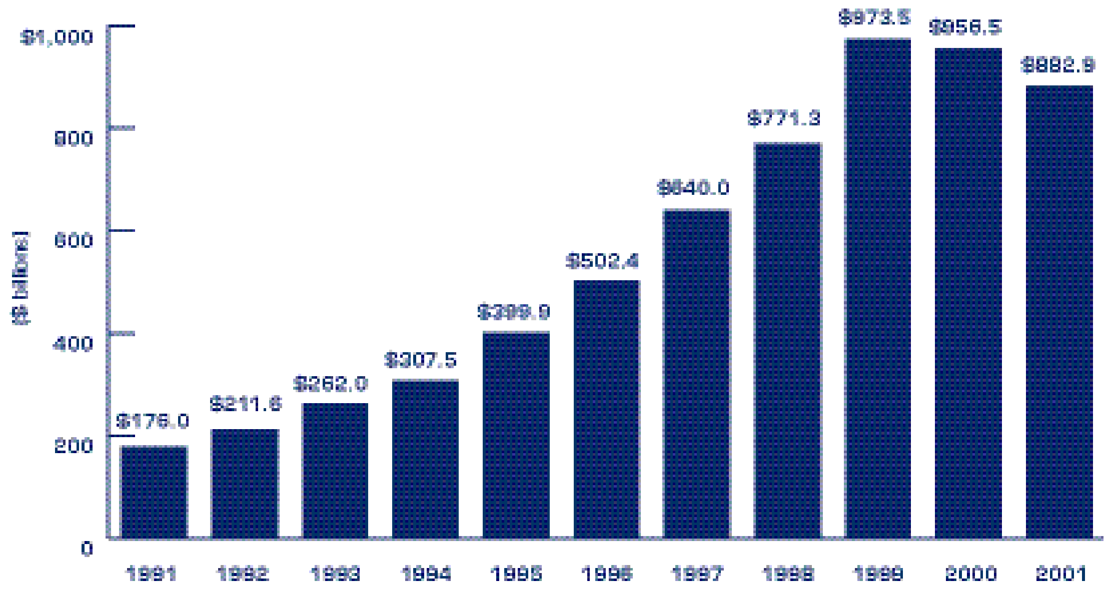


Source: LIMRA International.

- Between 1995 and 2001, stockbrokers' sales of variable annuities grew 11 percentage points.

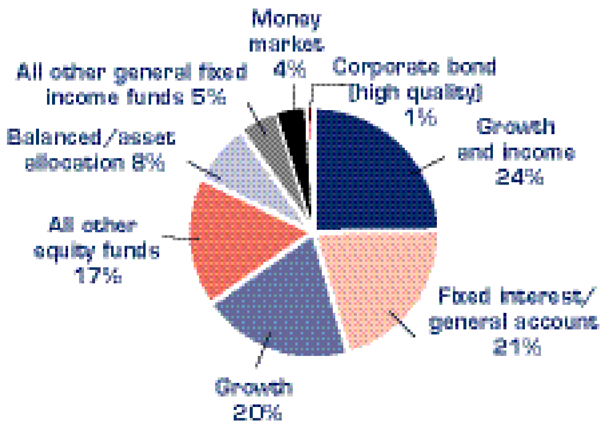
ANNUITY ASSET GROWTH AND INVESTMENT MIX

TOTAL NET ASSETS OF VARIABLE ANNUITIES, 1991-2001
($ billions)



Source: Info-One/VARDS.

VARIABLE ANNUITY ASSETS BY INVESTMENT OBJECTIVE, 2001[1]



[1]Year-to-date as of June 30, 2001.

Source: Info-One/VARDS.

MUTUAL FUND RETIREMENT ASSETS, 1991–2001
($ billions)

Year	Employer-sponsored accounts[1]	IRAs	Total retirement
1991	$147	$188	$335
1992	199	237	437
1993	285	322	608
1994	337	350	687
1995	464	476	940
1996	598	597	1,195
1997	783	776	1,559
1998	990	974	1,963
1999	1,284	1,263	2,547
2000	1,240	1,236	2,476
2001[2]	1,189	1,168	2,356

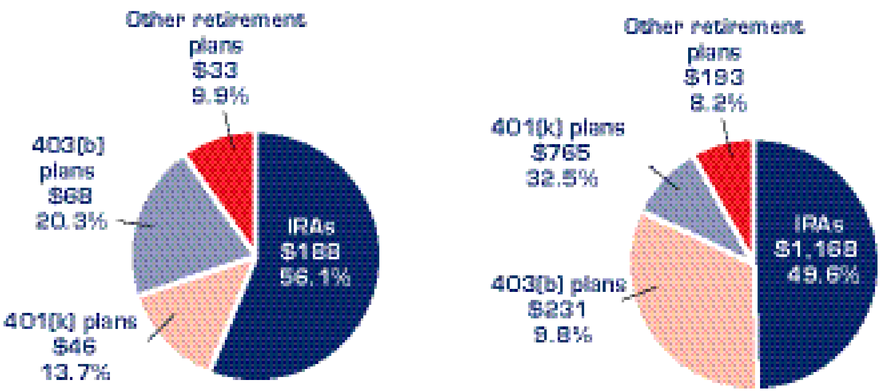
[1]Includes private defined contribution plans [401(k), 403(b), 457, and others], state and local government employee retirement funds, and private defined benefit plans.
[2]Preliminary data.

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

Source: Investment Company Institute.

MUTUAL FUND RETIREMENT ASSETS BY TYPE OF PLAN, 1991 AND 2001
($ billions)

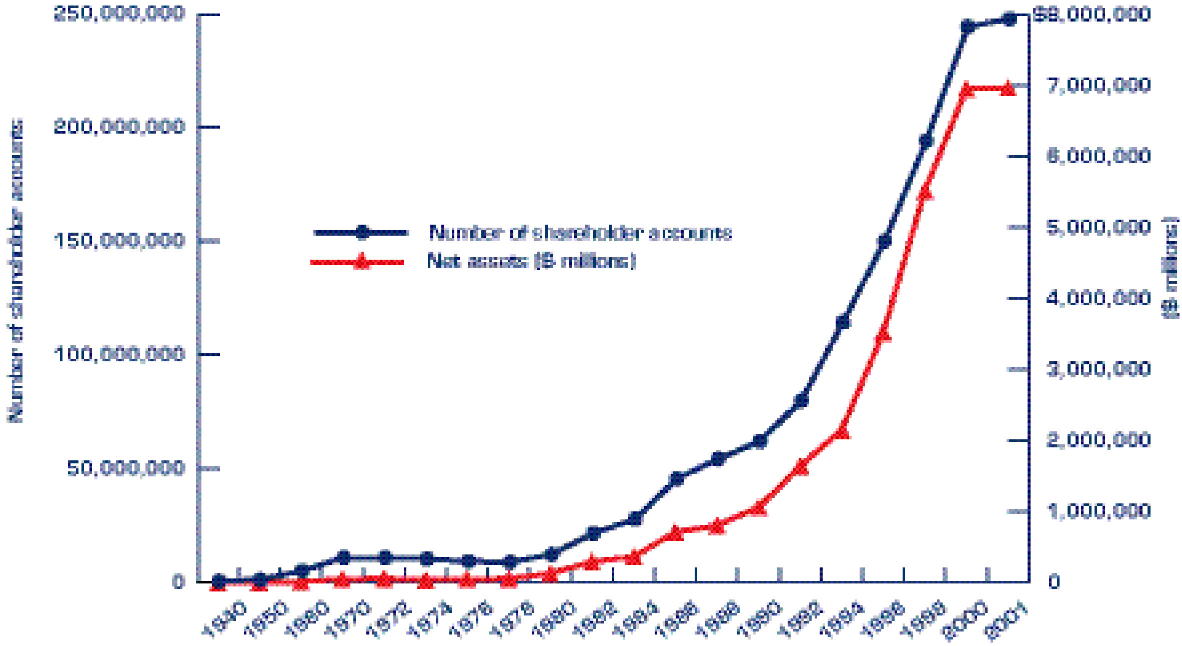
1991 2001[1]



[1]Preliminary data.

Source: Investment Company Institute.

MUTUAL FUND INDUSTRY NET ASSETS AND SHAREHOLDER ACCOUNTS, 1940-2001



Source: Investment Company Institute.

FINANCIAL SERVICES

The financial services industry has become increasingly global in scope.

