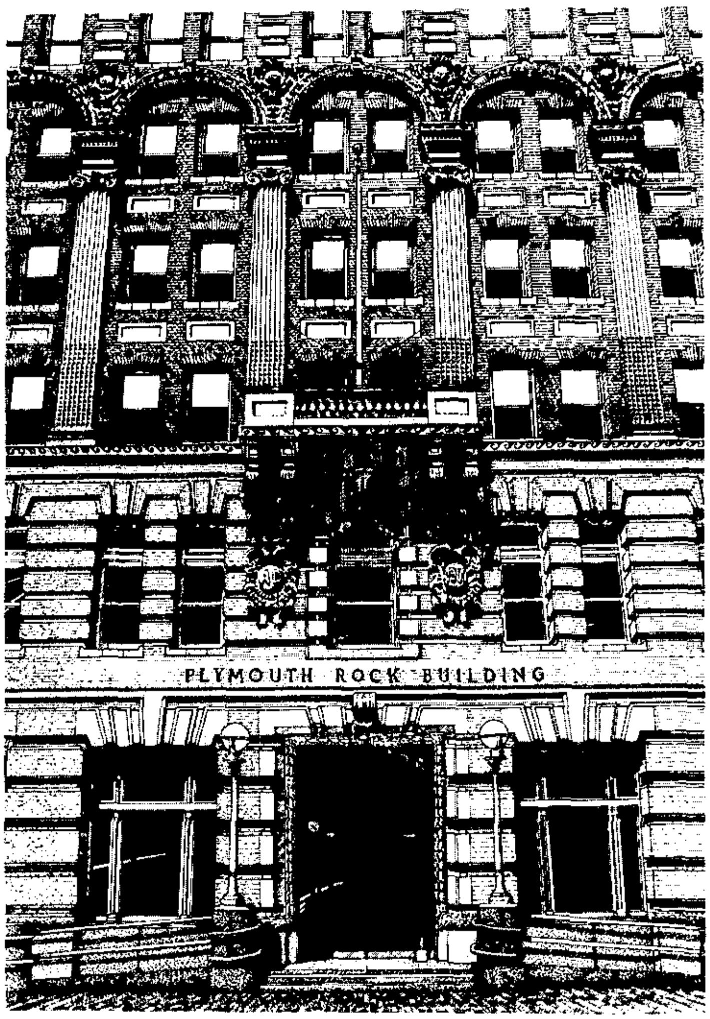
The Plymouth Rock Company



1992 Annual Report

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

Chairman's Letter

February 15, 1993

To Our Shareholders:

Nineteen ninety-two was both arduous and prosperous. Prosperity can be calibrated by the group's net income, which grew more than 40 percent from the prior year to $9.8 million. The difficulties elude such quantification, but their cause is apparent enough. It is easier to decentralize management than entrepreneurship. Last year's letter had warned that starting three new businesses would place an unprecedented burden on our officers. No one here objects to hard work, but an unbalanced load can degrade the quality of thought and dull the keenness of insight. Some additional senior hiring is required before the proper balance can be achieved.

The biggest news of 1992 was from New Jersey. In May we completed a long-gestating arrangement with the Commercial Union group and the New Jersey Insurance Department, resulting in the licensure of a new insurance enterprise called Palisades Safety and Insurance Association. That company, a reciprocal, will be administered by Palisades Safety and Insurance Management Corporation, a subsidiary of our SRB Corporation. The names here are a mouthful, so a bit of explanation is called for. The following text is excerpted from my statement at the ribbon cutting in Trenton, an event which New Jersey Governor Jim Florio was kind enough to host:

"The use of the name Palisades, rather than the Plymouth Rock name, reflects our view that to succeed in this business one must have a local focus and a local base. Our company is chartered in New Jersey. It will be headquartered in Hoboken. And all of its staff will be there.... The next word in the name is Safety, and here is the guide to our most innovative feature. For many years, people have accepted their insurance costs passively, and with resentment. Palisades is designed to be a membership organization that seeks out drivers who will take some of the responsibility for auto insurance costs into their own hands. Those people who select cars with the best possible safety equipment, the nucleus of our group, will receive dividends based on the company's performance....

