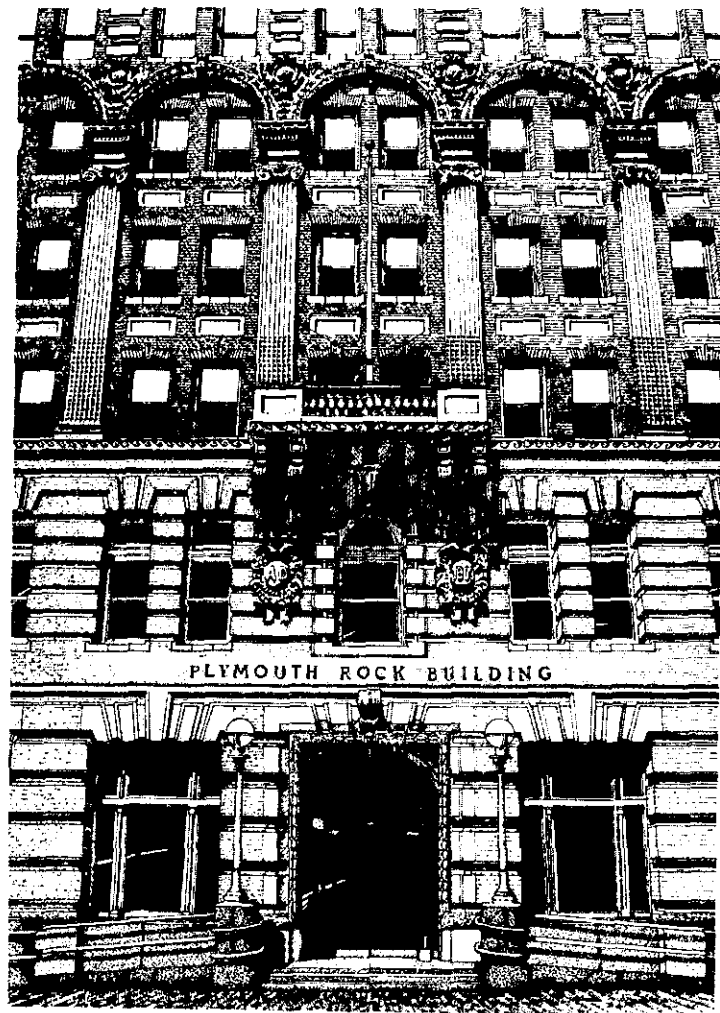


The Plymouth Rock Company



1988 Annual Report

The Plymouth Rock Company

INCORPORATED

695 Atlantic Avenue
Boston, Massachusetts 02111

Chairman's Letter

March 1, 1989

To Our Shareholders:

Nineteen eighty-eight marked the beginning of a transitional period for Plymouth Rock. Bolstered by the new shareholders and new capital we added at the close of 1987, we have committed to expand our horizons beyond Massachusetts personal lines. At one time, the founders of Plymouth Rock looked forward to the Company's becoming a profitable \$50 million writer of Massachusetts automobile and home-owners insurance. We have passed that milestone now, and we have begun to think about larger scale and a broader product base. We do this in part because we believe our approach to the insurance business will work even better with greater size and in part because we remain nervous about vulnerabilities to the unique features of Massachusetts automobile insurance.

The management staff at Plymouth Rock has so far been geared to a single state and only two lines. If we expected to stay with this profile, we would already have a more than sufficient team to do the job. To expand, however, we must increase our management depth. Toward this end, we are initiating a program of recruiting talented executives, more of them in fact than our present operations require. Spending for the indefinite future does not come easily in a company that watches its expense budget so intensely. This is the first major program of investment since the Company's founding.

At the top, we are creating a position of senior vice president. This individual, an actuary perhaps, will work closely with Keith and me in molding and executing our growth plans. Aided by our product managers, our vice president for underwriting, and a new vice president for policy services, he or she will share in the Company's most important decisions. An excellent product manager has just joined us, with specific responsibility for exploring other jurisdictions in which we might write personal lines insurance. We have increased our strength in claims by the hiring of three highly experienced new managers, two at Plymouth Rock and the other at our affiliate, SRB Corporation. For the first time, we have the executive capacity for more claims than we currently handle.

