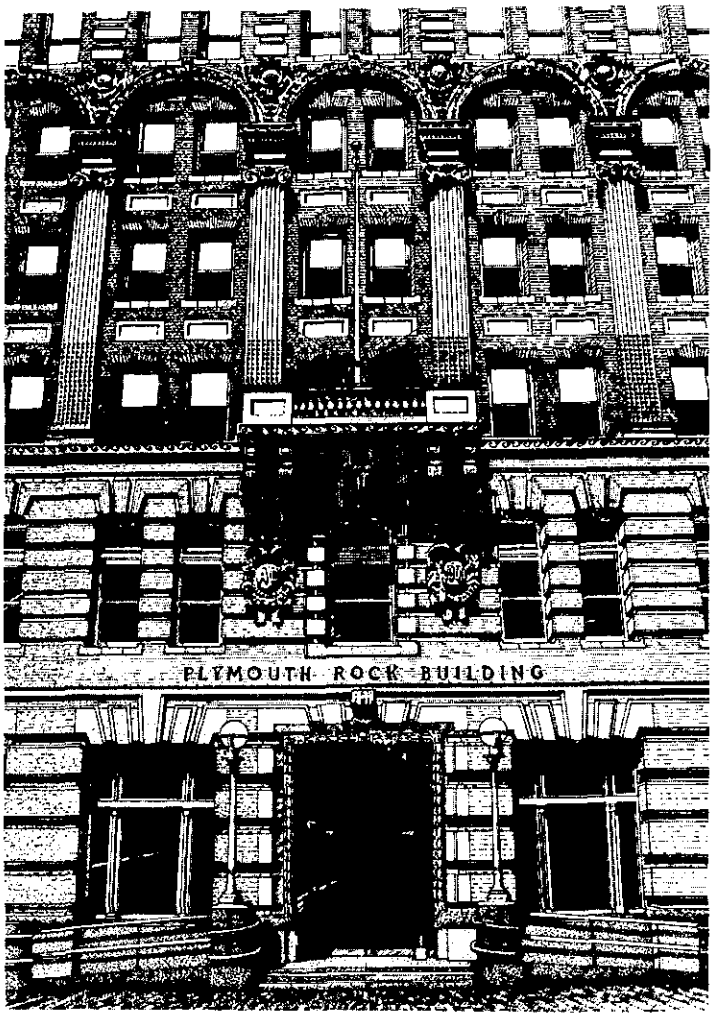
The Plymouth Rock Company



1991 Annual Report

The Plymouth Rock Company
INCORPORATED
695 Atlantic Avenue
Boston, Massachusetts 02111

Chairman's Letter

February 15, 1992

To Our Shareholders:

Last year's letter warned that the simultaneous creation of three new businesses would tax our entrepreneurial resources. I now say amen to that. The workload for our holding company officers was greater in 1991 than in any prior year. We should thank our lucky stars that this was an especially good year for Plymouth Rock Assurance Corporation, which is still our mainstay business. A combination of entrepreneurial demands and those of a troubled operation would have made for a hazardous load. Our central task for 1992 is to nurture the management teams of the various subsidiaries so that they may carry as much of the future weight as possible. Our ability to handle growth and the inevitable crises that lie ahead may depend on achieving that shift during this period of relatively strong performance.

Several years ago, our company reached an important fork in its development. We had built a middle-sized Massachusetts personal lines company that came tolerably close to meeting our standards of excellence in its relationships with customers, employees and shareholders. One option was to face inward and raise the scale of that business. The other, the course selected, was to expand into other property and casualty insurance businesses and other jurisdictions. The risk was always evident that we might lack what it takes to run a larger and inescapably less focused enterprise. That risk is still with us. The Plymouth Rock Company now owns two insurers and the SRB Corporation, which in turn controls three insurance service companies. I have devoted many hours to puzzling over how these spreading operations should be managed. It is probably worth a few paragraphs here to continue sketching the approach proposed in last year's letter.

Our plan is to centralize the shaping of the corporate culture and to decentralize operational responsibility. One of the five holding company officers serves as the chairman of each company in the group. The chairman is charged with rigorously maintaining those elements of corporate behavior that are common to all of our companies, such as the emphasis on service, the way we treat employees, the quality of financial reporting, and our approach to corporate good citizenship. To this degree, our governance differs sharply from the more familiar models of autonomy.