"Insurance is in the name as well because even the safest cars and the best drivers are involved sometimes in accidents. We will be providing automobile and homeowners coverage statewide and emphasizing customer service as the hallmark of our product.... Finally, we describe ourselves as an Association. This is because Palisades Safety and Insurance Association is organized under New Jersey law as a reciprocal exchange, rather than a corporation. The capitalization provided by Commercial Union will belong to the Association's members.... Our investor owned companies can succeed only if the Association prospers. The management fees are largely proportional to premium revenues and revenues in turn will expand only if the Association is able to pay healthy dividends to its safety conscious members."

The Commercial Union arrangement was unusual. New Jersey, like Massachusetts, is going through the painful process of depopulating a bloated residual market pool. The New Jersey method is to assign each company a quota of automobiles that must be written "voluntarily" by April of 1993. Commercial Union, which had been exiting from auto insurance in that state for some years, had no desire to build back its book. The alternative to enforced growth in New Jersey is to find another carrier willing to take one's place, and to provide the replacement carrier with the necessary capital. So, to complete its exit from personal lines automobile coverage in New Jersey, CU provided Palisades a capital base, and Palisades has assumed its obligation to write 16,192 cars by next April. If, as I expect, the current set of reforms will eventually set New Jersey back on a sound course, and if we can meet the April quota, this is a good time and an appealing method for entering the business. For a company any less committed to local focus it would not make sense.

Our immediate goals in New Jersey are to meet the depopulation quota we inherited and to build an operation capable of servicing its agents and policyholders at the same standard of quality for which Plymouth Rock Assurance has become known in Massachusetts. Then we can turn to the next set of tasks: providing Hal Belodoff with an internal team strong enough to loosen his Boston bonds and setting up a safety dividend and membership program with an eye to the Association's long term future and its exciting public policy potential. For the interim, Keith Rodney finds himself traveling southward far more than he enjoys.

Our company in New Hampshire, Mt Washington Assurance Corporation, is off to a solid start. Peter Jones, its president, predicted that Mt Washington would do more business in its first year than Plymouth Rock Assurance had done in its initial year. Since New Hampshire has only one-fifth the cars Massachusetts has, this seemed unlikely. Plymouth Rock had written \$3.7 million in premium in 1984. Mt Washington closed last year with \$4.5 million in writings. So congratulations are due. Mt Washington, though, is still losing money. Plymouth Rock in 1984 lost money too, but it made money the next year and every year thereafter. Since the bottom line test is the more important of the comparisons, we will chill the champagne now but leave the cork in place until next year's results are known.

Our alternative markets effort remains the most challenging at this point. We have lost none of our original faith that the fundamentals are opportune. The traditional workers compensation business shows no sign of recovery from its various plagues, and the logic favoring increased client participation in loss results is clearer all the time. The tools for reducing costs are available, including before-the-fact loss prevention through workplace safety, after-the-fact claim minimization through better directed care, and underwriting to select those employers and employees willing to share in the common task. We have assembled, moreover, at Boston Risk Management and Pilgrim Insurance Company a fine team of talented individuals to lead the effort.

The vision of our eventual workers compensation product, however, is still unrefined, and the revenue stream is not yet sufficient to cover costs. The issues of interim scale and leadership in this area are perplexing. Fortunately, there is a growing demand for Boston Risk Management's expertise, and Pilgrim's automobile processing services in 1992 were about as profitable as the alternative markets effort was unprofitable. The group's net income, therefore, was virtually unaffected by our service entities taken together.

Plymouth Rock Assurance Corporation had another successful year in 1992. That company's annualized volume in Massachusetts auto and homeowners business now exceeds $113 million, which translates after deduction of reinsurance and unearned premium reserves into a contribution of about $63 million to the group's net premiums earned. We now insure roughly one out of every thirty automobiles in the state and one out of every fifty homes. Our financial statements make it appear that premiums for the group were up by 35 percent. This is true with respect to the net premiums earned, but don't be too impressed. Most of the change is a reflection of residual market depopulation at Plymouth Rock Assurance, which raises the share of our gross writings tracked by the income statement. The increase in Plymouth Rock Assurance Corporation's gross writings, the index of our customer base, was closer to 15 percent.