Our processing systems are as much in need of upgrade as our top management staff if we contemplate a more complex future. In this area, we faced a major dilemma. We were not satisfied with the insurance software commonly available for purchase, but we were even less eager to accept the massive costs of building our own software from scratch. We are, therefore, negotiating a processing and development agreement with Policy Management Systems Corporation, the nation's largest insurance software concern. Plymouth Rock will help PMSC improve its Massachusetts services and develop new applications for its systems generally. PMSC will provide our basic processing services, allow Plymouth Rock the opportunity to try out experimental technologies, and will pay us a royalty on its improved or jointly-developed products.

Equally important, because PMSC has created products for all fifty states and numerous lines of business, PMSC will give us a more flexible environment for expansion than our present systems. Plymouth Rock will remain active in software development, but we hope that our efforts and talents can be devoted to the frontiers of data processing (such as agency automation and expert underwriting models) rather than the reinvention of basic record maintenance and policy issuance programs. We find this prospect exciting, although data processing is always a bit intimidating as well.

We finished 1988 a \$60.6 million company, as measured by Gross Premiums Written. This is growth of 54% from the close of 1987. Net Premiums Earned, after all forms of reinsurance, were \$15.9 million, up from \$11.4 million last year. The ratio of automobile insurance premiums written to homeowners premiums written remains about six to one.

Not all of the 1988 volume increase in automobile insurance represents growth in the number of policies. That growth was aided by an eight percent announced rate increase, taking effect in January, and a subsequent retroactive rate increase of another eight percent in response to a remand of the Commissioner's rates by the Supreme Judicial Court of Massachusetts. This not only enlarged the volume numbers, but also set the stage for a possible correction of the long-running rate inadequacy in the Massachusetts auto insurance market.

The rate increases were followed up by a highly constructive piece of legislation. The law change increased the no-fault tort threshold, eliminated stacking of coverages within multiple-car households, redefined the nature of underinsured motorist protection, and improved the bargaining position of insurers with respect to auto repair shops. Had this law not been accompanied by a mandatory rate decrease of substantial proportions for 1989, the industry would have finally been back on solid footing in Massachusetts. Perhaps it was too much to hope for in a single year.

Rates are probably still inadequate, but the expected shortfall is smaller than it has been in any recent year. If he chooses to, the Commissioner can return us to adequacy

in the next decision without a dramatic hike. The next problem to solve is the size of the residual market. Commonwealth Automobile Reinsurers, or CAR, operates as a reinsurance pool, currently accepting the premium and paying the claims for more than two thirds of all the private passenger vehicles in the state. Since the reinsured policies tend to have worse than average experience, CAR ends up pooling about 80% of the claim dollars. Its deficit is in the neighborhood of \$500 million annually.

With a total automobile insurance market of \$3 billion, two thirds reinsured, the entire voluntary premium base is about \$1 billion. This means the average company will be assessed roughly 50 cents on every dollar of voluntary premium it accepts. The remaining half dollar, even adjusted for investment income, is nowhere near enough to cover the expected claims and expenses. So no company, except to capture CAR incentives in the form of assessment reductions, will write new business. Plymouth Rock and a few other companies seek out the incentives and grow, reducing the assessment percentage but constantly increasing our exposure to adverse changes in the system. Most companies respond to the 50 cent average load by shrinking their Massachusetts books and some have abandoned the state altogether. The system can not stabilize, even with adequate rates, until the CAR deficit diminishes as a percentage of voluntary premium.