A strong and independent president serves as the chief executive officer of each operating company. The president is responsible for all operating decisions, for bottom line success or failure, and, more generally, for everything unique to that company's business. Very few corporate services will be made available to the subsidiaries by the parent. The parent company will thus remain small in staffing and highly dependent for its prosperity on dividends from successful subsidiaries. In this sense, our governance has little in common with the traditional model of centralized management, a model long prevalent in most of the property and casualty insurance industry.

A number of wise advisors have cautioned that, by ignoring economies of scale in central services, we will be sacrificing some efficiency. This is undoubtedly true, but there are tradeoffs. A more centralized enterprise can never really be a community. At Plymouth Rock Assurance, with a staff of about two hundred people, every employee can still get to know every single colleague. There is something destructive in larger firms about the notion that a stranger somewhere, with other goals and priorities, can affect your performance. And central services are inextricably linked to central decision making, which by its very nature weakens desirable leadership traits. Leadership is a delicate thing, and our presidents will need all of it they can muster. The greater their sense of entrepreneurial responsibility and control, the more likely they will be to succeed. Large and centralized organizations seldom develop the strongest or most creative leaders.

This does not mean our various businesses will fail to communicate or teach one another. The chairmen must make sure that they do. A number of intercompany advisory committees have been established as forums for the exchange of specific techniques and disciplines, and as resources to which any subsidiary can turn for help with its thorniest problems. The personnel and accounting committees are already functioning well in this manner. Participation at committee meetings is voluntary and committee decisions are non-binding, but I expect the committees to play an increasingly important role as the family of companies grows larger and more diverse. It is only when the presidents are in command and the committees are fully functional that the workload of the chairmen can become manageable.

Financially, we passed some important milestones in 1991. The Plymouth Rock Companies closed the books for the first time with both gross revenues and assets in excess of $100 million. Our cash flow exceeded $25 million, and our net income of $6.8 million exceeded last year's net by nearly 50 percent. A new presentation format for our financials should help to highlight these quantities. I had been uncomfortable with mentioning gross revenues every year in this letter and then finding the number nowhere in the accompanying statements. Gross numbers can now be found in Footnote 3, which displays the total revenues of each subsidiary and thus our scale as an enterprise, and also in the Statements of Cash Flow. The latter represents the most significant presentation change. For years I had been asking other insurance executives if they could use or understand the cash flow statements they published, and I have yet to hear a positive response. So, with help from our greatly strengthened accounting team and our outside auditors, we designed a new form that begins with gross cash receipts and ends with the changes in investments shown on the balance sheet. I hope readers will find it worth the effort.

Plymouth Rock Assurance Corporation, the Massachusetts homeowners and auto writer, is our only mature company. Its 1991 volume of $97.2 million represented three percent of the personal lines market in this state. We are now the eleventh largest writer, and that may be about enough. Our goal has always been to build the best company in the state, not the biggest one. I am thrilled that our people seem to take more pride in the occasional indicia of excellence than in growth statistics. Our voluntary pure loss ratio, which reflects the quality of our agency force and our underwriting, remains one of the industry's lowest and is a source of satisfaction whenever published. Mail from agents and customers on the quality of our service is widely circulated at our office. When the Insurance Department told us we had the "best complaint record among the top auto writers" for 1990, that letter went up on a bulletin board. And a survey of our customers with claims serviced under the Crashbusters van program came in with a remarkable ninety-six percent of respondents rating our service as "exceptional".

Net income for Plymouth Rock Assurance was $6.7 million in 1991, almost a million dollars ahead of budget. A hurricane in August cut into our homeowners profits, but the automobile results and realized investment gains more than made up the adverse impact. We entered the Massachusetts auto insurance market in 1984, a time when the state-set premium rates were inadequate but the residual market offered an incentive for new and growing companies. We were always conscious of the unheralded race between the winding down of the growth incentives and a return to adequate rates which would render the incentives unnecessary for us. This past year was uniquely blessed. It was a time of adequate premium rates, and the residual market incentives, in the final stage of phase-out, were still of significant value.

