WESCO FINANCIAL CORP
Form 10-K
April 01, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from __________ to __________

Commission file number 1-4720

WESCO FINANCIAL CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of incorporation or organization)	95-2109453 (I.R.S. Employer Identification No.)
301 East Colorado Boulevard, Suite 300, Pasadena, California (Address of Principal Executive Offices)	91101-1901 (Zip Code)

(626) 585-6700
(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Capital Stock, $1 par value	American Stock Exchange and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

The aggregate market value of voting stock of the registrant held by non-affiliates of the registrant as of March 18, 2002 was: $418,137,000.

The number of shares outstanding of the registrant s Capital Stock as of March 18, 2002 was: 7,119,807.

DOCUMENTS INCORPORATED BY REFERENCE

Title of Document	**Parts of Form 10-K**
Proxy Statement for 2002 Annual Meeting of Shareholders	Part III. Items 10, 11, 12 and 13

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PART I

Item 1. Business

GENERAL

Wesco Financial Corporation (Wesco) was incorporated in Delaware on March 19, 1959. Wesco, through wholly owned subsidiaries, engages in three principal businesses: (1) the insurance business, through Wesco-Financial Insurance Company (Wes-FIC), which was incorporated in 1985 and engages in the property and casualty insurance business, and The Kansas Bankers Surety Company (KBS), which was incorporated in 1909, was purchased by Wes-FIC in mid-1996 and provides specialized insurance coverages for banks; (2) the furniture rental business, through CORT Business Services Corporation (CORT), which traces its operations as a company with national presence to the combination of five regional furniture rental companies in 1972 and was purchased by Wesco in 2000; and (3) the steel service center business, through Precision Steel Warehouse, Inc. (Precision Steel), which was begun in 1940 and acquired by Wesco in 1979.

Wesco s operations also include, through its wholly owned subsidiary, MS Property Company (MS Property), management of owned commercial real estate in downtown Pasadena, California, a portion of which will be redeveloped. MS Property began its operations in late 1993, upon transfer to it of real properties previously owned by Wesco and by a former savings and loan subsidiary of Wesco.

Since 1973, Wesco has been 80.1% owned by Blue Chip Stamps (Blue Chip), a wholly owned subsidiary of Berkshire Hathaway Inc. (Berkshire). Thus, Wesco and its subsidiaries are controlled by Blue Chip and Berkshire. All of these companies may also be deemed to be controlled by Warren E. Buffett, who is Berkshire s chairman and chief executive officer and economic owner of approximately 31% of its stock. Charles T. Munger, the chairman of Wesco, is also vice chairman of Berkshire, and consults with Mr. Buffett with respect to Wesco s investment decisions and major capital allocations. Although operating decisions for Wesco s businesses are made by the managers of those business units, Mr. Buffett is president and a director of Wesco Holdings Midwest, Inc. (WHMI), a wholly owned subsidiary of Wesco, and a director of Wes-FIC, Precision Steel, and CORT, which are wholly owned subsidiaries of WHMI.

Wesco s activities fall into three business segments insurance, furniture rental and industrial. The insurance segment consists of the operations of Wes-FIC and KBS. The furniture rental segment consists of the operations of CORT. The industrial segment comprises Precision Steel s steel service center and other operations. Wesco is also engaged in several relatively insignificant activities not identified with the three business segments; these include (1) investment activity unrelated to the insurance segment, (2) MS Property s real estate activities, and (3) parent company activities.

INSURANCE SEGMENT

Wes-FIC was incorporated in 1985 to engage in the property and casualty insurance and reinsurance business. Its insurance operations are managed by National Indemnity Company (NICO), which is headquartered in Omaha, Nebraska. To simplify discussion, the term Berkshire Insurance Group, as used in this report, refers to NICO and certain other wholly owned insurance subsidiaries of Berkshire, individually or collectively, although Berkshire also includes in its insurance group the insurance subsidiaries 80.1%-owned through Berkshire s ownership of Wesco.

Wes-FIC s high net worth (about $1.8 billion at 2001 yearend) has enabled Berkshire to offer Wes-FIC the opportunity to participate, from time to time, in contracts in which Wes-FIC effectively has reinsured certain property and casualty risks of unaffiliated property and casualty insurers. These arrangements have included contracts for super-catastrophe reinsurance, which subject the reinsurer to especially large amounts of losses from mega-catastrophes such as hurricanes or earthquakes. Super-catastrophe policies indemnify the ceding companies for all or part of covered losses in excess of large, specified retentions, and have been subject to aggregate limits; reinsurance of this type is

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referred to as excess-of-loss reinsurance (as contrasted with quota-share reinsurance, under which a ceding company is indemnified in proportion to its own loss).