If the deficit could be cut in half and if the size of the CAR pool could be halved simultaneously, the remaining \$250 million deficit, spread over a \$2 billion voluntary premium base, would represent an average assessment of 12.5 cents per voluntary premium dollar. This would be a healthy situation for the industry. If genuine cost-saving reform can hold rate increase needs to moderate inflationary gradations, the public will be less upset at insurers. This is what to hope for. Plymouth Rock must wish for the arrival of both depopulation and rate adequacy before the CAR incentive payments are too sharply diminished. The clock has already started, in the form of a four year phase-down of the incentives presently written into the rules. It will take especially strong will-power on the part of the state and the industry to depopulate CAR. I am more optimistic now than I have been in the past about whether it can happen, but to be so optimistic as to place all our eggs in this basket would be foolish.

We will grow in Massachusetts again next year. It is time, however, to look beyond as well. This is not to say that other jurisdictions are untroubled. California's Proposition 103 has dominated industry news since its passage in November, and well it should. It is a signal of deep consumer unrest, to which the industry must respond in an enlightened manner. It sometimes seems that insurance carriers regard the public as an adversarial force. It would be healthier to remember that the public is the assembly of customers we exist to serve.

Proposition 103 looks to me like a protest against insufficient regulation and against an impractical overdependence on territorial classification schemes. This is not to

equate it with sweetness and light. The mandated rate rollback, absent cost-containing reform, seemed rather like illusory bait hooked to a regulatory strengthening that might otherwise have been defeated. Its message is loud nonetheless. The insurance industry needs to prepare for similar expressions of anger in other states where the precipitating conditions prevail. Companies obviously can't withdraw from every market in which consumers protest, though some may try.

An interesting subject of debate at Plymouth Rock is whether we should prefer to write next in other troubled states or in those without angry consumers and regulatory turmoil. The best argument for another hot seat is that growth is far more available where the competition is reticent. The best argument for calm is that it provides better balance to our current book. The answer has not yet emerged.

Plymouth Rock's Massachusetts loss experience for 1988 remained favorable. Our computer models for risk selection continue to sharpen, and we continue to apply the most rigorous standards to our selection of agents. As long as we can then follow up with the top quality service that makes agents and policyholders want to stay with us, we think this is a winning formula. Accordingly, the pure loss ratio, including IBNR and after excess reinsurance, remained far better than industry standards. Our loss adjustment expenses, however, were once again a couple of points above industry norms. The breakthrough in technique that will allow us to settle claims cheaply, accurately, and still to the full satisfaction of our customers, continues to elude us. Perhaps we will find it in the innovations encouraged by the new law. We certainly have the claims talent and the will. I am hopeful that next year's report can talk about how these ingredients translated into superior claims adjusting.

The expense ratio, measured on a gross budget basis to include loss adjustment and investment expenses, had reached 40% in 1987 on its long downward journey. I set a goal of 37% for 1988, and I must report that we failed to reach it. The expense ratio for 1988 was 38.4%, reflecting overages in policy processing services, our move to the Plymouth Rock Building at 695 Atlantic Avenue, and the additions to senior staff.

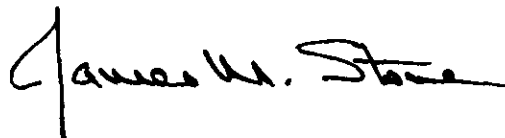
The moving costs are nonrecurring; and the current space actually costs less per square foot than our old space on Milk Street. We will feel, however, the bite of the salaries and policy processing even more next year. Since 1989 will be a year of rate reductions and higher commissions, both mandated by the regulators, these costs will have an even more adverse impact on the 1989 expense ratio. We will be lucky if we can keep the expense ratio from rising back over 39%. This is a setback, and I sincerely hope it is temporary. We need to get the gross expense ratio around 37% to be on a par with our Massachusetts competitors using independent agents, and we would have to get all the way down to 33% to compete someday on an even playing field with the national direct writers. As I have written before, to achieve a direct writer's expense ratio while providing excellent service in an agency environment may be the Company's hardest long term challenge.

The financial statements of insurance companies display expenses in a different manner. The ratio, from the income statement, of Other Underwriting Expenses to Premiums Earned is after the impact of reinsurance transactions and excludes loss adjustment and investment expenses. It shows a much healthier 24%. I wish this rosy number were as meaningful as the gross number we focus on, but it is not.