WORLD'S LARGEST FINANCIAL SERVICES FIRMS, 2001[1]
($ millions)

Rank	Company	Revenues	Profits	Profits as a percent of Revenues	Profits as a percent of Assets	Country	Industry
1	General Electric	$125,913	$13,684	11%	3%	U.S.	Diversified financial
2	Citigroup	112,022	14,126	13	1	U.S.	Diversified financial
3	Allianz	85,929	1,453	2	0	Germany	Insurance
4	ING Group	82,999	4,099	5	1	Netherlands	Insurance
5	Deutsche Bank	66,840	150	0	0	Germany	Banking
6	AXA	65,580	466	1	0	France	Insurance
7	Credit Suisse	64,205	941	1	0	Switzerland	Banking
8	Nippon Life Insurance	63,827	2,228	3	1	Japan	Insurance
9	American International Group	62,402	5,363	9	1	U.S.	Insurance
10	BNP Paribas	55,044	3,598	7	0	France	Banking
11	Bank of America Corp.	52,641	6,792	13	1	U.S.	Banking
12	Aviva	52,318	48	0	0	U.K.	Insurance
13	Assicurazioni Generali	51,394	985	2	0	Italy	Insurance
14	Fannie Mae	50,803	5,894	12	1	U.S.	Diversified financial
15	J.P. Morgan Chase	50,429	1,694	3	0	U.S.	Banking
16	UBS	48,503	2,947	6	0	Switzerland	Banking
17	State Farm Insurance	46,705	-4,996	-11	-4	U.S.	Insurance
18	HSBC Holding PLC	46,424	5,406	12	1	U.K.	Banking
19	Morgan Stanley	43,727	3,521	8	1	U.S.	Securities
20	Dai-ichi Mutual Life Insurance	43,145	87	0	0	Japan	Insurance
21	Munich Re Group	41,894	224	1	0	Germany	Insurance
22	Mizuho Holdings	41,445	-7,806	-19	-1	Japan	Banking
23	Fortis	40,528	2,327	6	1	Belgium/ Netherlands	Banking
24	ABN AMRO Holding	39,703	2,893	7	1	Netherlands	Banking
25	HypoVereinsbank	39,405	840	2	0	Germany	Banking

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

Source: Fortune.

LARGEST U.S. FINANCIAL SERVICES FIRMS, 2001[1]
($ millions)

Rank	Company	Revenues	Profits	Profits as a percent of Revenues	Profits as a percent of Assets	Industry	Employees
1	General Electric	$125,913	$13,684	11%	3%	Diversified financial	310,000
2	Citigroup	112,022	14,126	13	1	Diversified financial	268,000
3	American International Group	62,402	5,363	9	1	Insurance	81,000
4	Bank of America Corp.	52,641	6,792	13	1	Banking	142,670
5	Fannie Mae	50,803	5,894	12	1	Diversified financial	4,500
6	J.P. Morgan Chase	50,429	1,694	3	0	Banking	95,812
7	State Farm Insurance	46,705	-4,996	-11	-4	Insurance	79,214
8	Morgan Stanley	43,727	3,521	8	1	Securities	61,319
9	Merrill Lynch	38,793	573	2	0	Securities	57,400
10	Berkshire Hathaway	37,668	795	2	1	Insurance	110,000
11	Freddie Mac	35,523	4,147	12	1	Diversified financial	3,826
12	MetLife	31,928	473	2	0	Insurance	46,154
13	Goldman Sachs Group	31,138	2,310	7	1	Securities	22,677
14	Allstate	28,865	1,158	4	1	Insurance	40,800
15	Prudential Financial	27,177	-154	-1	0	Insurance	60,000
16	Wells Fargo	26,891	3,423	13	1	Banking	119,714
17	New York Life Insurance	25,678	1,086	4	1	Insurance	7,400
18	Bank One Corp.	24,527	2,638	11	1	Banking	73,519
19	TIAA-CREF	24,231	585	2	0	Insurance	6,385
20	American Express	22,582	1,311	6	1	Diversified financial	84,417
21	Wachovia Corp.	22,396	1,619	7	1	Banking	84,046
22	Lehman Brothers Hldgs.	22,392	1,255	6	1	Securities	13,100
23	Mass. Mutual Life Ins.	19,340	852	4	1	Insurance	10,929
24	FleetBoston	19,190	931	5	1	Banking	55,909
25	Loews	18,799	-589	-3	-1	Insurance	27,820

[1]Ranked by revenue.

Source: Fortune.

BANKS

TOP TEN GLOBAL COMMERCIAL AND SAVINGS BANKS, 2001[1]
($ millions)

Rank	Company	Revenues	Country
1	Deutsche Bank	$66,840	Germany
2	Credit Suisse	64,205	Switzerland
3	BNP Paribas	55,044	France
4	Bank of America Corp.	52,641	United States
5	J.P. Morgan Chase	50,429	United States
6	UBS	48,503	Switzerland
7	HSBC Holding PLC	46,424	United Kingdom
8	Mizuho Holdings	41,445	Japan
9	Fortis	40,529	Netherlands
10	ABN AMRO Holding	39,703	Netherlands

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

Source: Fortune.

TOP TEN U.S. COMMERCIAL BANKS, BY ASSETS, 2001
($ millions)

Rank	Company	Assets
1	Citigroup, Inc.	$1,050,000
2	J.P. Morgan Chase & Co.	693,575
3	Bank of America Corporation	621,764
4	Wachovia Corporation	330,452
5	Wells Fargo & Company	307,569
6	Bank One Corporation	268,954
7	FleetBoston Financial Corporation	203,638
8	U.S. Bancorp	171,390
9	National City Corporation	105,817
10	SunTrust Banks, Inc.	104,741

Source: Federal Deposit Insurance Corporation.

TOP TEN U.S.COMMERCIAL BANKS, BY REVENUE, 2001
($ millions)

Rank	Company	Revenues
1	Bank of America Corp.	$52,641
2	J.P. Morgan Chase	50,429
3	Wells Fargo	26,891
4	Bank One Corp.	24,527
5	Wachovia Corp.	22,396
6	FleetBoston	19,190
7	U.S. Bancorp	16,443
8	MBNA	10,145
9	National City Corp.	9,093
10	SunTrust Banks	8,435

Source: Fortune.

TOP TEN U.S.THRIFT COMPANIES, BY ASSETS, 2002
($ millions)

Rank	Company	Assets[1]
1	Washington Mutual Inc.	$275,223
2	Golden West Financial	59,348
3	Golden State Bancorp Inc.	54,089
4	Charter One Financial	37,704
5	Sovereign Bancorp Inc.	36,833
6	Astoria Financial Corp.	22,107
7	GreenPoint Financial Corp.	21,072
8	Commercial Federal Corp.	12,747
9	Webster Financial Corp.	12,342
10	Hudson City Bancorp Inc. (MHC)	12,295

[1]As of March 31, 2002.

Source: Federal Deposit Insurance Corporation.

TOP SEVEN U.S. THRIFT COMPANIES, BY REVENUE, 2001
($ millions)

Rank	Company	Revenues
1	Washington Mutual	$17,692
2	Golden West Financial	4,446
3	Golden State Bancorp	4,320
4	Charter One Financial	2,852
5	Sovereign Bancorp	2,649
6	Greenpoint Financial	1,722
7	Astoria Financial	1,540

Source: Fortune.

TOP TEN U.S. CREDIT UNIONS, 2001[1]
($ millions)

Rank	Company	Assets
1	Navy	$15,106.6
2	State Employees'	8,186.7
3	Pentagon	4,270.0
4	Boeing Employees	3,957.7
5	The Golden 1	3,772.5
6	United Airlines Employees'	3,612.4
7	American Airlines	3,396.0
8	Orange County Teachers	3,351.7
9	Suncoast Schools	2,997.6
10	Kinecta	2,442.0

[1]Ranked by assets.

Source: Federal Deposit Insurance Corporation.

INSURANCE COMPANIES

TOP TEN GLOBAL PROPERTY/CASUALTY INSURANCE COMPANIES, 2001[1]
($ millions)

Rank	Company	Revenues[2]	Country
1	Allianz	$85,929	Germany
2	American International Group	62,402	United States
3	State Farm Insurance	46,705	United States
4	Munich Re Group	41,894	Germany
5	Zurich Financial Services	38,650	Switzerland
6	Berkshire Hathaway	37,668	United States
7	Allstate	28,865	United States
8	Royal & Sun Alliance	21,525	United Kingdom
9	Swiss Reinsurance	20,210	Switzerland
10	Loews	18,799	United States

[1]Ranked by revenues. Based on an analysis of companies in the Global Fortune 500. Includes stock and mutual companies.
[2]Revenue includes premium and annuity income, investment income and capital gains or losses but excludes deposits; includes consolidated subsidiaries, excludes excise taxes.

Source: Fortune.

TOP TEN U.S. PROPERTY/CASUALTY COMPANIES, BY ASSETS, 2001
($000)

Rank	Group	Total admitted assets
1	State Farm Group	$88,379,032
2	Berkshire Hathaway Insurance Group	73,399,725
3	American International Group Inc.	52,457,602
4	Allstate Insurance Group	39,289,547
5	Travelers/Citigroup Companies	38,146,727
6	CNA Insurance Companies	32,446,005
7	Liberty Mutual Insurance Cos.	30,894,618
8	Zurich/Farmers Group	30,295,325
9	Nationwide Group	24,274,923
10	Hartford Insurance Group	23,997,426

Source: A.M. Best Company, Inc.

TOP TEN U.S. PROPERTY/CASUALTY COMPANIES, BY NET PREMIUMS WRITTEN, 2001
($000)

Rank	Group	Net premiums written
1	State Farm Group	$37,897,080
2	Allstate Insurance Group	21,991,337
3	Zurich/Farmers Group	17,013,695
4	American International Group Inc.	14,006,551
5	Berkshire Hathaway Insurance Group	11,656,170
6	Travelers/Citigroup Companies	10,725,166
7	Nationwide Group	10,590,760
8	Liberty Mutual Insurance Cos.	8,966,985
9	CNA Insurance Companies	7,663,219
10	Progressive Insurance Group	7,262,944

Source: A.M. Best Company, Inc.

