



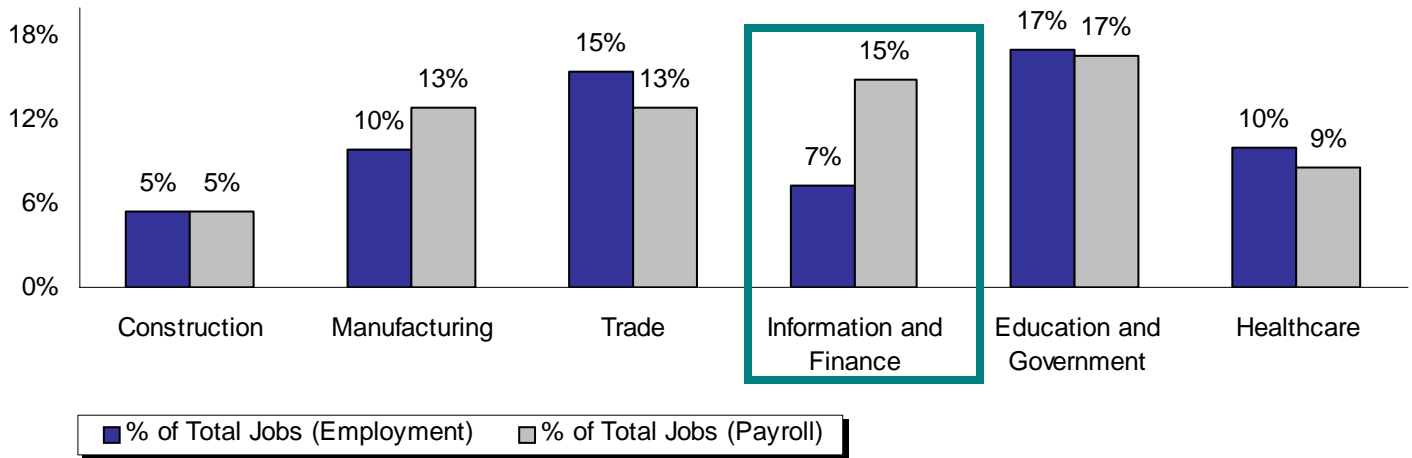
Finance and Insurance Sector Analysis

Spring 2005

Overview

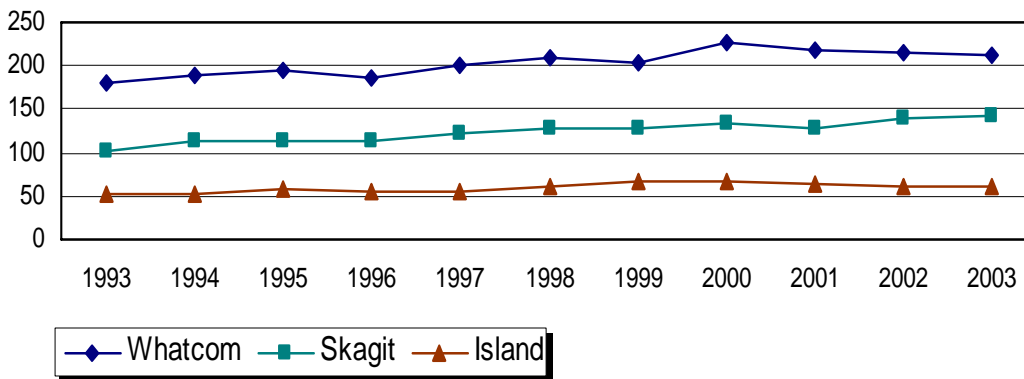
Finance and insurance employment is an important sector in the economies of Whatcom, Skagit, and Island Counties, facilitating personal savings, financial security, and providing loans for individuals and businesses. The Financial Modernization Act of 1999 brought many changes to this sector. For example, banks, once prohibited from selling investment or insurance products, were now allowed to sell them. This change brought a high level of consolidation to the industry on a national scale, but also allowed specialization in services by small firms. The finance and insurance industry is characterized by a highly educated workforce, relatively high wages, and increasing dependence on technology for the provision of services.