Investment policy continues to be conservative. We hold a portfolio of nearly \$44 million now at Plymouth Rock. Forty-four percent of this is invested in debt securities of the federal government. Another 53% is invested in municipal bonds, and the remainder is in high grade corporate bonds and preferred stocks. The average maturity is quite short, under four years, and the portfolio duration is less than three years.

Our sister company, SRB Corporation, seems to have gotten off on the right foot in 1988. Its insurance company, Pilgrim, was licensed in March and immediately found clients for its insurance service offerings. Fireman's Fund, a preferred shareholder in SRB, hired us to collect some premiums left behind in its exit from Massachusetts. Amica Mutual Insurance and John Hancock Property and Casualty hired Pilgrim to process the commercial automobile policies they will be assigned by CAR. SRB is still small, but we think it has great potential. The selling of services to other insurers and self-insurers is a business virtually certain to expand over time.

As we look to 1989, we are especially proud of the staff that will help us face the challenges of expansion. When people come to work at Plymouth Rock, whatever their positions, they are told that half of job performance resides in how they treat other people. We want them to make our agents feel good about being associated with Plymouth Rock, to encourage their fellow employees to feel a sense of satisfaction through excellence in their work, and to remind our policyholders often how deeply appreciative we are for their having chosen us and stayed with us. We screen employment candidates for niceness as much as for their integrity, brains and commitment to hard work. This is the only way we know to build a company that can outperform its rivals in analytical acuity and customer service at the same time. Time will tell whether we succeed in the performance goals. So far, the indicators are positive. In the meanwhile, Plymouth Rock's staff has already made it a refreshingly pleasant place to work, a place of good cheer in a troubled industry.

A handwritten signature in black ink that reads "James M. Stone". The signature is written in a cursive style with a large, stylized initial "J".

James M. Stone

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
The Plymouth Rock Company:

We have audited the accompanying consolidated balance sheets of The Plymouth Rock Company and Subsidiary as of December 31, 1988 and 1987, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Plymouth Rock Company and Subsidiary at December 31, 1988 and 1987, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
February 22, 1989

THE PLYMOUTH ROCK COMPANY
CONSOLIDATED BALANCE SHEETS
December 31, 1988 and 1987

ASSETS	<u>1988</u>	<u>1987</u>
Marketable securities	\$34,115,711	\$19,039,778
Cash and short-term investments	9,861,759	13,839,985
Premiums receivable	1,400,171	602,505
Accrued investment income	691,782	267,198
Deferred acquisition costs	1,060,797	732,974
Fixed assets	<u>3,454,593</u>	<u>1,444,308</u>
Total assets	<u>\$50,584,813</u> =====	<u>\$35,926,748</u> =====

LIABILITIES		
Losses and loss adjustment expenses	\$ 10,834,079	\$ 6,492,510
Unearned premiums	3,498,835	2,168,034
Commissions	1,087,090	1,023,013
Amounts payable to reinsurers	10,625,456	8,107,943
Other liabilities	<u>9,193,504</u>	<u>6,122,943</u>
Total liabilities	<u>35,238,964</u>	<u>23,914,443</u>

STOCKHOLDERS' EQUITY		
Common stock	17,357	16,057
Additional paid-in capital	9,787,643	9,463,943
Retained earnings	<u>5,540,849</u>	<u>2,532,305</u>
Total stockholders' equity	<u>15,345,849</u>	<u>12,012,305</u>
Total liabilities and stockholders' equity	<u>\$50,584,813</u> =====	<u>\$35,926,748</u> =====

The accompanying notes are an integral
part of the financial statements.