TOP TEN GLOBAL LIFE/HEALTH INSURANCE COMPANIES, 2001[1]
($ millions)

Rank	Company	Revenues	Country
1	ING Group	$82,999.1	Netherlands
2	AXA	65,579.9	France
3	Nippon Life Insurance	63,827.2	Japan
4	Aviva	52,317.6	United Kingdom
5	Assicurazioni Generali	51,394.3	Italy
6	Dai-ichi Mutual Life Insurance	43,145.2	Japan
7	Prudential	35,821.2	United Kingdom
8	Asahi Mutual Life Insurance	33,142.8	Japan
9	Sumitomo Life Insurance	32,548.5	Japan
10	MetLife	31,928.0	United States

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

Source: Fortune.

TOP TEN U.S. LIFE/HEALTH INSURANCE GROUPS AND COMPANIES, 2001[1]
($000)

Group	Net premiums written[2]	Rank	Percentage of total market	Admitted assets	Rank	Percentage of total market
American International Group	$31,593,649	1	6.7%	$210,606,910	2	6.5%
Hartford Life Inc.	24,490,945	2	5.2	139,677,338	4	4.3
Metropolitan Life & Affiliated Cos.	24,325,848	3	5.1	224,514,611	1	6.9
ING Group	21,621,376	4	4.6	123,246,772	7	3.8
AEGON USA Inc.	19,793,359	5	4.2	135,046,631	5	4.1
Prudential of America Group	17,921,292	6	3.8	204,130,036	3	6.3
New York Life Group	15,950,205	7	3.4	111,314,124	8	3.4
Nationwide Group	14,389,071	8	3.0	86,168,318	10	2.6
MassMutual Financial Group	12,237,345	9	2.6	78,996,961	12	2.4
GE Financial Assurance Group	11,779,857	10	2.5	65,899,757	18	2.0
Industry Total [3]	**472,730,123**			**3,259,214,516**		

[1]Ranked by net premiums written.

[2]Premiums and annuity considerations plus deposit-type funds.

[3]Life insurance industry totals for net premiums written and admitted assets, respectively.

Source: A.M. Best Company, Inc.

TOP TEN GLOBAL REINSURERS, 2001[1]
($ millions)

Rank	Company	Gross premiums written	Country
1	Munich Re - Segment Reinsurance	$19,666	Germany
2	Swiss Re Group[2]	18,569	Switzerland
3	Berkshire Hathaway Group	11,984	U.S.
4	GE Global Insurance Holdings	10,366	U.S.
5	Hannover Re	10,195	Germany
6	Lloyd's of London	8,275	U.K.
7	Gerling Global Reinsurance Group	5,183	Germany
8	Scor Group	4,333	France
9	Axa Corporate Solutions Group	3,696	France
10	Converium Group	2,881	Switzerland

[1]Ranked by gross premiums written.

[2]Includes full year estimate of Lincoln Re acquisition in 2001.

Source: A.M. Best Company, Inc.

TOP TEN U.S. PROPERTY/CASUALTY REINSURERS, 2001[1]
($000)

Rank	Group	Net premiums written
1	Berkshire Hathaway Insurance Group	$3,915,825
2	Munich Reinsurance Group	1,461,307
3	Swiss Reinsurance Group	801,227
4	St. Paul Companies	769,476
5	GE Global Insurance Group	756,538
6	American International Group, Inc.	498,536
7	Fairfax Financial (U.S.) Group	395,525
8	Everest Re U.S. Group	296,292
9	State Farm Group	278,751
10	W.R. Berkley Group	235,561

[1]Ranked by net premiums written.

Source: A.M. Best Company, Inc.

TOP TEN U.S. LIFE REINSURERS, 2000[1]
($ millions)

		2000 reinsurance assumed	
Rank	Company	Face amount in force	Market share
1	Lincoln National Corp.	$627,957	10.9%
2	Metropolitan Life & Affiliated Cos.	612,156	10.6
3	Swiss Reinsurance Group	609,020	10.6
4	ING Group	445,224	7.7
5	Employers Re Group	382,385	6.6
6	Munich American Reassurance Group	309,889	5.4
7	CNA Insurance Group	247,907	4.3
8	CIGNA Group	173,800	3.0
9	Allianz Insurance Group	168,971	2.9
10	American United Life Group	159,132	2.8

[1]Ranked by reinsurance assumed.

Source: A.M. Best Company, Inc.

SECURITIES COMPANIES

TOP FOUR GLOBAL SECURITIES FIRMS, 2001[1]
($ millions)

Rank	Company	Revenues	Country
1	Morgan Stanley	$43,727	United States
2	Merrill Lynch	38,793	United States
3	Goldman Sachs Group	31,138	United States
4	Lehman Brothers Hldgs.	22,392	United States

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

Source: Fortune.

TOP FIVE U.S. SECURITIES FIRMS, BY ASSETS, 2001
($ millions)

Rank	Company	Assets
1	Morgan Stanley	$482,628
2	Merrill Lynch	419,419
3	Goldman Sachs Group	312,218
4	Lehman Brothers Hldgs.	247,816
5	Bear Stearns	185,530

Source: Fortune.

TOP TEN U.S. SECURITIES FIRMS, BY REVENUE, 2001
($ millions)

Rank	Company	Revenues	Percent change from 2000
1	Morgan Stanley	$43,727	-4%
2	Merrill Lynch	38,793	-14
3	Goldman Sachs Group	31,138	-6
4	Lehman Brothers Hldgs.	22,392	-15
5	Bear Stearns	8,701	-15
6	Charles Schwab	5,281	-26
7	A.G. Edwards	2,839	1
8	Franklin Resources	2,355	1
9	E*Trade Group	2,062	5
10	Raymond James Financial	1,658	-2

Source: Fortune.

DIVERSIFIED FINANCIAL COMPANIES

TOP SIX GLOBAL DIVERSIFIED FINANCIALS, 2001[1]
($ millions)

Rank	Company	Revenues	Country
1	General Electric	$125,913	United States
2	Citigroup	112,022	United States
3	Fannie Mae	50,803	United States
4	Freddie Mac	35,523	United States
5	American Express	22,582	United States
6	Household International	13,916	United States

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

Source: Fortune.

TOP TEN U.S. DIVERSIFIED FINANCIALS, 2001[1]
($ millions)

				Profits as percent of	
Rank	Company	Revenues	Profits	Revenues	Assets
1	General Electric	$125,913	$13,684	11%	3%
2	Citigroup	112,022	14,126	13	1
3	Fannie Mae	50,803	5,894	12	1
4	Freddie Mac	35,523	4,147	12	1
5	American Express	22,582	1,311	6	1
6	Household International	13,916	1,924	14	2
7	Marsh & McLennan	9,943	974	10	7
8	Aon	7,676	203	3	1
9	Capital One Financial	7,254	642	9	2
10	Countrywide Credit	4,819	374	8	2

[1]Ranked by revenues.

Source: Fortune.

FINANCE COMPANIES

TOP TEN U.S. CONSUMER AND COMMERCIAL FINANCE COMPANIES, 2001[1]
($ millions)

Rank	Company	Total managed receivables[2]
1	Ford Motor Credit Company	$211,100.0
2	General Electric Capital Corp.	203,358.0[3]
3	Citigroup Inc.	108,900.0
4	Household International, Inc.	100,822.7
5	MBNA Corporation	97,496.1
6	USA Education, Inc.	79,400.0
7	American Express Company	75,800.0
8	First USA, Inc.	68,200.0
9	Tyco Capital Corporation/ CIT Group Inc.	52,236.1
10	Discover Bank	49,571.0

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

Source: SNL Financial LC.

Information technology (IT) has transformed the financial services industry, making available many products and services that would have otherwise been impossible to offer. New features range from asset-backed securities, personal cash management accounts and automated teller machines that were introduced in 1970s to more recent innovations such as online banking. At the same time, IT has improved efficiency and reduced labor costs.

IT SPENDING: BANKS

INFORMATION TECHNOLOGY SPENDING BY U.S. BANKS, 2001-2005[1]
($ billions)

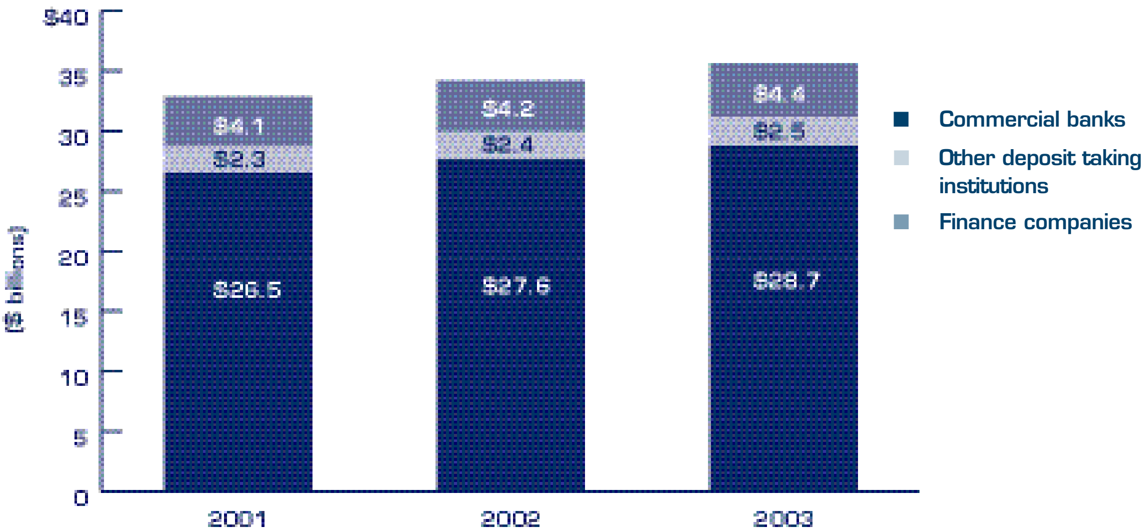
Year	Bank IT spending
2001	$32.8
2002	34.2
2003	35.6
2004	38.1
2005	41.1

[1]Estimated

Source: Celent Communications.