Size, of course, has never been our motivator. Plymouth Rock's comfort comes from believing that no other company in its arena has a better population of policyholders, a more respected force of independent agents, a more loyal and capable staff, or a higher standard of service excellence. These are the core components of durable performance in our industry. An especially pleasing confirmation that we are on track occurred in August, when Boston Magazine published its annual "Best & Worst" edition, memorializing consumer opinion of area merchants. Though no insurance company had ever been cited for service excellence before, Plymouth Rock Assurance was named Boston's "Best Insurance Company."

Business success, as I would define it, requires a two part test: profitability of operations and pride of association. Profits are the proof that your ideas actually work, the public's imprimatur on your product and service. Customer willingness to pay more than cost for what you offer is a fair measure of contribution. But it is not enough. The most likely, and most worthy, long term survivors of competition are those companies that meet a second test. The individuals who own and run the business, those who work there, and those who deal with it must be proud to do so. Pride in association promotes productivity, enhances quality and thus attracts customers, permits the hiring of superlative individuals, and more generally helps keep a company away from trouble. So, when I say that 1992 was a successful year, I mean not only that profits were satisfactory but also that our various constituencies seem proud to be associated with Plymouth Rock.

Our profits are a function of claim experience, of efficiency in operations, and of investment performance. Our 1992 loss ratio, which measures claim results, is owed primarily to adequate statewide rate levels. The once-controversial residual market rules are no longer a key factor. The residual market itself, in fact, has become less important, as depopulation of the pool continues apace. The depopulation of the C.A.R. pool and the "direct pay" law for property damage claims (which underlies our Crashbusters program) remain among the most productive regulatory reforms of the 1980's. The most disappointing auto insurance reform was the increase in the no-fault tort threshold, which appears to have had a neutral or negative influence on burgeoning bodily injury costs. The Massachusetts legislature will probably revisit the no-fault issue in 1993. Let us hope, for the sake of the public as well as the industry, that legislators contrast the approaches of comparable states and settle on a no-fault format that really works. Neither a return to the tort system nor maintenance of the status quo can stave off unsustainable cost pressures on the bodily injury coverage rates.

The report on operating efficiency is mixed. We continue to do our work with a staff complement of just under two people per million dollars of premium volume. This compares to an industry average which has only recently fallen below three per million and still rounds to three. We are convinced, in the long run, that the most efficient insurers will be those with the smallest and best trained work forces. Ours fits that description, but it is a more expensive work force than most. We remain an average-cost producer of the insurance product. This is not to imply that the year was without signs of progress in operating efficiency. Our gross expenses, including both claims adjustment and investment costs, absorbed about 38 percent of premiums, a favorable contrast to the prior year's 39 percent and 40 percent the year before that. Expense ratio points, we have learned, must be eked out one at a time.

Investment income in 1992 was $10.4 million for the group. The growth in income from the year prior was less than the increase in our asset holdings. Since we still invest only in high-grade fixed income instruments, this is a direct reflection of falling interest rates. The same phenomenon brought us some capital gains, which amounted to $1.0 million of the total after federal income taxes. If interest rates remain low, the economy will probably benefit more than we will. Our business always generates a float, the consequence of customers letting us hold their money while we wait to see whether they have claims. As long as premiums are less than fully responsive to cost changes, a safe bet in regulated environments, reduced interest earnings on an insurer's float will tend to depress its overall performance.

Some years ago I wrote that our investment appetite would be confined to the plainest of vanilla until research costs could be covered by their probable performance increment. Our relatively low maintenance approach to investing has also been a valuable technique for marshalling management focus around basic insurance skills. We have accepted, as a consequence, a diminished return on our portfolio. In the long run, ownership instruments should outperform debt instruments, and investments with some risk must outperform Treasuries. Our capital base, at $44 million, and our portfolio, at $130 million, are now large enough to justify a more balanced strategy...but not by much. We will walk before we run, and we may well be satisfied with walking.

None of us at Plymouth Rock are speculators by temperament, nor do we think insurance executives ought to be. Our plan is to permit a relatively small portion of each insurance company portfolio and a larger share of the holding company portfolios to be invested in common stocks. Initially, the maximum share of any insurance company portfolio committed to common stocks will be five percent. Investment management will be made available to our operating units by SRB Corporation, under the supervision of Jim Bailey and a full time staff. We consider this structure consistent with our general notion of decentralized management, because investment tasks are outside the property and casualty insurance skill set and, in fact, would represent a distraction for the various operating management teams. Were SRB not prepared to offer these services, we would expect the various companies to seek some other vendor for portfolio services.