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 1988 and 1987

	<u>1988</u>	<u>1987</u>
Cash flows from operating activities:		
Net Income	\$ 3,008,544	\$ 2,082,859
Depreciation and amortization	537,057	330,428
Changes in:		
Premiums receivable	(797,666)	(309,271)
Losses and loss adjustment expenses	4,341,569	3,143,958
Unearned premiums	1,330,801	450,774
Amounts payable to reinsurers	2,517,513	4,101,948
Other liabilities	3,070,561	2,547,391
Other, net	<u>(658,843)</u>	<u>104,088</u>
Net cash provided by operations	<u>13,349,536</u>	<u>12,452,175</u>
Cash flows from investment activities:		
Purchase of marketable securities	(27,593,432)	(8,703,156)
Sale or maturity of marketable securities	12,488,012	3,650,000
Purchase of fixed assets	<u>(2,547,342)</u>	<u>(870,128)</u>
Net cash used in investment activities	<u>(17,652,762)</u>	<u>(5,923,284)</u>
Cash flows from financing activities:		
Additional capital raised	-0-	5,950,000
Stock options exercised	325,000	-0-
Dividends paid	<u>-0-</u>	<u>(580,000)</u>
Net cash provided by financing activities	<u>325,000</u>	<u>5,370,000</u>
Net increase (decrease) in cash and short-term investments	<u>\$ (3,978,226)</u>	<u>\$11,898,891</u>

The accompanying notes are an integral part of the financial statements.

THE PLYMOUTH ROCK COMPANY
CONSOLIDATED STATEMENTS OF INCOME
for the years ended December 31, 1988 and 1987

	<u>1988</u>	<u>1987</u>
Premiums earned	\$15,854,054	\$11,409,579
Losses and loss expenses incurred	10,665,567	7,237,794
Underwriting, general and administrative expenses	<u>3,672,192</u>	<u>2,554,956</u>
Underwriting income	1,516,295	1,616,829
Net investment income	<u>2,918,086</u>	<u>1,413,946</u>
Income from insurance operations	4,434,381	3,030,775
Holding company expenses	<u>125,837</u>	<u>97,916</u>
Income from operations before federal income taxes	4,308,544	2,932,859
Federal income taxes	<u>1,300,000</u>	<u>850,000</u>
Net income	<u>\$ 3,008,544</u>	<u>\$ 2,082,859</u>

The accompanying notes are an integral
part of the financial statements.

THE PLYMOUTH ROCK COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of The Plymouth Rock Company and its subsidiary, Plymouth Rock Assurance Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

B. Cash and Short-term Investments

Cash and short-term investments consist of cash and investments purchased with maturities of less than three months.

C. Marketable Securities

Marketable securities are carried at cost or amortized cost. The cost of marketable securities sold is based on specific identification of each security held at the time of sale.

D. Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. The Company provides for depreciation and amortization principally on the straight-line method over the estimated useful lives or the applicable lease terms.

E. Income Taxes

The Company files its federal income tax return on a consolidated basis. Deferred taxes are provided to reflect the income tax effect of timing differences between book and taxable income.

F. Premiums

Premium revenues are earned on a daily basis over the terms of the policies. Unearned premiums represent billed amounts which are applicable to the unexpired terms of policies in force. Unearned premiums are presented net of reinsurance. Premiums are recorded when billed.

Continued

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

1. Summary of Significant Accounting Policies, continued

G. Losses and Loss Adjustment Expenses

Loss reserves represent the estimated liability for claims reported to the Company, plus reserves for losses incurred but not yet reported. Loss adjustment expense reserves represent the estimated expenses related to these claims and losses. Such estimates are presented net of amounts recoverable from reinsurance. The methods of making such estimates and establishing the resulting reserves are reviewed regularly and resulting adjustments are reflected in income currently.

H. Deferred Acquisition Costs

Commissions and premium taxes are deferred and amortized pro rata over the contract periods in which the related premiums are earned. All amounts deferred at December 31 are charged to operations in the following year as the related premiums are earned. Deferred acquisition costs are presented net of commission income on ceded reinsurance.

I. Reclassification

Certain 1987 balance sheet items have been reclassified to conform with the 1988 presentation.