- IT spending by banks is expected to rise 25.3 percent between 2001 and 2005.

INFORMATION TECHNOLOGY SPENDING BY U.S. BANKS, BY TYPE OF BANK, 2001-2003[1]
($ billions)



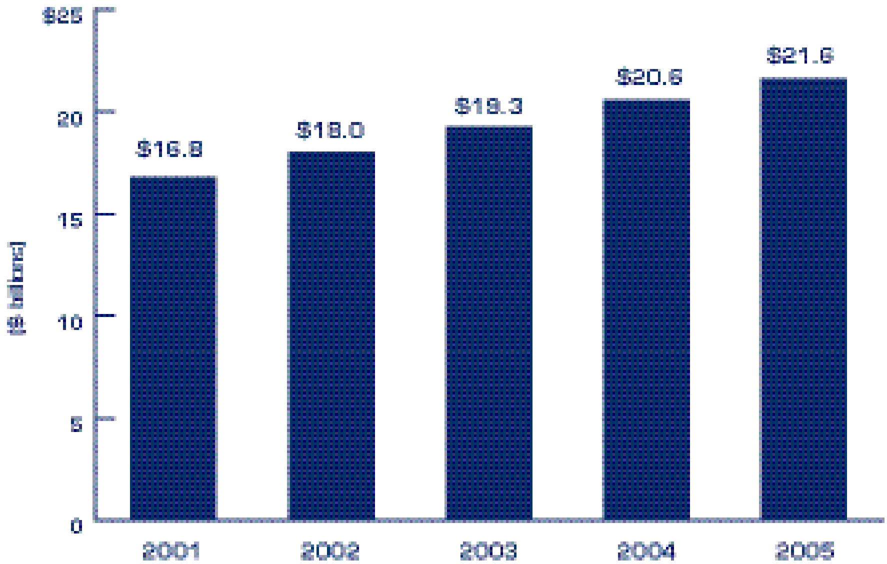
[1]Estimated.

Source: Celent Communications.

IT SPENDING: INSURERS

INFORMATION TECHNOLOGY SPENDING BY U.S. INSURANCE COMPANIES, 2001-2005[1]
($ billions)

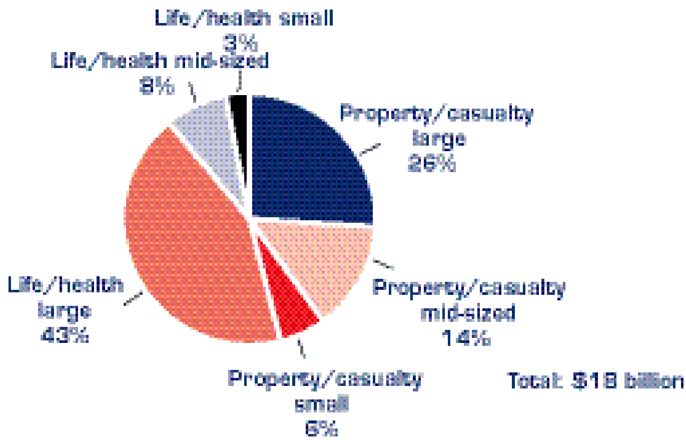
- IT spending by insurers is expected to rise 28.6 percent between 2001 and 2005.



[1]Estimated. Includes property/casualty and life/health insurance companies.

Source: Celent Communications.

INFORMATION TECHNOLOGY SPENDING, BY SIZE AND TYPE OF INSURANCE COMPANY, 2002[1]



[1]Estimated. Includes property/casualty and life/health insurance companies.

Source: Celent Communications.

IT SPENDING: SECURITIES FIRMS

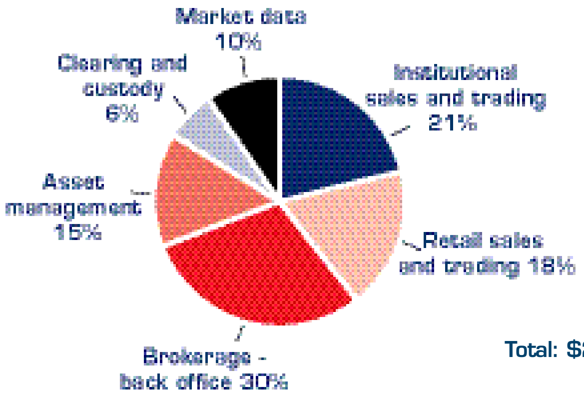
INFORMATION TECHNOLOGY SPENDING BY U.S. SECURITIES FIRMS, 2002
($ billions)

Institutional sales and trading	$5.9
Retail sales and trading	5.1
Brokerage - back office	8.3
Asset management	4.1
Clearing and custody	1.8
Market data	2.7
Total	**$27.9**

Source: Celent Communications.

- **Back office brokerage operations have benefited most from IT spending.**

INFORMATION TECHNOLOGY SPENDING BY U.S. SECURITIES FIRMS, 2002



Total: $27.9 billion

Source: Celent Communications.

ELECTRONIC COMMERCE

Using advanced information technology, banks have transformed some of their core services, such as personal banking. Consumers can now conduct many banking activities over the telephone and online as well as in traditional branch offices. The use of personal computers to conduct personal finances has increased as consumers have become more comfortable with making routine purchases online. By 2005, about one third of households are expected to use online banking services.

CONSUMER BANKING ONLINE IN THE UNITED STATES, 1995-2001
(millions)

- The number of active Internet banking users grew by 36 percent from 2000 to 2001. Nearly 20 percent of house - holds now bank online, according to an Online Banking report.

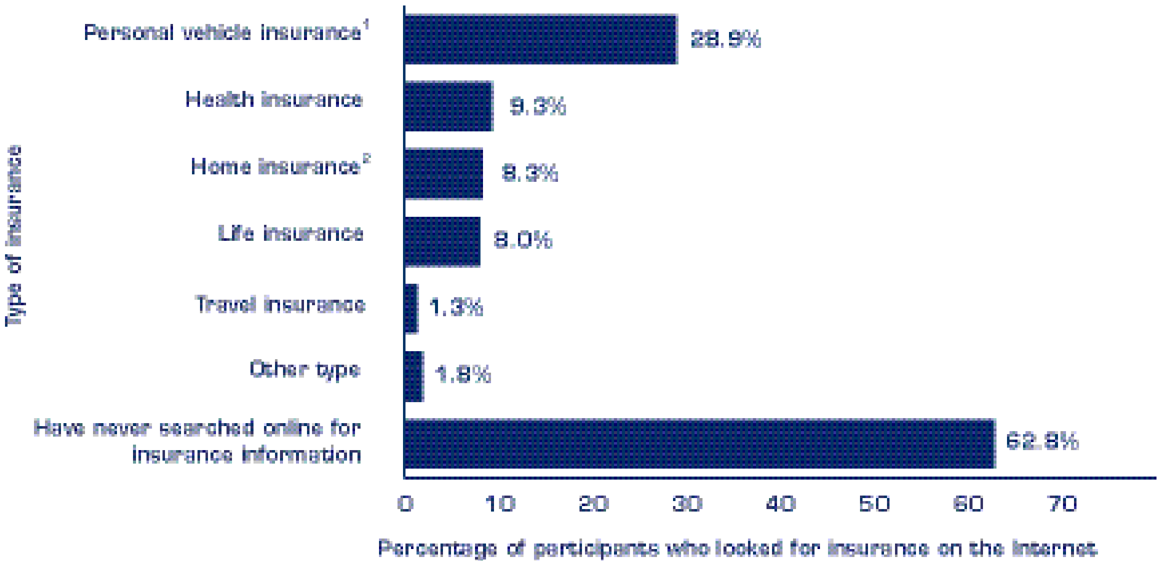
Year	Top 3 banks	Others	Total number of active users
1995	NA	NA	0.5
1996	NA	NA	0.9
1997	NA	NA	1.8
1998	2.0	2.0	4.0
1999	3.6	4.4	8.0
2000	6.9	7.1	14.0
2001	9.4	9.6	19.0

NA=Data not available.

Source: Celent Communications.

Nearly 63 percent of participants in a Web survey conducted by Gomez, Inc. have never shopped for insurance on the Internet.

SHOPPING FOR INSURANCE ONLINE, 2001



[1]Includes automobile, motorcycle, boat, RV, etc.

[2]Includes homeowners, renters, condominium and personal property.

Source: Gomez, Inc.