While I think of long term cycles as neither avoidable nor predictable, the 1992 automobile rate picture looks promising for several reasons. First, the whole industry continues to have better than expected success with "direct pay" programs designed to put auto damage claim checks in the hands of the customers as rapidly as possible. The result is happier customers and lower costs. Second, there has been solid progress on the depopulation of the automobile residual market pool, which has fallen in market share from 68 percent in 1989 to 28 percent last year. Because a smaller pooled market inevitably spurs professionalism in industry claims practices, it would be appealing to see the pooled market cut to ten percent of the total someday. Third and finally, there is an evolving consensus among public policy makers that it is time to reformulate Massachusetts' tired no-fault law. If proposals for a truly effective tort threshold are enacted, and temptations to accept a phony threshold resisted, our state will have about as rational a system as is likely to exist in any urban jurisdiction.

No picture is perfect, however. At Plymouth Rock Assurance, we have still not conquered the costs of providing first class service. The gross expense ratio, including investment and claims adjustment expenses, fell from over 40 percent the prior year to 39 percent in 1991. The improvement was not as much, though, as we had hoped and leaves us with at least three more points to eke out over the years without hurting our service level. On a regulatory level, we are wary about calls for "competitive" rating if by that proponents mean allowing rates for urban drivers to rise to unaffordable levels. Auto insurance premiums have too much in common with regressive taxes for that type of pricing to be politically stable. Plymouth Rock Assurance has prospered in stormy seas, but we would prefer a bit of calm in Massachusetts for a change.

In New Hampshire, Mt Washington Assurance Corporation has been serving policyholders since last July. That company's biggest challenge in 1992 is to attract a sufficient volume of decent business to begin bringing its mile-high expense ratio into line. Mt Washington's total premiums in force as of yearend 1991 were about $280,000. The goal for 1992 is $3.5 million, which would still leave Mt Washington short of the five million dollar mark we see as the barest minimum for break-even economies of scale. Even our best scenarios for New Hampshire, therefore, envision a net loss of several hundred thousand dollars in 1992. Sluggish volume would probably consign us to a loss in 1993 as well.

An operating New Jersey subsidiary is still a glint in the eyes of our Palisades Management team, but we now have a proposal before the New Jersey Department of Insurance to form a replacement carrier for a company seeking exit from that state. New Jersey planning has taken up a major share of senior officer time for almost two years now, and there are plenty of seasoned New Jersey veterans warning us that we will regret the whole undertaking. I remain convinced that we are on a sound path. All things in life are cyclical except those that are not. To be infinitely successful, of course, one only needs to divine the difference.

From where we stand, New Jersey's regulatory woes look to be in the cyclical category. Governor Florio inherited a huge residual market deficit, claim laws deficient in cost containment, and rate levels that were unaffordable and inadequate at the same time. All of these problems are being dealt with, and short of a state takeover they must all be dealt with in a way that allows a healthy automobile insurance industry to function in New Jersey. Our bet is that the bottom has been reached and, with exiting carriers offering to help finance the entry of replacement carriers, the fundamentals look favorable. Is it still risky? Of course it is, but I have thought for many years about establishing a company in the form of a membership organization, established for the benefit of drivers who have explicitly chosen to equip their vehicles with the most effective safety technologies and who accordingly can take some measure of responsibility for their own premium rates. New Jersey may well be the right place for that kind of company, and I hope 1992 is the right time.

Pilgrim Insurance Company, our service arm, and Boston Risk Management Corporation, our brokerage firm, both strengthened in 1991. Their mandate is to build reputations, staffs, and stable financial postures in traditional brokerage and service businesses while reinvesting their profits in the development of a workers' compensation "alternative markets" capability. We remain as convinced as ever that the alternatives to traditional insurance policies, alternatives such as pools, captives, and other forms of self insurance, will constitute the fastest growing segment of the vast and troubled workers' compensation business. Traditional insurance capital simply can not do the job, and traditional insurance relationships fail to put the right emphasis on loss minimization or workplace safety.

Pilgrim once again earned a modest profit in 1991, while Boston Risk Management operated at a small loss in its first year of business. Although all of our service businesses taken together contributed only a small proportion of group net income for 1991, we consider progress in these companies an extremely important indicator of our future prospects. With Plymouth Rock Assurance having reached maturity, growth for the next few years is likely to come primarily in the form of service revenues.