2. Treaty Reinsurance

Treaty reinsurance ceded is used to reduce exposure to large losses. The Company ceded earned premiums under such treaties of \$10,158,000 and \$6,894,000 in 1988 and 1987, respectively. The liability for losses and loss adjustment expenses is reflected net of treaty reinsurance recoverable of \$3,896,000 and \$1,862,000 for 1988 and 1987, respectively. The Company recovered \$921,000 and \$247,000 from reinsurers in 1988 and 1987, respectively. The Company remains primarily liable as the direct insurer on all voluntary risks.

Continued

THE PLYMOUTH ROCK COMPANY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

3. Net Investment Income

The components of net investment income before federal income taxes during 1988 and 1987 are as follows:

	<u>1988</u>	<u>1987</u>
Interest income from securities	\$2,357,278	\$1,186,308
Interest income from accounts receivable	<u>927,127</u>	<u>450,518</u>
Gross interest income	3,284,405	1,636,826
Investment expenses	<u>326,585</u>	<u>222,880</u>
Net investment income	2,957,820	1,413,946
Realized capital losses	<u>(39,734)</u>	<u>-0-</u>
Net investment income and capital gains	<u>\$2,918,086</u> =====	<u>\$1,413,946</u> =====

At December 31, 1988 and 1987, unrealized capital losses are as follows:

Carrying value of securities:		
Marketable securities	\$34,115,711	\$19,039,778
Cash and short-term investments	<u>9,861,759</u>	<u>13,839,985</u>
Total	43,977,470	32,879,763
Market value of securities	<u>43,386,680</u>	<u>32,526,918</u>
Unrealized (losses)	<u>\$ (590,790)</u> =====	<u>\$ (352,845)</u> =====

Continued

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

4. Fixed Assets

At December 31, 1988 and 1987, fixed assets are:

	Estimated Useful Lives	1988	1987
Furniture and fixtures	10 years	\$1,265,439	\$ 473,400
Computers	3-5 years	1,849,139	1,052,542
Leasehold improvements	5-10 years	1,301,837	645,147
Automobiles	3 years	<u>106,244</u>	<u>63,677</u>
		4,522,659	2,234,766
Less accumulated depreciation and amortization		<u>1,068,066</u>	<u>790,458</u>
		<u>\$3,454,593</u>	<u>\$1,444,308</u>

Depreciation and amortization charged to income were \$539,000 and \$330,000 in 1988 and 1987, respectively.

5. Stockholders' Equity

Stockholders' equity is comprised of the following:

Common Stock:	1988	1987
Class A, \$.10 par value - voting; authorized 300,000 shares, issued and outstanding - 128,572 shares	\$ 12,857	\$ 12,857
Class B, \$.10 par value - voting; authorized 90,000 shares, issued and outstanding - 45,000 shares in 1988 and 32,000 shares in 1987	<u>4,500</u>	<u>3,200</u>
Common stock	17,357	16,057
Additional paid-in capital on common stock	9,787,643	9,463,943
Retained earnings	<u>5,540,849</u>	<u>2,532,305</u>
Total stockholders' equity	<u>\$15,345,849</u>	<u>\$12,012,305</u>

Continued

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5. Stockholders' Equity, continued

The changes in retained earnings are as follows:

Retained earnings beginning of year	\$2,532,305	\$1,029,446
Net income	3,008,544	2,082,859
Dividends	<u>-0-</u>	<u>(580,000)</u>
Retained earnings end of year	\$5,540,849 =====	\$2,532,305 =====

On December 30, 1987 the Company raised additional capital of \$5,950,000, net of issuance costs, from new investors and restructured the capital shares of the Company. The additional capital was raised by the sale of newly created Class A common shares. In addition, all outstanding preferred shares were tendered to the Company in exchange for Class A common shares. At the same time, holders of the outstanding common shares exchanged all such shares for newly created Class B common shares.