TOTAL AND E-COMMERCE REVENUE, SECURITIES AND COMMODITY CONTRACTS, 1999-2000
($ millions)

	Revenue				Percent increase 1999-2000		E-commerce as a percent of total revenue	
	1999		2000					
	Total	E-commerce	Total	E-commerce	Total revenue	E-commerce revenue	1999	2000
Total selected finance[1]	$295,302	$3,996	$348,923	$5,976	18.2%	49.5%	1.4%	1.7%
Securities and commodity contracts, intermediation and brokerage	203,744	3,831	243,649	5,664	19.6	47.8	1.9	2.3

[1]Includes investment banking, securities brokers, commodities contract intermediation, and commodities contracts brokers.
Source: U.S. Department of Commerce, Bureau of the Census.

ELECTRONIC PAYMENTS

Over the past quarter-century, electronic alternatives to the traditional way of paying bills by check have revolutionized payments infrastructure. While credit cards continue to contribute the largest share, newer choices such as PIN and signature debit and Automated Clearing House (ACH) payments have grown rapidly. Debit cards have become increasingly popular in large part because of the availability of more secure forms of signature.

ACH payments were launched in the early 1970s as a reliable and efficient alternative to the check. The ACH electronic funds transfer system continues to expand, with larger volumes transacted each year and new types of payments transacted. In fact, ACH payment can now be initiated by telephone or on the Web. Electronic Benefits Transfers give consumers more flexible access to Social Security, Veterans' Pensions and other benefits disbursed by the federal government.

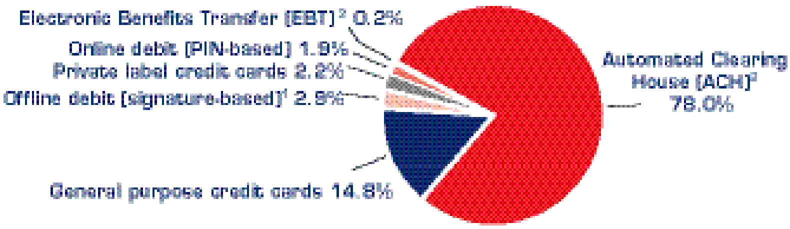
TOTAL ESTIMATED VOLUME AND DOLLAR VALUE OF ELECTRONIC PAYMENTS, 2000

Electronic payment instrument	Transaction volume (millions)	Dollar volume ($ millions)	Average payment value
General purpose credit cards	12,300.2	$1,072,555	$87.20
Private label credit cards	2,748.6	162,819	59.24
Offline debit (signature-based)[1]	5,268.6	209,980	39.85
Online debit (PIN-based)	3,010.4	138,151	45.89
Automated Clearing House (ACH)[2]	5,622.0	5,674,851	1,009.40
Electronic Benefits Transfer (EBT)[3]	537.7	13,744	25.56
Total	**29,487.5**	**$7,272,100**	**$246.62**

[1]Debit card transactions that require the customer's signature as a means of authentication. [2]Allows credits and debits to be processed between financial institutions. [3]Allows a recipient to authorize transfer of government benefits from a federal account to a retailer account to pay for products received.

Source: Board of Governors of the Federal Reserve System.

ELECTRONIC PAYMENTS VALUE BY PAYMENT INSTRUMENT, 2000



¹Debit card transactions that require the customer's signature as a means of authentication. ²Allows credits and debits to be processed between financial institutions. ³Allows a recipient to authorize transfer of government benefits from a federal account to a retailer account to pay for products received.

Source: Board of Governors of the Federal Reserve System.

Online banking and e-payments have gained tremendous ground in recent years, reaching 15.5 million middle-income users in 2000. Rates of adoption have been fairly well distributed across low-, mid- and high-end income households, with volumes rising within each income range.

U.S. HOUSEHOLDS USING ONLINE BANKING AND/OR E-PAYMENTS, 1995-2010[1]

(millions, end of year)

	Mid-range		Low-end		High-end	
Year	Number	Percent change from prior year	Number	Percent change from prior year	Number	Percent change from prior year
1995	0.6	140%	0.5	150%	0.8	150%
1996	2.5	320	2.3	350	2.8	270
1997	4.5	80	4.0	78	5.0	82
1998	7.0	56	6.5	63	7.5	50
1999	10.5	50	9.5	46	11.5	53
2000	15.5	48	14.5	53	17.0	48
Projected						
2001	22.0	42	20.0	38	25.0	47
2002	27.0	23	23.0	15	31.0	24
2003	30.0	11	25.0	9	35.0	13
2004	33.0	10	27.0	8	40.0	14
2005	36.0	9	29.0	7	44.0	10
2010	45.0	5	35.0	4	55.0	5

¹Households which have done one or more of the following within the past 90 days: registered for online access to checking, credit card, or loan/mortgage accounts; signed up to pay bill(s) online; paid a monthly fee for online banking or bill pay; accessed balance or transaction data online for a checking account, credit card, or loan/mortgage; authorized a bill payment online at any bank, nonbank, portal, or biller site; or sent money over the Internet using e-mail payments (e.g., PayPal, c2it).

Source: Online Banking Report.

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 2002, there were some 352,000 in the United States, more than four times the number of bank and thrift branches. 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 customers to withdraw money from their own bank's 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.

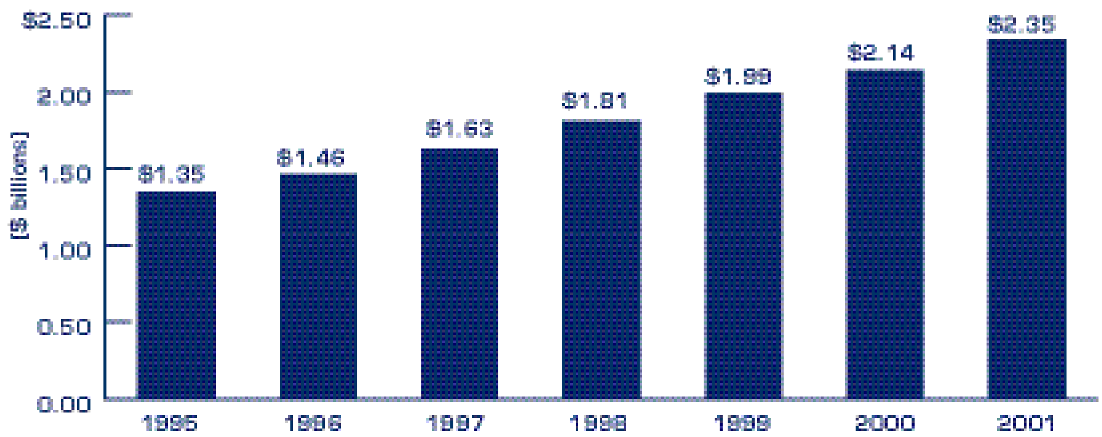
OFF-PREMISE ATM DEPLOYMENT, 1996-2002[1]

Year	Total ATMs	Off-premise ATMs	Percent off-premise
1996	139,134	51,207	36.8%
1997	165,000	67,000	40.6
1998	187,000	84,000	44.9
1999	227,000	117,000	51.5
2000	273,000	156,000	57.1
2001	324,000	193,000	59.6
2002	352,000	220,100	62.5

[1]ATMs located away from financial institution branches, as of March 2002.

Source: ATM & Debit News.

BANK REVENUES FROM ATM TRANSACTION FEES, 1995-2001
($ billions)



Source: Celent Communications.

- The first U.S. ATM was installed in 1971 at the Citizens & Southern National Bank in Atlanta.
- ATM maintenance costs, including cash replenishment, servicing, telephone costs and rent, range from $12,000 to $15,000 a year.

ANNUAL ELECTRONIC FUND TRANSFER VOLUME, 1992-2002[1]
(millions)

Year	ATM volume	POS volume[2]	Total volume
1992	7,206	289	7,495
1993	7,705	430	8,135
1994	8,454	624	9,078
1995	9,689	775	10,464
1996	10,684	1,096	11,780
1997	10,980	1,600	12,580
1998	11,160	2,000	13,160
1999	10,889	2,428	13,317
2000	12,840	3,107	15,947
2001	13,584	3,648	17,232
2002	13,968	5,060	19,028

[1]Annualized projections based on March data for 1999-2002, June data for 1997-1998, August data for 1996 and September data for all other years.
[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.

A JUNE 2002 STUDY BY THE FEDERAL RESERVE BANK SHOWS:

- Fewer banks are charging their customers for the use of their ATMs, but more are charging for the use of other banks' ATMs and for cash withdrawals by noncustomers.
- Ninety-one percent of banks and savings and loan associations (S&Ls) offered ATM services in 2001, an increase of about 2.1 percentage points from 2000, according to a June 2002 report to Congress on retail fees and services of depository institutions.
- In 2001, about 10.7 percent of banks and S&Ls charged an annual fee for ATM services, a decrease of 2.4 percentage points from the previous year. The average fee was $10.35.
- In 2001, about 3.5 percent of banks and S&Ls charged a fee to issue an ATM card (on average $4.50), a drop of 2.4 percentage points in the number that charged and about $1.72 in the average charge. Only 3.6 percent, compared with 6.2 percent in 2000, charged for customers' withdrawals.
- In 2001, 78.5 percent of banks and S&Ls charged their depositors (on average $1.17) for withdrawals using "foreign" ATMs. This percentage was up 5.8 percentage points from the previous year. In addition, the number of banks imposing surcharges on noncustomers using their ATM services rose from 75.4 percent in 2000 to 88.5 percent, a 13.1 percentage points increase. The surcharge averaged $1.2 in 2001, a slight rise from the previous year.