News on the investment side remains pleasingly scant. Our holdings of marketable securities, presently in excess of $88 million, are as conservative as ever. We still own no real estate, no high yield or long maturity bonds, and no common stocks. Investment income was $8.1 million for the year, but that figure includes nearly a million dollars in non-recurring capital gains from our bond portfolio. As long as the current low interest rate environment persists, we can not expect to repeat this kind of investment income performance. Perhaps by this time next year we will be taking a modicum more of risk, at least with the capital of the holding company. That has always been our plan. We will be as careful as ever, however, not to let investment activity divert us from attention to our core skills. It is ample, full time work to know the property and casualty insurance business.

Our boards of directors were enhanced in 1991. No one left any of the boards, and I am pleased to report that Alexander Ellis, III has joined the board of Boston Risk Management. Hap Ellis, who was one of the most successful brokers in Boston, would be a welcome addition to that board under any circumstances, but the fact that he is Sandy Ellis' son makes his service something special. The late Sandy Ellis recruited me to the insurance business two decades ago and served on our board until his death, so his spirit was here anyway. Hap adds to that presence, and I expect we will soon owe Hap as we surely owed Sandy.

The year ahead promises more entrepreneurial excitement, and all of the accompanying strains. The leaders of the operating subsidiaries have plenty to challenge them. Can they imbue their customer service with a sense of urgency that borders on perfectionism? Can they encourage their staffs to take pride in working harder than counterparts in other companies and in accomplishing more than they thought themselves capable of? Can they produce profits for the shareholders by offering recognizable value to the public they serve? These are fair tests for a chief executive officer. Since I continue to serve as the president of one of the operating companies, I have some idea how hard these tests are and how much harder they will become if passivity is ever allowed to set in. Passivity of spirit is one of the harshest curses growth can inflict on a business. We will do our best at Plymouth Rock to turn back that tendency, and to chart a growth path on which striving and creativity are always rewarded.

James M. Stone

James M. Stone

Coopers
&Lybrand

certified public accountants

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 subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, cash flows, and changes in stockholders' equity 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Plymouth Rock Company and subsidiaries at December 31, 1991 and 1990 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 14, 1992

THE PLYMOUTH ROCK COMPANY
CONSOLIDATED BALANCE SHEETS
December 31, 1991 and 1990

Assets	1991	1990
Cash and marketable securities	$ 88,784,527	$62,577,599
Premiums receivable	10,447,235	6,817,253
Accrued investment income	1,559,996	1,075,637
Deferred acquisition costs	4,316,844	2,721,110
Fixed assets	5,544,518	5,009,156
Other assets	685,161	1,898,235
Total assets	$111,338,281	$80,098,990

Liabilities		
Claim and claim adjustment expense reserve	$ 39,266,205	$26,166,327
Unearned premium reserve	12,603,877	7,575,386
Commissions payable	1,892,659	2,334,463
Amounts payable to reinsurers	14,139,823	9,607,279
Other liabilities	8,880,450	6,534,341
Total liabilities	76,783,014	52,217,796
Stockholders' Equity		
Common stock and paid-in capital	10,536,024	10,536,024
Minority interests	3,554,018	3,550,505
Retained earnings	20,465,225	13,794,665
Total stockholders' equity	34,555,267	27,881,194
Total liabilities and stockholders' equity	$111,338,281	$80,098,990

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, 1991 and 1990

Revenues	1991	1990
Premiums earned in underwriting activities	$47,924,125	$35,118,597
Fees earned from service activities	6,234,044	4,372,867
Investment income and capital gains	8,114,401	5,673,250
Total revenues	62,272,570	45,164,714
Expenses		
Claim and claim adjustment expenses	33,112,635	24,390,763
Policy acquisition, underwriting and general expenses	13,249,522	9,544,749
Service activity expenses	6,824,619	5,094,983
Total expenses	53,186,776	39,030,495
Income before federal income taxes	9,085,794	6,134,219
Federal income taxes	2,275,234	1,580,961
Net income	$ 6,810,560	$ 4,553,258