Since we have made no common stock investments as yet, it may be premature to describe our selection criteria. On the other hand, this letter has always been a useful invitation for comment and criticism, so even a preliminary description serves a purpose. We plan to use three principal standards in judging potential stock investments. Here is my admittedly oversimplified shorthand for the three criteria.

First, we will buy with an expectation that our holding period is to be measured in decades. Second, we will buy shares only in companies whose products are understood, and preferably used, by one or more of our directors. And, third, we will consider only companies with whose chief executives we would all be willing to be photographed.

These criteria are versions of tests we apply to our own business decisions. In effect, we are looking for companies with whom we would like to have an operating partnership, albeit our stake may be too small for them to know that. Since our initial equity portfolio will total less than ten million dollars, and we are not seeking a broad and diverse portfolio, our average holding will probably involve about two million dollars. By next year at this time, there will actually be some. But we never intend to lose perspective on our investment activities. Good insurance companies are more readily separated from the mediocre by their technical insurance proficiency than by their investments.

Our business in 1993 will be more complex and more demanding. If all goes well, we will approach break-even in New Hampshire and New Jersey, we will keep Plymouth Rock Assurance away from both rocks and whirlpools, and we will define our mission in the alternative markets area. What success we have had to date has come from choosing the right people and bringing out the best in them. The ambitious agenda before us will be realistic only if we find more first-rate individuals who want to work as hard as our present crew and take pride in having done so.

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, 1992 and 1991, and the related consolidated statements of income, changes in stockholders' equity, 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 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, 1992 and 1991, 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 11, 1993

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED BALANCE SHEETS

December 31, 1992 and 1991

Assets	1992	1991
Cash and marketable securities	$129,769,517	$ 88,784,527
Premiums receivable	13,266,270	10,447,235
Accrued investment income	1,831,572	1,559,996
Deferred acquisition costs	5,705,243	4,316,844
Fixed assets	6,242,808	5,544,518
Other assets	1,149,418	685,161
Total assets	$157,964,828	$111,338,281
Liabilities		
Claim and claim adjustment expense reserve	$ 54,772,023	$ 39,266,205
Unearned premium reserve	24,607,589	12,603,877
Commissions payable	2,612,953	1,892,659
Amounts payable to reinsurers	18,143,752	14,139,823
Other liabilities	13,657,477	8,880,450
Total liabilities	113,793,794	76,783,014
Stockholders' Equity		
Common stock and paid-in capital	10,536,024	10,536,024
Retained earnings	30,081,996	20,465,225
Common stockholders' equity	40,618,020	31,001,249
Minority interests in subsidiaries	3,553,014	3,554,018
Total stockholders' equity, including minority interests	44,171,034	34,555,267
Total liabilities and stockholders' equity	$157,964,828	$111,338,281

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, 1992 and 1991

Revenues	1992	1991
Premiums earned in underwriting activities	$64,747,656	$47,924,125
Fees earned from service activities	8,845,977	6,234,044
Investment income and capital gains	10,369,000	8,114,401
Total revenues	83,962,633	62,272,570
Expenses		
Claim and claim adjustment expenses	42,145,885	33,112,635
Policy acquisition, underwriting and general expenses	18,600,415	13,249,522
Service activity expenses	9,836,209	6,824,619
Total expenses	70,582,509	53,186,776
Income before federal income taxes	13,380,124	9,085,794
Federal income taxes	3,623,353	2,275,234
Net income	$ 9,756,771	$ 6,810,560