ATM TRANSACTIONS, 1992-2002[1]

Year	Average monthly ATM transactions	Terminals	Total transactions[2] (millions)
1992	6,876	87,330	600.5
1993	6,772	94,822	642.1
1994	6,459	109,080	704.5
1995	6,580	122,706	807.4
1996	6,399	139,134	890.3
1997	5,515	165,000	910.0
1998	4,973	187,000	930.0
1999	3,997	227,000	907.4
2000	3,919	273,000	1,070.0
2001	3,494	324,000	1,132.0
2002	3,308	352,000	1,164.0

[1]June data for 1992-1998, March data for 1999-2002.

[2]Total network transactions include all deposits, withdrawals, transfers, payments, and balances 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.

Source: ATM & Debit News.

TOP TEN ATM OWNERS, 2001-2002[1]

		Number of ATMs	
Rank	Owner	2001	2002
1	Bank of America	12,000	12,000[2]
2	American Express	8,050	7,400
3	Wells Fargo	6,008	6,488
4	U.S. Bancorp	6,023	6,108
5	Bank One	6,055	5,141
6	First Union	3,837	4,675
7	FleetBoston	3,400	3,750
8	PNC	2,958	3,283
9	Fifth Third	1,742	2,277
10	KeyBank	2,400	2,200

[1]January data.

[2]Estimate.

Source: ATM & Debit News.

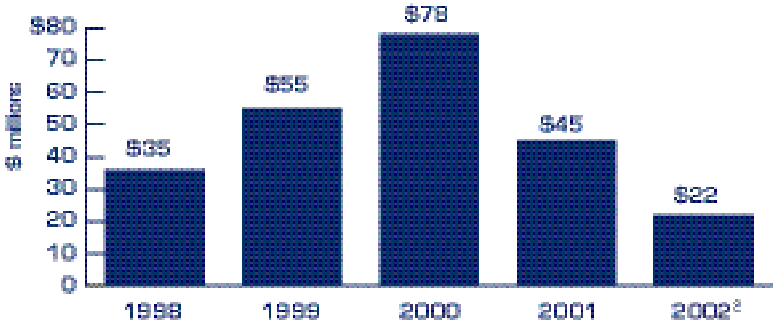
WIRELESS TECHNOLOGY

Despite the popularity of wireless technologies such as cell phones and personal digital assistants, the number of consumers using them to conduct financial services transactions has been declining since 2001. At the same time, wireless area networks (WANS) are rapidly becoming a cost-effective alternative for providing network connectivity in business organizations. To address security concerns, in February, 2002 the Federal Deposit Insurance Corporation issued guidelines on managing risks associated with wireless networks and wireless customer access.

- In an August 2001 report, For rester Research found that while more than forty million Americans wer e both online and owned a device that could conduct wireless trans - actions, barely 1 per - cent of consumers con - ducted financial trans - actions using a wir e- less device.

INFORMATION TECHNOLOGY SPENDING ON WIRELESS RETAIL FINANCIAL SERVICES IN NORTH AMERICA, 1998-2002[1]

($ millions)

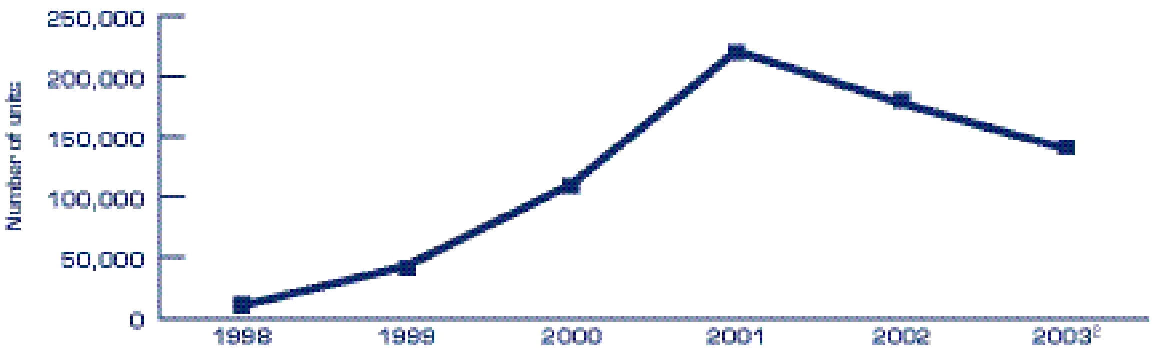


[1]Includes banking and securities. [2]Estimated.

Source: Celent Communications.

WIRELESS BANKING AND BROKERAGE USERS, 1998-2003[1]

(Number of units)



[1]Wireless devices include cell phones and personal digital assistants (PDAs) such as Palm Pilots. Laptop-based applications are not included. [2]Estimated.

Source: Celent Communications.

Summary of the Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act (GLB) was signed into law on November 12, 1999, culminating almost a decade of efforts to pass such a measure. The legislation essentially ended regulations that prevented companies in the various financial sectors from engaging in each other's businesses. The law repeals major sections of the Glass-Steagall Act of 1933, the Bank Holding Company Act of 1956 and other federal banking laws. The following explains some of the law's provisions.

Financial Holding Companies

GLB expanded permissible activities for bank holding companies, entities that control one or more commercial banks, by creating a new type of financial services company, the financial holding company (FHC). Under the act, securities firms, banks, insurance companies and other entities engaged in financial services may affiliate under an FHC umbrella and cross-sell an affiliate's products within a regulatory system overseen by the Federal Reserve Board.

An FHC may engage in many financial activities, including any future activity the Federal Reserve, in conjunction with the Secretary of the Treasury, considers to be financial in nature, incidental to finance, or complementary to a financial activity as long as it does not pose a substantial risk to the safety and soundness of the institution. More than 500 bank holding companies elected to become FHCs within the first 12 months that the option was available.

Commercial (Nonfinancial) Business

Prior to the passage of GLB, banks and others had been concerned about the possibility of commercial entities such as big retail stores entering the banking business. While a financial firm engaged in nonfinancial activities is not required to divest itself of these activities for at least 10 years if they do not constitute more than 15 percent of its business, the act bars expansion of such activities by mergers and nonfinancial company ownership of commercial banks. In addition, while existing thrift nonfinancial activities are protected by a grandfather provision, commercial companies are prohibited from buying thrifts. Securities firms may continue existing nonfinancial business activities on a limited basis for a limited time.

Regulation

All financial services activities are essentially regulated by the agency that oversaw such transactions before the passage of the law. Thus, whether insurance is sold by a bank or insurance company, the sale is regulated by the states. This is known as "functional regulation." Functional regulation particularly addressed the fears of some insurers that the system of state regulation of insurance would be summarily disbanded and replaced by a federal regulatory framework. At the same time, forms of federal regulation have support from many from within the insurance industry and state vs. federal regulation is one of its most controversial subjects.

National Banks

National banks are commercial banks with a national as opposed to state charter. Those that meet the GLB's capitalization and management requirements may establish financial operating subsidiaries. These subsidiaries can sell any financial product and assume the risk as dealer for most financial products. However, national banks may not underwrite insurance (except credit-related insurance) or engage in real estate development, real estate investment, or merchant banking because these are riskier businesses requiring more capital and more safeguards to protect that capital. Merchant banking, an investment bank activity in which the bank raises funds or lends its own capital for a period to finance a transaction, may be allowed starting in 2004. National banks may continue to underwrite municipal revenue bonds, an activity that was not barred under Glass-Steagall.

Independent banks, which are not affiliated with multibank holding companies, and which are also known as community banks because they are locally owned and operated, may sell financial products through joint ventures with other bank and thrift institutions.

Insurance

GLB's response to the concern of banks and insurance agents that regulatory agencies create a level playing field for the sale of insurance products is a framework to resolve disputes over regulatory practices and how a new product should be classified — as an insurance or a banking product. GLB sets up procedures for resolving these disputes.

In addition, federal regulators must establish consumer protection regulations for banks selling insurance. In case of conflict with state laws, only federal standards stricter than state laws pre-empt those laws.

Securities

General bank exemption from registration with the Securities and Exchange Commission (SEC) as a broker has been replaced with a list of specific exempt activities such as trust and custodial activities, employment benefit plan management, and others. Banks can continue to create and trade in derivatives, swaps and other similar securities products. The SEC, in consultation with the Federal Reserve Board, is authorized to rule on whether a specific product is a security which can only be sold by a broker/dealer affiliate.

Privacy

The issue of privacy, which tended to divide consumer groups wanting tight restrictions on personal information from financial services companies seeking broad access for cross-marketing purposes, was partially resolved through compromise. Financial institutions may share customer information with affiliates and joint venture partners, but are barred from disclosing customer account numbers or access codes to unaffiliated third parties for marketing purposes, with certain narrow exceptions necessary for the conduct of the customers' business or compliance with regulations. Other customer information may be shared with third parties, but customers must be informed and have the right to bar such sharing. Any attempt to gain private customer information by fraud or deception is made a federal crime punishable by up to five years in prison.

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.