The Class A common shares are fully transferable and have the right to elect 20 percent of the Board of Directors. The Class B common shares are not transferable, but may be converted to Class A common shares on a one for one basis at any time at the option of the holder, or automatically upon the occurrence of certain events. The Class B common shares elect 80 percent of the Board of Directors.

In connection with the capital restructuring, the Company has acquired an option to purchase all of the common shares of SRB Corporation in exchange for shares of Class B Common Stock of the Company in amounts based on the performance of the Company and SRB Corporation taken together through 1992.

Continued

THE PLYMOUTH ROCK COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

5. Stockholders' Equity, Continued

Under the Company's incentive stock option plan, 10,000 shares of Class B Common Stock were reserved for issuance upon exercise of options granted to certain key employees for the purchase of 5,000 shares at \$25 per share and 5,000 shares at \$40 per share. All options were exercised during 1988.

6. Income Taxes

The Company's reported provision for federal income taxes of \$1,300,000 and \$850,000 for 1988 and 1987 is less than that computed by applying the federal income tax rate for these years to income from operations before federal income taxes. This is because the Company has significant non-taxable interest and has recognized the benefit of the fresh start provision in the Tax Reform Act of 1986 in 1988 and 1987.

The Company's federal income tax returns reflect taxes of approximately \$1,600,000 and \$1,110,000 for 1988 and 1987. These amounts are not the same as federal income taxes as shown in the Consolidated Statements of Income. This is because the rules of the Internal Revenue Code and those of generally accepted accounting principles differ with respect to the time periods in which premium income and loss expense are recognized for tax purposes.

7. Savings and Investment Plan

Effective January 1, 1986, the Company adopted a Savings and Investment Plan under Section 401K of the Internal Revenue Code. The Plan covers all employees 21 years or older with at least one year of service. The Company made discretionary contributions of \$218,000 and \$110,000 in 1988 and 1987, respectively.

8. Lease Commitments

Rental expenses for 1988 and 1987 (net of sublease rental income of \$54,000 and \$94,000) aggregated \$588,000 and \$366,000, respectively.

Continued

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

8. Lease Commitments, continued

The Company has leased approximately 37,500 feet of space for its new home office effective July of 1988. The lease obligates the Company to a total of \$7,942,000 over the next nine years. The Company was required to deposit \$500,000 in escrow, which will be gradually returned to the Company over the first five years of the lease.

Future minimum lease payments are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Minimum lease</u> <u>Payments</u>
1989	\$ 375,000
1990	769,000
1991	788,000
1992	816,000
1993	844,000
Later years	4,350,000

In connection with the above lease, the Company receives sublease income of \$95,000 per year, which is expected to continue through June 1993.

9. Related Party Transactions

During 1988, certain services, principally consulting and data processing services, were provided to the Company by the SRB Corporation, an affiliate of the Company which specializes in the provision of insurance services. The Company paid to SRB Corporation during 1988 a total of \$426,000 for these services. The Company has the option to acquire 100% of the common stock of SRB Corporation. During 1988, SRB Corporation paid the Company \$18,000 for services and employee benefits provided to it by the Company.

Directors and Officers of The Plymouth Rock Company

Directors

James M. Stone, *Chairman*
James N. Bailey
Alexander Ellis, Jr.
Michael J. Johnston
Wilmot H. Kidd, III
Keith R. Rodney
Benno C. Schmidt

Officers

James M. Stone
President and Chief Executive Officer
Keith R. Rodney
Senior Vice President and Clerk
James N. Bailey
Treasurer

Directors and Officers of Plymouth Rock Assurance Corporation

Directors

James M. Stone, *Chairman*
James N. Bailey
Alexander Ellis, Jr.
Keith R. Rodney
Maurice H. Saval

Officers

James M. Stone
President and Chief Executive Officer
Keith R. Rodney
Senior Vice President and Secretary
William M. Kelley
Vice President — Claims
Myron S. Steere, III
Vice President — Finance
William J. Whitebone
Vice President — Underwriting

COUNSEL:
Ropes & Gray, Boston

AUDITORS:
Coopers & Lybrand, Boston