Washington State Distribution of Jobs and Wages, 2003



Source: Washington State Employment Security

Number of Finance and Insurance Firms 1993-2003



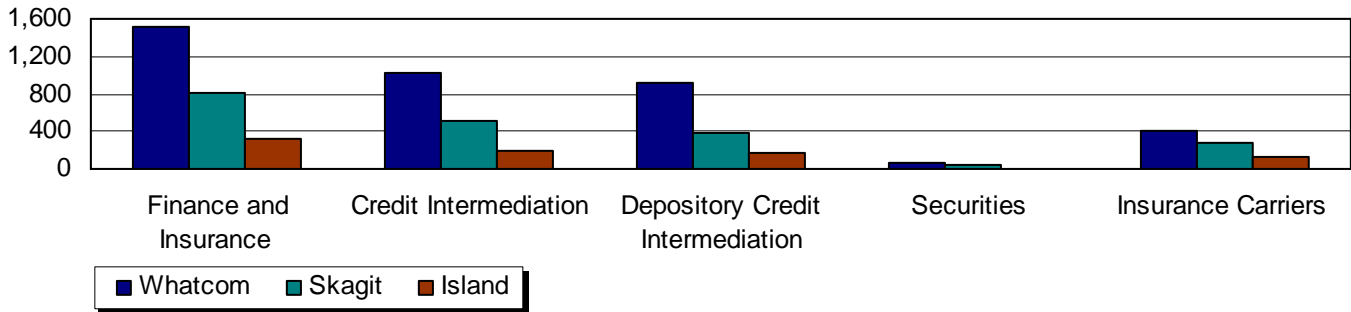
Source: The Center for Economic and Business Research

The number of finance and insurance firms in the region has grown steadily over time in Whatcom and Skagit Counties. In Island County, the number of firms has decreased slightly. In 2003, there were 60 firms in Island County, 141 in Skagit, and 213 in Whatcom County. In the same year, Island County firms employed 379 workers, Skagit firms employed 1103 workers, and Whatcom firms employed 1696 workers.

Employment

The finance and insurance sector in Island, Skagit, and Whatcom Counties is subdivided into credit intermediation, securities, and insurance carriers. The credit intermediation sub sector is also further divided into depository credit intermediation. The credit intermediation sub sector employs the most workers in all three counties. Most of those workers are employed by depository credit intermediation firms. Firms in the credit intermediation industry lend funds from depositors, lend funds raised from credit market borrowing, and/or facilitate lending of funds or issuance of credit through mortgage and loan brokerage, clearinghouse and reserve services, and/or check cashing services.