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, 1991 and 1990

Cash flows from operating activities	1991	1990
Gross premiums collected	$100,404,210	$83,267,109
Reinsurance premiums paid	(46,414,932)	(43,945,220)
Finance charges collected	2,228,725	1,753,257
Fees and commissions collected	5,451,440	3,975,066
Investment income received	4,424,656	3,385,421
Gross claims and claim expenses paid	(55,311,094)	(52,612,792)
Reinsured claims and claim expenses collected	33,361,575	38,309,986
Policy acquisition, underwriting and general expenses paid	(12,321,762)	(12,893,487)
Service activity expenses paid	(5,940,524)	(5,051,195)
Net cash provided by operating activities	25,882,294	16,188,145
Cash flows from financing activities		
Issuance of common stock in subsidiary	999,996	-0-
Dividends to preferred stockholder of subsidiary	(140,000)	(175,000)
Net cash provided by financing activities	859,996	(175,000)
Net cash provided	$ 26,742,290	$16,013,145
Investment of net cash provided		
Change in cash and marketable securities	$ 26,206,928	$14,979,762
Change in fixed assets	535,362	1,033,383
Net cash invested	$ 26,742,290	$16,013,145

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 1991 and 1990

	Common Stock and Paid-in Capital	Minority Interests	Retained Earnings	Total Stockholders' Equity
December 31, 1989	$ 9,574,503	$3,500,000	$ 9,381,407	$22,455,910
Net income	-0-	12,030	4,553,258	4,565,288
Dividends to preferred stockholder of subsidiary	-0-	-0-	(140,000)	(140,000)
Issuance of common stock in subsidiary	961,521	38,475	-0-	999,996
December 31, 1990	10,536,024	3,550,505	13,794,665	27,881,194
Net income	-0-	3,513	6,810,560	6,814,073
Dividends to preferred stockholder of subsidiary	-0-	-0-	(140,000)	(140,000)
December 31, 1991	$10,536,024	$3,554,018	$20,465,225	$34,555,267

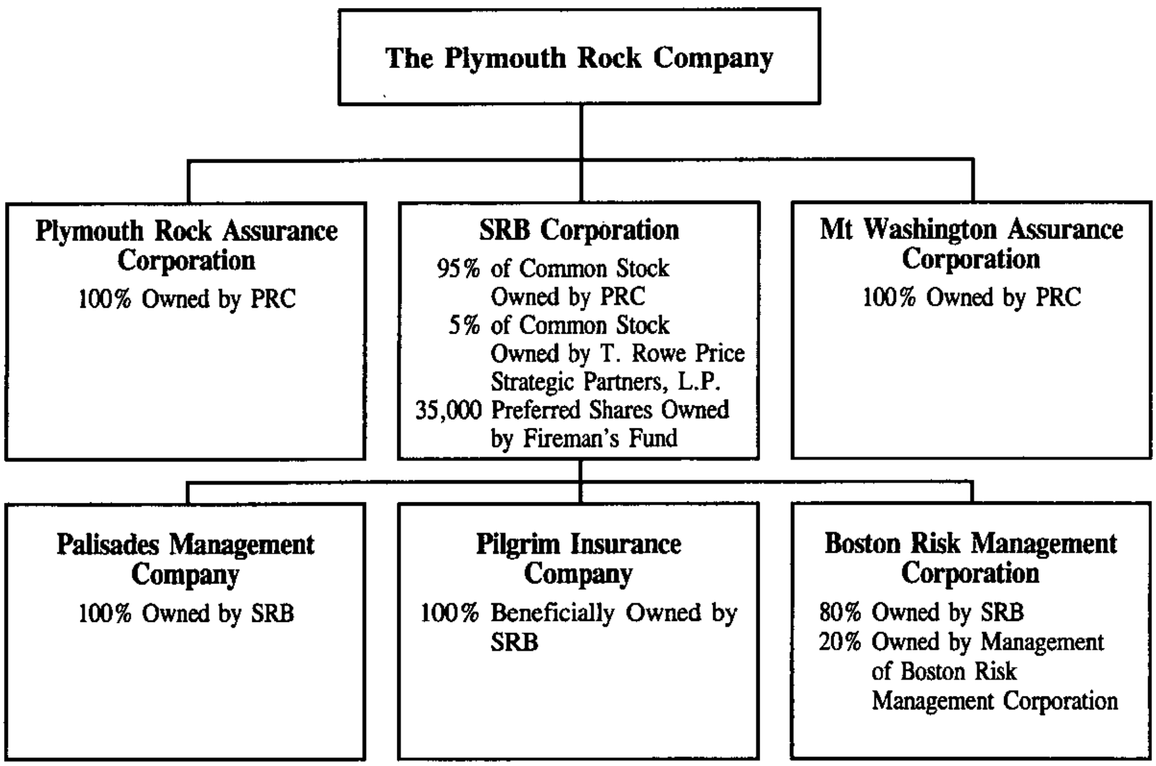
The accompanying notes are an integral part of the financial statements.