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, 1992 and 1991

Cash flows from operating activities	1992	1991
Gross premiums collected	$118,422,572	$100,404,210
Reinsurance premiums paid	(43,052,649)	(46,414,932)
Finance charges collected	2,708,960	2,228,725
Fees and commissions collected	9,087,457	5,451,440
Investment income received	6,263,061	4,424,656
Gross claims and claim expenses paid	(50,141,950)	(55,311,094)
Reinsured claims and claim expenses collected	35,196,543	33,361,575
Policy acquisition, underwriting and general expenses paid	(32,356,720)	(12,321,762)
Service activity expenses paid	(4,303,994)	(5,940,524)
Net cash provided by operating activities	41,823,280	25,882,294
Cash flows from financing activities		
Issuance of common stock in subsidiary	-0-	999,996
Dividends to preferred stockholder of subsidiary	(140,000)	(140,000)
Net cash provided by financing activities	(140,000)	859,996
Net cash provided	$ 41,683,280	$ 26,742,290

Investment of net cash provided		
Change in cash and marketable securities	$ 40,984,990	$ 26,206,928
Change in fixed assets	698,290	535,362
Net cash invested	$ 41,683,280	$ 26,742,290

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

THE PLYMOUTH ROCK COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

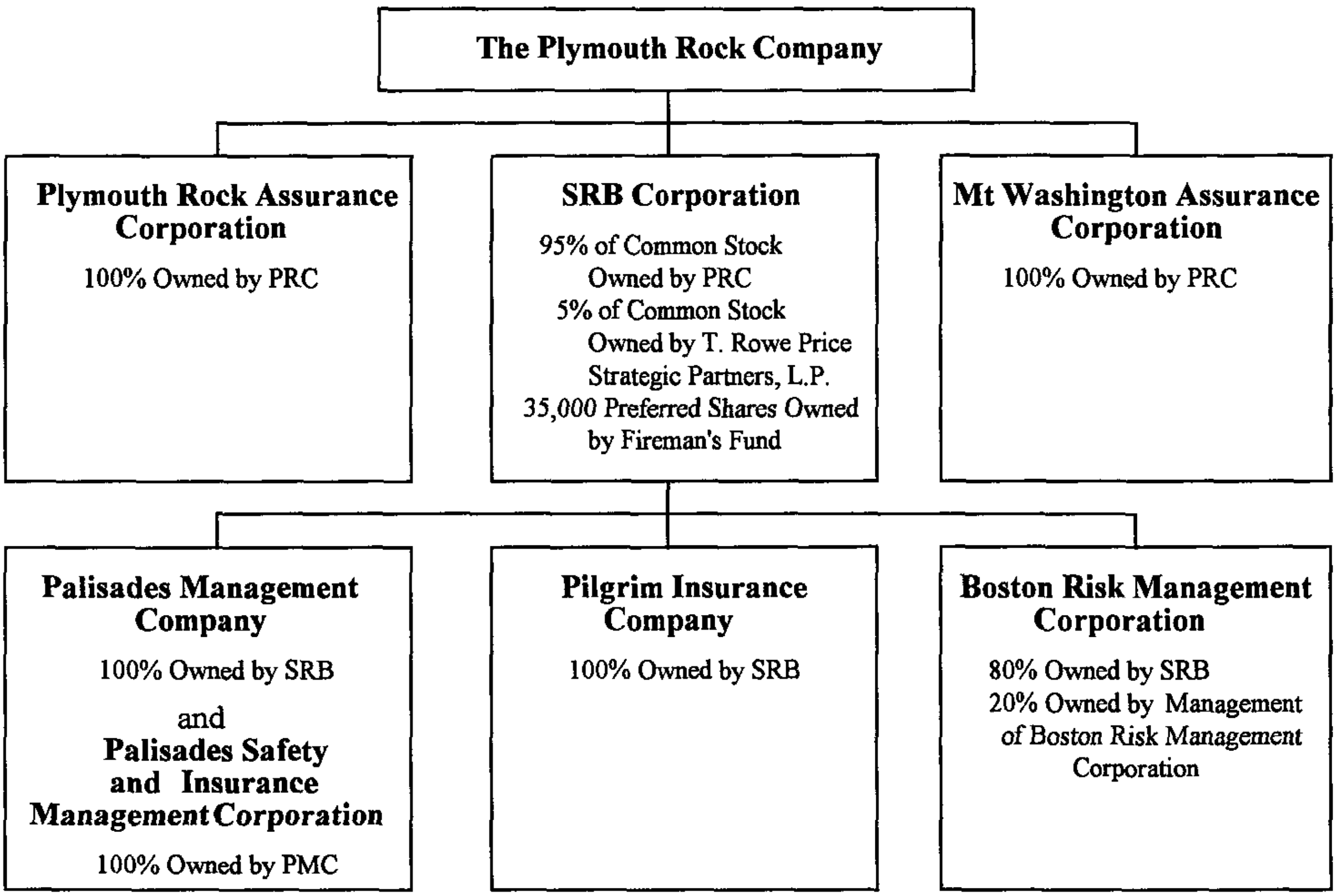
For the years ended December 31, 1992 and 1991

