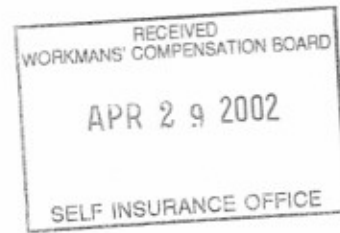


**TRANSPORTATION INDUSTRY
WORKERS COMPENSATION TRUST**

FINANCIAL REPORT

DECEMBER 31, 2001



Transportation Industry Workers Compensation Trust

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Independent Auditor's Report

To the Board of Trustees
Transportation Industry Workers Compensation Trust

We have audited the accompanying balance sheet of Transportation Industry Workers Compensation Trust as of December 31, 2001, and the related statements of income and changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transportation Industry Workers Compensation Trust as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Urbach Kahn & Werlin LLP

Poughkeepsie, New York
April 3, 2002

Transportation Industry Workers Compensation Trust

Balance Sheet
December 31, 2001

ASSETS	
Cash and cash equivalents	\$ 658,613
Member premiums receivable, net	108,850
Deferred tax asset	17,770
Total assets	\$ 785,233
LIABILITIES AND EQUITY	
LIABILITIES	
Estimated unpaid claims and claim adjustment expenses	\$ 450,000
Accrued expenses	93,008
Taxes payable	23,880
Unearned premium revenue	197,847
Total liabilities	764,735
EQUITY	
Members' equity	20,498
	\$ 785,233

See Notes to Financial Statements.

Transportation Industry Workers Compensation Trust

Statement of Income and Changes in Members' Equity Year Ended December 31, 2001

REVENUES	
Premiums earned	\$ 944,247
Reinsurance	(140,480)
Net premiums earned	803,767
Interest income	626
Total revenues	804,393
EXPENSES	
Claims incurred, including unpaid claims and related expenses	510,274
Management fees	197,256
Professional fees	17,000
Payroll audits and repricing fees	3,066
Other insurance	15,857
Estimated uncollectible premiums	30,000
Assessments and other	4,332
Total expenses	777,785
Income before Federal and State income taxes	26,608
Provision for Federal and State income taxes	6,110
Net income	20,498
Members' equity, beginning	-
Members' equity, ending	\$ 20,498

See Notes to Financial Statements.

Transportation Industry Workers Compensation Trust

Statement of Cash Flows Year Ended December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES	
Premiums received	\$ 1,003,244
Interest received	626
Claims and related expenses paid	(60,274)
Management fees paid	(169,274)
Reinsurance and other insurance paid	(113,311)
Other paid	(2,398)
Net cash provided by operating activities and increase in cash and cash equivalents	\$ 658,613
Cash and cash equivalents	
Beginning	-
Ending	\$ 658,613
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net income	\$ 20,498
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for estimated uncollectible premiums	30,000
Deferred taxes	(17,770)
Changes in:	
Member premiums receivable	(138,850)
Unpaid claims and claim adjustment expenses	450,000
Accrued expenses	93,008
Taxes payable	23,880
Unearned premium revenue	197,847
Net cash provided by operating activities	\$ 658,613

See Notes to Financial Statements.

Transportation Industry Workers Compensation Trust

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Transportation Industry Workers Compensation Trust (Trust) was established under an agreement dated December 27, 2000 to create an association of transportation industry employers within the State of New York to constitute a workers' compensation self-insurance group under New York State Workers Compensation Laws Section 50, subdivision 3-a. The Trust was created to make available a self-insured workers' compensation program for the transportation industry of the State of New York, to establish, maintain, promote and enforce sound safety programs, and to provide a cost-effective market in which the transportation industry may obtain workers' compensation insurance coverage. The Trust is administered by a third-party administrator who is paid fees based on a percentage of the total premiums before discounts.

Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities.

Cash and Cash Equivalents

The Trust considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

The Trust places its cash and cash equivalents with high credit quality institutions. At times such amounts may be in excess of the FDIC insurance limit.

Estimated Unpaid Claims and Claim Adjustment Expenses

The actuarially determined liability for unpaid claims and claim adjustment expenses includes an amount determined from loss reports and individual cases and an amount for losses incurred but not reported. The actuarially determined liability includes loss-based assessments. The Trust discounts its liability for unpaid claims and claim adjustment expenses. Adjustments to estimated amounts are reflected in operations in the year of the change.