Number of Employees in Finance and Insurance

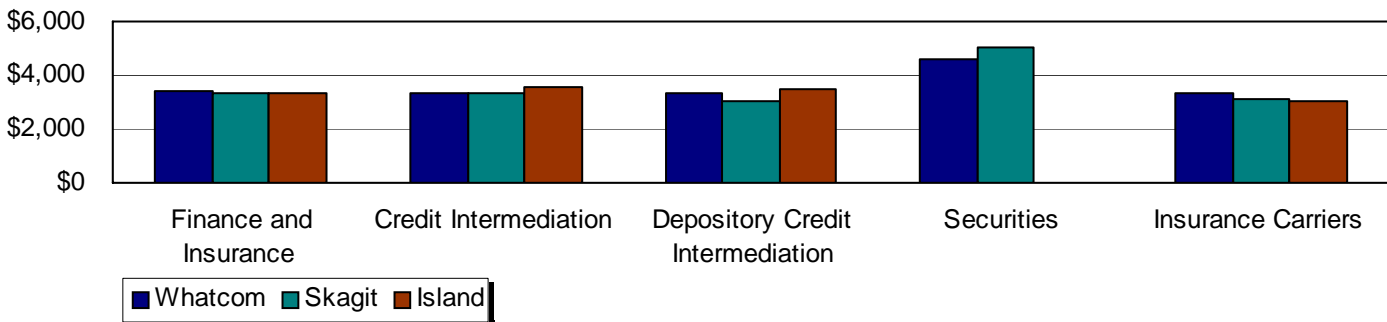


Source: Washington State Employment Security

Wages

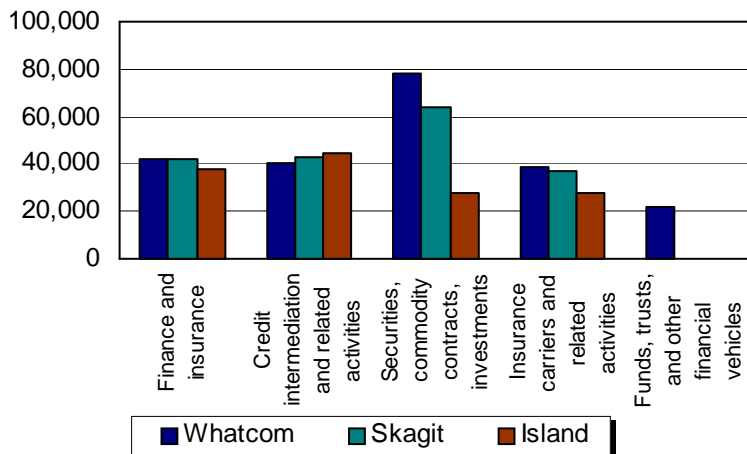
Wages in finance and insurance are higher than average wages in all three counties. While there is relatively little difference in average monthly wages between the three counties, the wages for those working in securities in Whatcom and Skagit County are significantly higher than wages in any other sub sector of finance and insurance. However, it should be remembered that only 72 individuals are employed in this sub sector in Whatcom County and 34 are employed in Skagit.

Average Monthly Wages in Sector and Sub Sectors



Source: Washington State Employment Security

Annual Wages per Worker per Year 2003



Source: The Center for Economic and Business Research

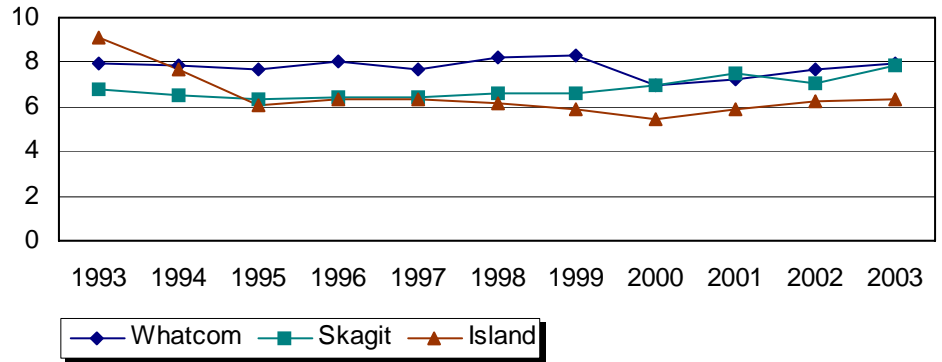
As mentioned above, average wages for workers in finance and insurance are higher than the average wage for all workers in all three counties. The annual wage per worker in finance and insurance was \$38,072 in Island County, \$41,636 in Skagit, and \$42,222 in Whatcom in 2003. This compares to an average annual wage per worker for all industries of \$26,201 in Island County, \$29,067 in Skagit, and \$29,357 in Whatcom.

Consolidation and Competition

The Financial Modernization Act in 1999 increased the scope of financial activities firms could undertake. For example, the Act created a new holding company, which could provide insurance and securities underwriting, merchant banking, and insurance company portfolio investment activities. As a result, many financial companies consolidated to offer retail customers traditional deposit and lending services as well as mutual fund, insurance, and brokerage services.

While this consolidation fueled rumors that large-scale competition could mark the end of the local bank or credit union, insurance carrier, or investment broker, there is currently little evidence to support this idea. Regionally, the average number of workers per firm has remained relatively stable. At the state level, the majority of firms in finance and insurance have no employees (or only employ the firm owner) or have between 1 and 4 employees. The majority of workers in the finance and insurance industry in Washington State are employed by firms with fewer than fifty workers. The distribution of employees between firms ranging from 50 to 249 is relatively even, while very large firms with 250 to 1000+ employees employ the fewest workers. The data seem to suggest that smaller firms have been able to compete by offering a high level of customer service or niche products, allowing them to differentiate themselves from larger firms.