	Common Stock and Paid-in Capital	Retained Earnings	Minority Interests	Total Stockholders' Equity
December 31, 1990	$10,536,024	$13,794,665	$3,550,505	$27,881,194
Net income	-0-	6,810,560	3,513	6,814,073
Dividends to preferred stockholder of subsidiary	-0-	(140,000)	-0-	(140,000)
December 31, 1991	10,536,024	20,465,225	3,554,018	34,555,267
Net income	-0-	9,756,771	(1,004)	9,755,767
Dividends to preferred stockholder of subsidiary	-0-	(140,000)	-0-	(140,000)
December 31, 1992	$10,536,024	$30,081,996	$3,553,014	$44,171,034

The accompanying notes are an integral part of the 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.



THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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. The Company's federal income tax return reflects taxes of approximately $5,760,000 and $3,042,000 for 1992 and 1991, respectively. These amounts are not the same as the income taxes shown in the Consolidated Statements of Income. This is because the rules of the Internal Revenue Code and those of generally accepted accounting principles can differ with respect to the time periods in which income and expense are recognized.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has changed its method of reporting the effects of income taxes from the deferred method, which focuses on the income statement, to the liability method, which focuses on the balance sheet. The effect of the change was not material to the financial statements.

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 principally because the Company receives significant non-taxable interest from state and municipal bonds.

2. Summary of Significant Accounting Policies, continued

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.

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 $24,249,000 and $16,946,000 during 1992 and 1991, respectively. The category of premiums receivable is reflected net of reinsurance of $486,000 and $1,983,000 for 1992 and 1991, respectively. The liability for claim and claim adjustment expense is reflected net of treaty reinsurance recoverable of $5,878,000 and $4,997,000 for 1992 and 1991. The liability for unearned premiums is reflected net of treaty reinsurance of $10,751,000 and $8,394,000 for 1992 and 1991. The Company recovered $11,886,000 and $8,524,000 from reinsurers in 1992 and 1991. 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 1992 and 1991 after the elimination of intercompany items and dividends and before the elimination of minority interests are:

	1992	1991
Revenues by company, net of reinsured premiums		
The Plymouth Rock Company	$ 377,679	$ 353,925
Plymouth Rock Assurance Corporation	72,084,523	54,959,964
Mt Washington Assurance Corporation	2,183,725	220,186
SRB Corporation	3,494,871	2,443,516
Pilgrim Insurance Company	3,931,354	4,128,390
Boston Risk Management Corporation	300,579	166,589
Palisades Management Company (Consolidated)	1,589,902	-0-
Reported revenues	83,962,633	62,272,570
Reinsurance premiums not included in reported revenues	44,609,527	45,228,757
Gross revenues	$128,572,160	$107,501,327

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 $1,029,000 and $682,000 for discretionary contributions in 1992 and 1991, respectively.

5. Lease Commitments

Rental expenses for 1992 and 1991 (net of sublease rental income of $41,300 and $111,200) aggregated $1,253,000 and $972,000, respectively. The Company leases approximately 77,000 square feet of office space and 18,000 square feet of storage space. For each of the years 1993 through 1998, the minimum lease obligations of the Company are approximately $1,240,000 annually. The total obligation through the end of the leases in 1998 is approximately $7,444,000.