Assets: Something that has commercial or exchange value owned by an individual or business. In the insurance industry, state laws require a conservative valuation of assets. Insurance companies are not allowed to list some assets whose values are uncertain, such as furniture, fixtures, debit balances, and accounts receivable that are more than 90 days past due.

Bank Holding Company: A company that owns or controls one or more banks. The Federal Reserve has responsibility for regulating and supervising bank holding company activities, such as approving acquisitions and mergers and inspecting the operations of such companies. This authority applies even though a bank owned by a holding company may be under the primary supervision of the Comptroller of the Currency or the FDIC.

Basis Point: Unit of measure used to describe interest rates and bond yields. One basis point equals 0.01 percent.

Bond: A security that obligates the issuer to pay interest at specified intervals and to repay the principal amount of the loan at maturity.

Capital: In the insurance industry, shareholder's equity (for publicly-traded insurance companies) and retained earnings (for mutual insurance companies). Each state has its own requirements. There is no general measure of capital adequacy for property/casualty insurers.

Capital Market: The market in which corporate equity and longer-term debt securities (those maturing in more than one year) are issued and traded.

Collateral: Property that is offered to secure a loan or other credit and that becomes subject to seizure on default. (Also called security.)

Combined Ratio: Percentage of each premium dollar a property/casualty insurer spends on claims and expenses. When the ratio is over 100, the insurer has an underwriting loss.

Credit: The promise to pay in the future in order to buy or borrow in the present. The right to defer payment of debt.

Demand Deposit: Customer assets that are held in a checking account. Funds can be readily withdrawn by check, "on demand."

Depository Institution: Financial institution that obtains its funds mainly through deposits from the public. Includes commercial banks, savings and loan associations, savings banks, and credit unions.

Derivatives: Contracts that derive their value from an underlying financial asset, such as publicly-traded securities and foreign currencies. Often used as a hedge against changes in value.

Direct Premiums: Property/casualty premiums collected by the insurer from policyholders, before reinsurance premiums are deducted. Insurers may share some direct premiums and the risk involved with their reinsurers.

Earned Premiums: The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance, but the insurance company does not fully earn them until the policy period expires.

Equity: In investments, the ownership interest of shareholders. In a corporation, stocks as opposed to bonds.

Federal Funds: Reserve balances that depository institutions lend each other, usually on an overnight basis. In addition, Federal funds include certain other kinds of borrowings by depository institutions from each other and from federal agencies.

Futures: Agreement to buy a security for a set price at a certain date. Futures contracts usually involve commodities, indexes or financial futures.

Intermediation: The process of bringing savers, investors and borrowers together so that savers and investors can obtain a return on their money and borrowers can use the money to finance their purchases or projects through loans.

Liability Insurance: Insurance for what the policyholder is legally obligated to pay because of harm caused to another entity.

Liquidity: The ability and speed with which a security can be converted into cash.

Money Supply: Total supply of money in the economy, composed of currency in circulation and deposits in savings and checking accounts. By changing the interest rates the Federal Reserve seeks to adjust the money supply to maintain a strong economy.

Net Premiums Written: See Premiums Written.

Options: Contracts that allow, but do not oblige, the buying or selling of property or assets at a certain date at a set price.

Over-the-counter (OTC): Security that is not listed or traded on an exchange such as the New York Stock Exchange. Business in over-the-counter securities is conducted through dealers using electronic networks.

Premiums Written: The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Net premiums written are premiums written after reinsurance transactions.

Primary Market: In the securities industry, the market for new issue securities where the proceeds go directly to the issuer.

Prime Rate: Interest rate that banks charge to their most creditworthy customers. Banks set this rate according to their cost of funds and market forces.

Private Placement: Securities that are not registered with the Securities and Exchange Commission and are sold directly to investors.

Repurchase Agreement "Repo": Agreement between a buyer and seller where the seller agrees to repurchase the securities at an agreed upon time and price. Repurchase agreements involving U.S. government securities are utilized by the Federal Reserve to control the money supply.

Secondary Market: Market for previously issued and outstanding securities.

Securities Outstanding: Stock held by shareholders.

Surplus: The remainder after an insurer's liabilities are subtracted from its assets. The financial cushion that protects policyholders in case of unexpectedly high claims.

Swaps: The simultaneous buying, selling or exchange of one security for another among investors to change maturities in a bond portfolio, for example, or because investment goals have changed.

Time Deposit: Funds that are held in a savings account for a predetermined period of time at a set interest rate. Banks can refuse to allow withdrawals from these accounts until the period has expired or assess a penalty for early withdrawals.

Transparency: A term used to explain the way information on financial matters, such as financial reports and actions of companies or markets, are communicated so that they are easily understood and frank.

Treasury Securities: Interest-bearing obligations of the U.S. government issued by the Treasury as a means of borrowing money to meet government expenditures not covered by tax revenues. Marketable Treasury securities fall into three categories — bills, notes and bonds. Marketable Treasury obligations are currently issued in book entry form only; that is, the purchaser receives a statement, rather than an engraved certificate.

Underwriting Income: The insurer's profit on the insurance sale after all expenses and losses have been paid. When premiums aren't sufficient to cover claims and expenses, the result is an underwriting loss. Underwriting losses are typically offset by investment income.

Volatility: A measure of the degree of fluctuation in a stock's price. Volatility is exemplified by large, frequent price swings up and down.

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, marks origins of The New York Stock Exchange. Bank of America is 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.
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.

YEAR	EVENT
1932	Federal Home Loan Bank Act established Federal Home Loan Bank System to act as central credit system for savings and loans institutions.
1933	Glass-Steagall Act, separating banking and securities industries, passed by Congress.
	Federal Deposit Corporation, guaranteeing accounts up to $2,500, opened.
	Securities Act of 1933, to regulate registration and offering of new securities, including mutual funds, to the public, passed.
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.
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.

YEAR	EVENT
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.
1972	Money market mutual funds introduced.
1974	Automated teller machines (ATMs) widely introduced.
	Employee Retirement Income Security Act created Individual Retirement Accounts for employees not covered by employer retirement plans.
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.
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, 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, established.
	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.

YEAR	EVENT
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.
1996	Barnett Bank U.S. Supreme Court decision allowed banks to sell insurance nationwide.
	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	Financial Services Modernization Act (Gramm-Leach-Bliley Act) allowed banks, insurance companies and securities firms to affiliate and sell each other's products. Restructured the Federal Home Loan Bank System.
2001	U.S. House of Representatives Banking Committee renamed itself the Financial Services Committee.
2002	Citigroup spun off its Travelers' property/casualty insurance unit.
	J.P. Morgan Chase introduced an annuity, becoming one of the first banking companies to underwrite an insurance product under the Gramm-Leach-Bliley Act..

Alliance of American Insurers • 3025 Highland Pkwy, Suite 800, Downers Grove, IL 60515. Tel. 630-724-2100. Fax. 630-724-2190. http://www.allianceai.org — Trade association of property/casualty insurers providing educational, legislative, promotional and safety services to its members.

A.M. Best Company, Inc. • Ambest Rd., Oldwick, NJ 08858. Tel. 908-439-2200. Fax. 908-439-2237. http://www.ambest.com — Rating organization and publisher of books and periodicals relating to the insurance industry.

American Association of Health Plans • 1129 20th St., NW, Suite 600, Washington, DC 20036-3421. Tel. 202-778-3200. Fax. 202-331-7487. http://www.aahp.org/ — Supports the health maintenance organization industry.

American Bankers Association • 1120 Connecticut Ave., NW, Washington, DC 20036. Tel. 800-BANKERS. Fax. 202-663-7543. http://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. http://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.

American Council of Life Insurers • 101 Constitution Ave, NW Ave., Washington, DC 20001-2133. Tel. 202-624-2000. Fax. 202-624-2317. http://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, Washington, DC 20006. Tel. 202-296-5544. Fax. 202-223-0321. http://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., NW, Suite 1000, Washington, DC 20036. Tel. 202-828-7100. Fax. 202-293-1219. http://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 • TowersGroup, 15 West 39th St., 14th Fl., New York, NY 10018. Tel. 212-354-5020. Fax. 212-391-6920. http://www.afgi.org — Trade association of the insurers and reinsurers of municipal bonds and asset-backed securities.

Bank Administration Institute • One N. Franklin, Suite 1000, Chicago, IL 60606. Tel. 800-224-9889 or 312-683-2464. Fax. 800-375-5543 or 312-683-2373. http://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 • Centralbahnplatz 2 and Aeschenplatz 1, Basel, Switzerland, PO Box CH-4002 Basel. Tel. 41-61-280-8080. Fax. 41-61-280-9100. http://www.bis.org — An international organization which fosters cooperation among central banks and other agencies in pursuit of monetary and financial stability.

Bank Securities Association • 303 West Lancaster Avenue, Suite 1C, Wayne, PA 19087. Tel. 610-989-9047. Fax 610-989-9102. http://www.bsanet.org/main.html — The Bank Securities Association is dedicated to serving the needs of those responsible for marketing securities, insurance and other investment products through commercial banks, trust companies, savings institutions, and credit unions.

Bond Market Association • 40 Broad St., New York, NY 10004. Tel. 212-440-9400. Fax. 212-440-5260. http://www.bondmarkets.com/ — Represents securities firms and banks that underwrite, trade and sell debt securities, both domestically and internationally.