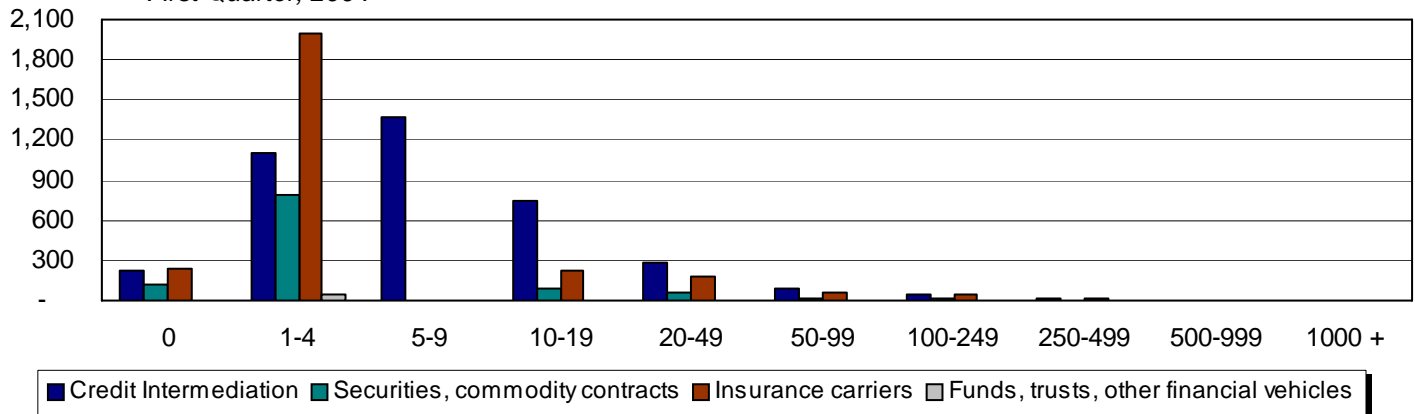
Total Workers Divided by Number of Firms



Source: The Center for Economic and Business Research

Number of Firms by Employment - WA State

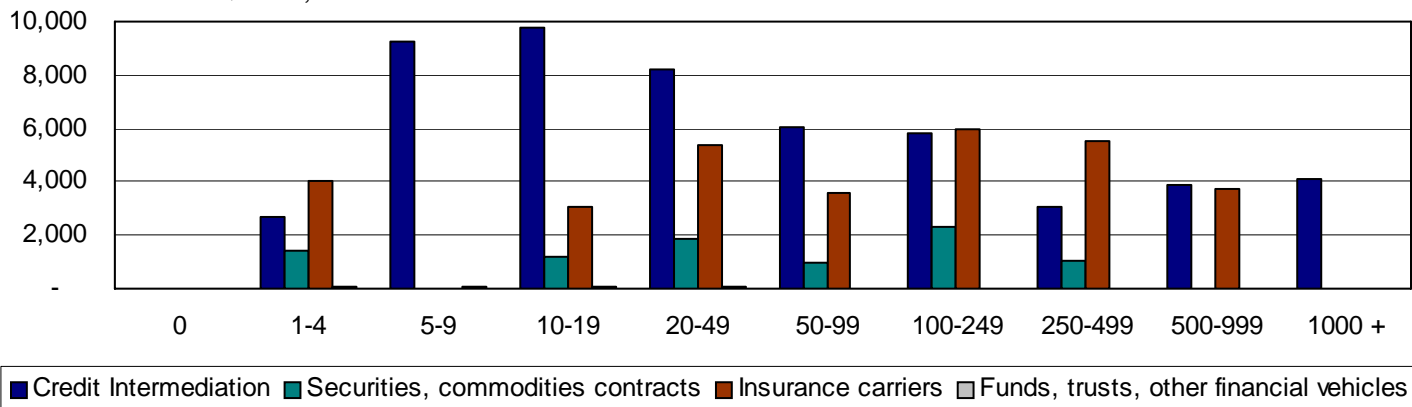
• First Quarter, 2004



Source: Washington State Employment Security

Number of Employees by Firm Size - WA State

• First Quarter, 2004



Source: Washington State Employment Security