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:

	1992	1991
Net income	$ 9,756,771	$ 6,810,560
Depreciation and amortization	1,855,324	1,197,988
Minority interests	(1,004)	3,513
Change in premiums receivable	(2,819,035)	(3,629,982)
Change in accrued investment income	(271,576)	(484,359)
Change in deferred acquisition costs	(1,388,399)	(1,595,734)
Change in claim and claim adjustment reserve	15,505,818	13,099,878
Change in unearned premium reserve	12,003,712	5,028,491
Change in commissions payable	720,294	(441,804)
Change in amounts payable to reinsurers	4,003,929	4,532,544
Change in other assets and other liabilities	3,809,578	2,291,124
Gain on sale of investment securities	(1,346,837)	(941,023)
Disposal of fixed assets	(5,295)	11,098
Net cash provided by operating activities	$41,823,280	$25,882,294

7. Fixed Assets

Fixed assets at December 31, 1992 and 1991, respectively, are summarized in the table below. Purchases of fixed assets were $2,560,956 and $1,861,137 in 1992 and 1991, respectively.

	Useful Lives	1992	1991
Furniture and fixtures	10 years	$3,305,430	$2,497,290
Computers	5 years	4,969,817	4,072,694
Leasehold improvements	2-6 years	2,255,630	1,773,176
Vehicles	3 years	552,253	407,169
Total cost		11,083,130	8,750,329
Less: accumulated depreciation and amortization		4,840,322	3,205,811
Net book value		$6,242,808	$5,544,518

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments and Investment Income

A. Composition of Investment Portfolio

At December 31, 1992 and 1991, amortized cost, unrealized gains and market value of cash and marketable securities are as follows:

	1992		1991	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash and cash equivalents	$ 9,073,341	$ 9,073,341	$ 3,367,370	$ 3,367,370
U.S. Government securities	17,323,148	17,420,836	16,942,403	17,528,434
State and municipal securities	79,376,749	80,490,807	48,026,232	49,809,074
Corporate securities	23,996,279	25,550,792	20,448,522	21,093,941
Total	$129,769,517	$132,535,776	$88,784,527	$91,798,819

Unrealized capital gains on U.S. Government securities are $97,688 and $586,031 for 1992 and 1991, respectively. Unrealized capital gains on state and municipal securities are $1,114,058 and $1,782,842 for 1992 and 1991, respectively. Unrealized capital gains and losses on corporate securities are $1,554,513 and $645,419 for 1992 and 1991, respectively.

At December 31, 1992, maturities of cash and marketable securities are as follows:

	1992	
	Amortized Cost	Market Value
Cash	$ (71,565)	$ (71,565)
Due in 90 days or less	9,144,906	9,144,906
Due after 90 days and in one year or less	8,193,097	8,316,352
Due after one year and in five years or less	71,126,686	73,286,582
Due after five years	41,376,393	41,859,501
Total	$129,769,517	$132,535,776

8. Investments and Investment Income, continued

B. Investment Activity

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

	1992	1991
Balance at beginning of year	$ 88,784,527	$62,577,599
Change in marketable securities		
Sales prior to maturity	(85,485,723)	(59,396,565)
Redemptions at maturity	(1,736,361)	(8,096,087)
Purchases	122,501,103	98,329,119
Change in marketable securities	35,279,019	30,836,467
Change in cash and cash equivalents	5,705,971	(4,629,539)
Balance at end of year	$129,769,517	$88,784,527

C. Analysis of Investment Income

The components of net investment income before federal income taxes during 1992 and 1991 are as follows:

	1992	1991
Interest income from securities	$ 7,076,570	$5,712,553
Finance charges from premiums receivable	2,708,960	2,228,725
Gross investment income	9,785,530	7,941,278
Investment expenses	763,367	767,900
Investment income	9,022,163	7,173,378
Realized capital gains	1,346,837	941,023
Investment income and capital gains	$10,369,000	$8,114,401

9. Stockholders' Equity

A. Common Stock

Common stock at December 31, 1992 and 1991 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 130,572 and 128,572 were issued and outstanding on December 31, 1992 and 1991, respectively. There are 90,000 Class B shares authorized, of which 88,000 and 90,000 were issued and outstanding on December 31, 1992 and 1991, respectively.

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.

THE PLYMOUTH ROCK COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Stockholders' Equity, continued

B. Options Exercised and Outstanding

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 in early 1993 based on the performance of the companies through 1992. This transaction was 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, 1992 and 1991. 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 $27,364,000 and $23,798,000 for 1992 and 1991, 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

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
S. Stephen Rosenfeld
Benno C. Schmidt
David L. Warnock

Management Officers and Directors

James N. Bailey
Hal Belodoff
Elyse D. Cherry
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