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization of the Plymouth Rock Companies

The corporate and ownership structure of the Plymouth Rock companies is reflected in the following chart.



2. Summary of Significant Accounting Policies

A. Principles of Consolidation

The consolidated financial statements include the accounts of The Plymouth Rock Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts from prior years have been reclassified.

2. Summary of Significant Accounting Policies, continued

B. Tangible Assets

The cash and marketable securities category is comprised primarily of fixed income investments carried at amortized cost. The calculation of gain or loss on the sale of marketable securities is based on specific identification at the time of sale of each security held.

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.

C. 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. As is traditional under generally accepted accounting principles, the Company has elected to use the deferred method of recognition of federal income taxes.

The Company's reported provision for federal income taxes 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 provisions associated with salvage and subrogation and tax discounting of loss reserves.

The Company's federal income tax return reflects taxes of approximately $2,900,000 and $1,800,000 for 1991 and 1990, respectively. 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 claim expense are recognized for tax purposes.

D. Revenues Earned in Underwriting and Service Activities

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.

2. Summary of Significant Accounting Policies, continued

D. Revenues Earned in Underwriting and Service Activities, continued

The Company derives fee income by providing insurance brokerage, policy processing, billing, claims and systems development services. Fee income is earned over the related contract periods.

E. Treaty Reinsurance

Treaty reinsurance is used to reduce exposure to large claims. The Company ceded earned premiums under such treaties of $16,946,000 and $14,200,000 during 1991 and 1990, respectively. Premiums receivable is reflected net of reinsurance of $1,983,000 and $4,999,000 for 1991 and 1990, respectively. The liability for claim and claim adjustment expense is reflected net of treaty reinsurance recoverable of $4,997,000 and $3,951,000 for 1991 and 1990. The liability for unearned premiums is reflected net of treaty reinsurance of $8,394,000 and $5,603,000 for 1991 and 1990. The Company recovered $8,524,000 and $8,293,000 from reinsurers in 1991 and 1990. The Company remains primarily liable as the direct insurer on all voluntary risks.

F. 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 deferred commission income on ceded reinsurance.

G. Claim and Claim Adjustment Expenses

Claim reserves represent the estimated liability for claims reported to the Company plus reserves for claims incurred but not yet reported. Claim adjustment expense reserves represent the estimated expenses related to settling these claims. 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 any resulting adjustments are reflected in income currently.

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Contribution to Consolidated Results

Results for the separate companies for 1991 and 1990 after the elimination of intercompany items and dividends and before the elimination of minority interests are:

	1991	1990
Revenues by company, net of reinsured premiums		
The Plymouth Rock Company	$ 353,925	$ 520,048
Plymouth Rock Assurance Corporation	54,959,964	39,831,850
Mt Washington Assurance Corporation	220,186	3,299
SRB Corporation	2,443,516	1,493,629
Pilgrim Insurance Company	4,128,390	3,315,888
Boston Risk Management Corporation	166,589	-0-
Palisades Management Company	-0-	-0-
Reported revenues	62,272,570	45,164,714
Reinsurance premiums not included in reported revenues	45,228,757	43,895,117
Gross revenues	$107,501,327	$89,059,831

4. Savings and Investment Plan

The Company has a Savings and Investment Plan under Section 401(k) of the Internal Revenue Code. The Plan, which is a defined contribution plan, covers all employees 21 years or older with at least one year of service. The Company provided $682,000 and $420,000 for discretionary contributions in 1991 and 1990, respectively.