Reinsurance

The Trust uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Premiums

Premiums earned are computed on a pro rata basis over the term of the underlying insurance policies. The Trust provides for premium adjustments to its policyholders based upon actual payroll information and records such adjustments, if determinable, as earned during the applicable policy year.

Transportation Industry Workers Compensation Trust

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Unearned premium revenue represents premiums billed for future periods. Such amounts may be either an outstanding premium receivable or cash prepayment. Of the amount reported, \$160,321 represents cash prepaid.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Member Premiums Receivable

Member premiums receivable relate to policies in force during the fiscal year and consists of the following at December 31, 2001:

Member premiums receivable	\$138,850
Allowance for doubtful accounts	30,000
Net	\$ 108,850

Included in member premiums receivable are retroactive payroll audit adjustments of approximately \$83,000 that were billed subsequent to year end. Collections against the outstanding balance through March 31, 2002 were \$84,879.

Note 3. Estimated Unpaid Claims and Claim Adjustment Expenses

As discussed in Note 1, the Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of claims and related claim adjustment expenses. The following represents changes in these aggregate liabilities:

Unpaid claims and claim adjustment expenses at beginning of year	\$ -
Incurred claims and claim adjustment expenses:	
Provision for the current year	510,274
Total incurred claims and claim adjustment expenses	510,274
Payments	
Claims and claim adjustment expenses for the current year	60,274
Total payments	60,274
Total unpaid claims and claim adjustment expenses at end of year	\$ 450,000

The above year end unpaid claims and claim adjustment expenses are presented at their net present value using an annual discount factor of 4%. The corresponding 2001 liability on an undiscounted basis is approximately \$600,000.

The liability for estimated unpaid claims and claims adjustments is actuarially determined based upon estimated amounts using claims history, industry trend data and management's assumptions. The Trust is in its first year of operation and therefore, a limited amount of historical data exists. The actuarially determined range for potential claims expense was \$405,000 to \$495,000. Management believes that the liability recorded for estimated unpaid claims and claims adjustment expense is adequate. The methods for making such estimates and establishing the resulting liability are continually reviewed by management. Due to the nature of the estimated amount, the ultimate liability may differ significantly from the estimated amount recorded in the financial statements.

Transportation Industry Workers Compensation Trust

Notes to Financial Statements

Note 4. Income Taxes

The provision for income taxes consists of the following at December 31, 2001:

Current tax expense	
Federal	\$15,580
State	8,300
	<hr/>
	23,880
Deferred tax benefit	
Federal	(11,960)
State	(5,810)
	<hr/>
	(17,770)
Income tax expense	<hr/>
	\$ 6,110

The deferred income tax benefit results from differences between income for financial reporting purposes and taxable income. The differences arose primarily from the allowance for doubtful accounts and deferred premiums.

Note 5. Reinsurance

The Trust retains responsibility for the payment of medical, indemnity and legal costs of claims up to the self-insured loss retention of \$400,000 prior to the application of coverage provided by its excess insurance contract. This contract provides coverage in excess of \$400,000 up to statutory limits per occurrence. The excess contract also provides an aggregate retention as of December 31, 2001 of \$1,141,503. The policy provides an aggregate indemnity limit of \$5,000,000 in excess of the aggregate retention for 2001. No reinsurance proceeds have been received through December 31, 2001.

Note 6. Commitments and Contingencies

Management fees: The Trust has entered into a management agreement, expiring December 27, 2005, with a third-party administrator (Administrator) under which the Administrator provides various services including loss control claims, marketing, accounting and general administration. Fees for these services are calculated at 15% of premiums before discounts.

Surety bond: The Trust has a surety bond pledged to the State of New York in the amount of \$721,300. Should the State have to draw on this bond, the Trust could be liable to the surety company up to this amount.

Indemnity: The Trust has entered into an indemnity agreement with each member to provide risk management services and workers' compensation and employer's liability coverage. The agreement stipulates, among other things, that each member is jointly and severally liable for the workers' compensation and employers' liability obligations of the Trust and its members which were incurred during the member's period of membership in the Trust, irrespective of the subsequent termination of the member's membership in the Trust, the insolvency or bankruptcy of another member of the Trust, or other facts or circumstances. However, recourse for any and all payments of workers' compensation and employers' liability benefits covered by the Trust's certificate of coverage to a member shall first be made by the Trust's assets.