College Savings Plan Network • PO Box 11910, Lexington, KY 40578-1910. Tel. 859-244-8175. Fax. 859-244-8053. http://www.collegesavings.org/about.htm — The College Savings Plans Network is as an affiliate to the National Association of State Treasurers. The Network serves as a clearinghouse for information among college savings programs.

Commercial Finance Association • 225 W. 34th St., Suite 1815, New York, NY 10122. Tel. 212-594-3490. Fax. 212-564-6053. http://www.cfa.com — The trade group of the asset-based financial services industry, with members throughout the U.S., Canada and around the world.

Consumer Bankers Association • 1000 Wilson Blvd., Suite 2500, Arlington, VA 22209-3912. Tel. 703-276-1750. Fax. 703-528-1290. http://www.cbanet.org/ — The Consumer Bankers Association is the recognized voice on retail banking issues in the nation's capital.

Commodity Futures Trading Commission • Three Lafayette Centre, 1155 21st St., NW, Washington, DC 20581. Tel. 202-418-5000. Fax. 202-418-5521. http://www.cftc.gov — Government agency protecting market participants against manipulation, abusive trade practices and fraud.

Federal Deposit Insurance Corporation (FDIC) • Division of Finance, 550 17th St., NW, Washington, DC 20429-9990. Tel. 202-736-0000. http://www.fdic.gov — 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. http://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. http://www.federalreserve.gov/default.htm — 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. Today the Federal Reserve's duties fall into four general areas: (1) conducting the nation's monetary policy; (2) supervising and regulating banking institutions and protecting the credit rights of consumers; (3) maintaining the stability of the financial system; and (4) providing certain financial services to the U.S. government, the public, financial institutions, and foreign official institutions.

Financial Institutions Insurance Association • 21 Tamal Vista Blvd., Suite 162, Corte Madera, CA 94925. Tel. 415-924-8122. Fax. 415-924-1447. http://www.fiia.org — Trade association dedicated to the professional marketing of insurance products and services by commercial banks, thrifts, credit unions, mortgage companies, consumer financial companies and their affiliated insurance agencies.

Financial Markets Center • PO Box 334, Philomont, VA 20131. Tel. 540-338-7754. Fax. 540-338-7757. http://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.

Financial Services Coordinating Council • 101 Constitution Ave., NW, Suite 700, Washington DC 20001. Tel. 202-624-2422. Fax. 202-624-2414. http://www.fsccnews.com — A coalition including the American Insurance Association, the American Council of Life Insurance, the American Bankers Association, the Securities Industry Association and the Investment Company Institute, representing the diversified financial services industry.

Financial Services Forum • 745 Fifth Ave., Suite 1602, New York, NY 10151. Tel. 212-308-3420. Fax. 212-308-7383. — 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. 202-777-5000. Fax. 202-777-5100. http://www.fsic.executiveboard.com/ — A unique forum for insight into the financial services industry. Members gain access to the strategies and practices of the world's leading financial institutions.

The Financial Services Roundtable • 805 Fifteenth St., NW, Suite 600, Washington, DC 20005. Tel. 202-289-4322. Fax. 202-289-1903. http://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. 212-908-0800 or 800-75-Fitch. Fax. 212-480-4435. http://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. http://www.futuresindustry.org — Association representative of all organizations that have an interest in the futures market.

Health Insurance Association of America • 555 13th St., NW, Suite 600 East, Washington, DC 20004-1109. Tel. 202-824-1600. Fax. 202-824-1722. http://www.hiaa.org/ — Central source of health insurance information, responsible for public relations, government relations, legislation and research on behalf of the private commercial health insurance industry.

Independent Insurance Agents & Brokers of America, Inc. • 127 S. Peyton St., Alexandria, VA 22314. Tel. 800-221-7917. Fax. 703-683-7556. http://www.independentagent.com — Trade association of independent insurance agents.

Insurance Information Institute • 110 William St., New York, NY 10038. Tel. 212-346-5500. Fax. 212-791-1807. http://www.iii.org/ — A primary source for information, analysis, and referral on insurance subjects.

Insurance Services Office, Inc. (ISO) • 545 Washington Blvd., Jersey City, NJ 07310-1686. Tel. 800-888-4476. Fax. 201-469-1472. http://www.iso.com — Provides statistical information, actuarial analyses and consulting, policy language, and related information and technical services to participants in the property/casualty insurance market. Through its American Insurance Services Group (AISG) unit, ISO also provides claims information.

International Finance and Commodities Institute • 2, Cours de Rive, 1204 Geneva, Switzerland. Tel. 41-22-312-5678. Fax. 41-22-312-5677. http://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 10020-2302. Tel. 212-901-6000. Fax. 212-901-6001. http://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. Fax. 202-326-5874. http://www.ici.org — The national association of the American investment company industry. Founded in 1940, its membership includes 8,414 mutual funds, 489 closed-end funds, and eight sponsors of unit investment trusts.

LIMRA • 300 Day Hill Rd., Windsor, CT 06095-4761. Tel. 860-688-3358. Fax. 860-298-9555. http://www.limra.com/ — Principal source of life insurance industry sales and marketing statistics.

LOMA (Life Office Management Association) • 2300 Windy Ridge Pkwy., Suite 600, Atlanta, GA 30339-8443. Tel. 770-951-1770. Fax. 770-984-0441. http://www.loma.org — Worldwide association of insurance companies specializing in research and education, with a primary focus on home office management.

Moody's Investors Service • 99 Church St., New York, NY 10007. Tel. 212-553-1658. Fax. 212-553-4062. http://www.moodys.com — Global credit analysis and financial information firm.

Mortgage Bankers Association of America • 1919 Pennsylvania Ave., NW, Washington, DC 20006-3438. Tel. 202-557-2700. Fax. 202-557-2700. http://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. http://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.

National Association of Health Underwriters • 2000 N. 14th St., Suite 450, Arlington, VA 22201. Tel. 703-276-0220. Fax. 703-841-7797. http://www.nahu.org/ — Professional association of persons who sell and service disability income, and hospitalization and major medical health insurance.

National Association of Independent Insurers • 2600 River Rd., Des Plaines, IL 60018. Tel. 847-297-7800. Fax. 847-297-5064. http://www.naii.org — Trade association of fire, property/casualty and surety insurers.

National Association of Insurance and Financial Advisors • 2901 Telestar Ct., Falls Church, VA 22042-1205. Tel. 703-770-8100. Fax. 703-770-8224. http://www.naifa.org/ — Professional association representing health and life insurance agents.

National Association of Mutual Insurance Companies • 3601 Vincennes Rd., PO Box 68700, Indianapolis, IN 46268. Tel. 317-875-5250. Fax. 317-879-8408. http://www.namic.org — Trade association of property/casualty mutual insurance companies.

National Association of Professional Insurance Agents • 400 N. Washington St., Alexandria, VA 22314. Tel. 703-836-9340. Fax. 703-836-1279. http://www.pianet.com — Trade association of independent insurance agents.

National Association of Securities Dealers • 1735 K St., NW, Washington, DC 20006. Tel. 202-728-8000. Fax. 301-590-6506. http://www.nasd.com/ — Largest securities industry self-regulatory organization in the United States. Facilitates capital formation by creating the markets of choice — operated and regulated to achieve the most liquid, cost-efficient, technologically advanced, and fair securities markets in the world — for the benefit and protection of investors.

National Credit Union Administration • 1775 Duke St., Alexandria, VA 22314-3428. Tel. 703-518-6300. Fax. 703-518-6671. http://www.ncua.gov — An independent agency in the executive branch of the federal government responsible for chartering, insuring, supervising and examining federal credit unions.

National Council on Compensation Insurance Holdings, Inc • 901 Peninsula Corporate Circle, Boca Raton, FL 33487. Tel.561-893-1000. Fax. 561-893-1191. http://www.ncci.com/ — Develops and administers rating plans and systems for workers compensation insurance.

National Futures Association • 200 W. Madison St., Chicago, IL 60606. Tel. 800-621-3570. Fax. 312-781-1459. http://www.nfa.futures.org — Industry-wide self-regulatory organization for the commodity futures industry.

Office of Thrift Supervision • 1700 G St., NW, Washington, DC 20552. Tel. 202-906-6000. Fax. 202-898-0230. http://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 • The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, IL 60606. Tel. 888-678-4667 or 312-463-6193. Fax. 312-977-0611. http://www.optionscentral.com — Nonprofit association created to educate the investing public and brokers about the benefits and risks of exchange-traded options.

Securities and Exchange Commission • 450 Fifth St., NW, Washington, DC 20549. Tel. 202-942-7040. http://www.sec.gov/ — Primary mission is to protect investors and maintain the integrity of the securities markets.

Securities Industry Association • 120 Broadway, 35th Fl., New York, NY 19271-0080. Tel. 212-608-1500. Fax. 212-968-0703. http://www.sia.com/ — Association bringing together the shared interests of securities firms to accomplish common goals.

Standard & Poor's Rating Group • 55 Water St., New York, NY 10041. Tel. 212-438-2000. Fax. 212-438-7290. http://www.standardandpoors.com/ratings — 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. http://www.surety.org — Statistical, rating, development, and advisory organization for surety companies.

Weather Risk Management Association (WRMA) • 1030 - 15th St., NW, Suite 870, Washington, DC 20005. Tel. 202-289-3800. Fax. 202-393-0336. http://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.

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