5. Lease Commitments

Rental expenses for 1991 and 1990 (net of sublease rental income of $111,200 and $97,500) aggregated $972,000 and $920,000, respectively. The Company leases approximately 67,000 square feet of office space and 18,000 square feet of storage space. For each of the years 1992 through 1997, the minimum lease obligations of the Company are approximately $1,200,000 annually. The total obligation through the end of the leases in 1998 is approximately $7,900,000.

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Reconciliation of Net Income to Net Cash Provided by Operating Activities

The following noncash charges to income account for the differences between net income and net cash provided by operating activities:

	1991	1990
Net income	$ 6,810,560	$ 4,553,258
Depreciation and amortization	1,197,988	788,676
Minority interest	3,513	12,030
Change in premiums receivable	(3,629,982)	(5,061,649)
Change in accrued investment income	(484,359)	(241,197)
Change in deferred acquisition costs	(1,595,734)	(758,688)
Change in claim and claim adjustment reserve	13,099,878	9,716,689
Change in unearned premium reserve	5,028,491	3,504,495
Change in commissions payable	(441,804)	(622,028)
Change in amounts payable to reinsurers	4,532,544	4,444,513
Change in other assets and other liabilities	2,291,124	(22,617)
Gain on sale of investment securities	(941,023)	(114,284)
Disposal of fixed assets	11,098	(11,053)
Net cash provided by operating activities	$25,882,294	$16,188,145

7. Fixed Assets

At December 31, 1991 and 1990, fixed assets are summarized in the table below. Purchases of fixed assets were $1,861,137 and $2,019,910 in 1991 and 1990, respectively.

	Useful Lives	1991	1990
Furniture and fixtures	10 years	$2,497,290	$2,027,227
Computers	5 years	4,072,694	3,273,943
Leasehold improvements	2-10 years	1,773,176	1,406,192
Vehicles	3 years	407,169	315,798
Total		8,750,329	7,023,160
Less accumulated depreciation and amortization		3,205,811	2,014,004
		$5,544,518	$5,009,156

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments and Investment Income

A. Composition of Investment Portfolio

At December 31, 1991 and 1990, amortized cost, unrealized gains and market value of cash and marketable securities are as follows:

	1991		1990	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash and cash equivalents	$ 3,367,370	$ 3,367,370	$ 7,996,909	$ 7,996,909
U.S. Government securities	16,942,403	17,528,434	23,884,094	24,162,300
State and municipal securities	48,026,232	49,809,074	21,179,211	21,427,265
Corporate securities	20,448,522	21,093,941	9,517,385	9,414,088
Total	$88,784,527	$91,798,819	$62,577,599	$63,000,562

Unrealized capital gains on U.S. Government securities are $586,031 and $278,206 for 1991 and 1990, respectively. Unrealized capital gains on state and municipal securities are $1,782,842 and $248,054 for 1991 and 1990, respectively. Unrealized capital gains and losses on corporate securities are $645,419 and ($103,297) for 1991 and 1990, respectively.

At December 31, 1991, maturities of cash and marketable securities are as follows:

	1991	
	Amortized Cost	Market Value
Cash	$ 2,021,750	$ 2,021,750
Due in 90 days or less	1,345,620	1,345,620
Due after 90 days and in less than one year	3,633,761	3,688,055
Due after one year and in less than five years	50,629,872	52,619,668
Due after five years and in less than seven years	31,153,524	32,123,726
Total	$88,784,527	$91,798,819

8. Investments and Investment Income, continued

B. Investment Activity

The changes in marketable securities, at amortized cost, during the period are as follows:

	1991	1990
Balance at beginning of year	$62,577,599	$47,597,837
Change in marketable securities		
Sales prior to maturity	(59,396,565)	(31,165,771)
Redemptions at maturity	(8,096,087)	(2,996,875)
Purchases	98,329,119	49,012,633
Change in marketable securities	30,836,467	14,849,987
Change in cash and cash equivalents	(4,629,539)	129,775
Balance at end of year	$88,784,527	$62,577,599

C. Analysis of Investment Income

The components of net investment income before federal income taxes during 1991 and 1990 are as follows:

	1991	1990
Interest income from securities	$5,712,553	$4,338,483
Finance charges from premiums receivable	2,228,725	1,753,257
Gross investment income	7,941,278	6,091,740
Investment expenses	767,900	532,774
Investment income	7,173,378	5,558,966
Realized capital gains	941,023	114,284
Investment income and capital gains	$8,114,401	$5,673,250

9. Stockholders' Equity

A. Common Stock

Common stock at December 31, 1991 and 1990 is comprised of Class A common and Class B common shares, both classes having a par value of $.10 per share. There are 300,000 Class A shares authorized, of which 128,572 were issued and outstanding on both reference dates. There are 90,000 Class B shares authorized, of which all were issued and outstanding on both reference dates.

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.

9. Stockholders' Equity, continued

B. Options Exercised and Outstanding

The Company has an incentive stock option plan for a key employee. An option has been granted to purchase 1,000 of the Company's Class A common voting shares at $200 per share. The option is exercisable in 1993, 1994 and 1995. No options were exercised as of December 31, 1991. There are no other options authorized or outstanding under the plan.

At December 31, 1990, the Company exercised its option to acquire 95% of the common shares of SRB Corporation. In connection with the exercise, the Company issued 45,000 additional shares of Class B common stock, 25,000 of which are in escrow to be released based on the performance of the companies through 1992. This transaction is an exchange of shares between companies under common control and has been accounted for using the historical values of each company, in a manner similar to the treatment of a pooling of interests.

C. Preferred Stockholder's Interest in Subsidiary

A subsidiary of the Company has issued 35,000 shares of cumulative preferred stock with no par value, all of which are issued and outstanding at December 31, 1991 and 1990. The preferred stockholder is entitled to receive cumulative cash dividends of 4% per year, increasing to 7% per year under certain circumstances, when declared by the subsidiary's Board of Directors out of funds legally available. The preferred stockholder is also entitled to receive special cumulative dividends of 20% of the difference between the subsidiary's net income and the amount of regular preferred dividends for that year. Such special dividends are limited to $1,000,000 on a cumulative basis. The preferred shares may be redeemed by the subsidiary at $120 per share with adjustment for dividends and contingent upon certain conditions. In addition, under certain circumstances the holder may redeem the preferred stock at $100 per share plus any accrued but unpaid dividends. In the event of corporate liquidation, the preferred stockholder of the subsidiary is entitled to receive out of available subsidiary funds $120 per share ($4,200,000 in the aggregate) with adjustment for certain dividends paid, plus any accrued but unpaid dividends. The preferred stock is convertible under certain default circumstances, with appropriate regulatory approval, into specified amounts of the subsidiary's common stock.

D. Statutory Surplus and Dividend Availability

The Company's insurance subsidiaries are required to file financial statements with state insurance departments. The accounting principles prescribed or permitted for these financial statements differ in certain respects from generally accepted accounting principles. On a statutory accounting basis, capital and surplus of the Company's insurance subsidiaries aggregated $23,798,000 and $16,925,000 for 1991 and 1990, respectively. Regulatory limits restrict the amount of dividends which can be remitted to the Company from its insurance subsidiaries without approval of state insurance regulators.

Directors and Officers of The Plymouth Rock Company

Directors

James M. Stone, *Chairman*

James N. Bailey

Michael J. Johnston

Wilmot H. Kidd, III

Keith R. Rodney

Benno C. Schmidt

Officers

James M. Stone
President

Keith R. Rodney
Executive Vice President and Clerk

James N. Bailey
Treasurer

Edward W. Ford
Senior Vice President

William M. Kelley
Vice President

Directors and Officers of the Plymouth Rock Group of Companies

Non-Management Directors

Normand A. Dion
Alexander Ellis, III
Michael J. Johnston
Wilmot H. Kidd, III
John F. Meyer
Eugene J. Meyung
Benno C. Schmidt
David L. Warnock

Management Officers and Directors

James N. Bailey
Frederic C. Church, Jr.
Edward W. Ford
Peter R. Jones
William M. Kelley
Stewart W. Kemp
Raymond D. Moore
Vincent V. Nieroda
Keith R. Rodney
Myron S. Steere, III
James M. Stone

Auditors: Coopers & Lybrand

Counsel: Ropes & Gray