Wesco s and Wes-FIC s boards of directors have authorized automatic acceptance of retrocessions of super-catastrophe reinsurance offered by the Berkshire Insurance Group provided the following guidelines and limitations are complied with: (1) in order not to delay the acceptance process, the retrocession is to be accepted without delay in writing in Nebraska by agents of Wes-FIC who are salaried employees of the Berkshire Insurance Group; (2) any ceding commission received by the Berkshire Insurance Group cannot exceed 3% of premiums, probably less than the Berkshire Insurance Group could get in the marketplace; (3) Wes-FIC is to assume 20% or less of the total risk; (4) the Berkshire Insurance Group must retain at least 80% of the identical risk; and (5) the aggregate premiums from this type of business in any twelve-month period cannot exceed 10% of Wes-FIC s net worth.

Following is a summary of Wes-FIC s more significant reinsurance agreements:

A quota-share arrangement entered into in 1985 whereby Wes-FIC effectively reinsured through the Berkshire Insurance Group, as intermediary-without-profit 2% of the entire book of insurance business of a major property and casualty insurer written during a four-year coverage period that expired in 1989. Wes-FIC remains liable for its share of remaining unpaid losses and loss adjustment expenses, an estimate of which is included in insurance liabilities on Wesco s consolidated balance sheet, and will continue to invest the related float (funds set aside and invested pending payment of claims) until all liabilities are settled, perhaps many years hence.

During 1992 and 1993, a 50% quota-share agreement retroceded from the Berkshire Insurance Group related to certain personal lines business written by another large U.S.-based property and casualty insurer. No liabilities remain under this agreement.

Several contracts for super-catastrophe reinsurance retroceded from the Berkshire Insurance Group beginning in 1994, including 3% participations in two super-catastrophe reinsurance policies covering hurricane risks in Florida: (1) a 12-month policy effective June 1, 1996; and (2) a three-year policy effective January 1, 1997. No losses were incurred under these contracts.

Participation to the extent of 10% in a catastrophic excess-of-loss contract effective for the 1999 calendar year covering property risks of a major international reinsurer, also retroceded from the Berkshire Insurance Group. No liabilities remain under this contract.

A three-year arrangement entered into in 2000 through NICO, as intermediary without profit, for participation to the extent of 3.3% in certain property and casualty exposure ceded by a large, unaffiliated insurer. The terms of this arrangement are identical to those accepted by another member of the Berkshire Insurance Group, except as to the amount of the participation. Wes-FIC recorded a provision of $10 million before income taxes ($6.5 million after taxes) reflecting estimated loss and expenses relating to the September 11, 2001 terrorist activity. (See Item 7, Management s Discussion and Analysis of Results of Operations, below, for additional information.)

Participation in four risk pools covering hull, liability, workers compensation and satellite exposures relating to the aviation industry each to the extent of 3% for 2001 and, for 2002, 13% of the hull and liability pools, 3% of the workers compensation pool, and likely 13% of the satellite pool all managed by a Berkshire Insurance Group member. Another Berkshire Insurance Group member provides a portion of the reinsurance protection to these aviation risk pools, and therefore to Wes-FIC.

Since September 11, 2001, insurance industry and governmental leaders have been working to identify alternatives to mitigate the insurance industry s concerns regarding the ability of the insurance

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industry to cover losses from terrorism catastrophes. Beyond limited assumptions of certain aviation exposures, the U.S. government has not yet assumed any of this risk. Because of the magnitude and uncertainty of the catastrophic terrorism exposure, many insurers and reinsurers are responding primarily by restricting coverages where allowed and secondarily by raising premium rates. Various proposals are presently under consideration under which the federal government would assume significant losses arising from future terrorist attacks, thereby limiting this exposure to insurers and reinsurers. It is currently unknown if or when any such proposals will be enacted.

Although Wes-FIC has no active super-catastrophe reinsurance contracts in force, its management has indicated that Wes-FIC will likely have opportunities to participate in such business from time to time in the future. Management believes that an insurer in the reinsurance business must maintain large net worth in relation to annual premiums in order to remain solvent when called upon to pay claims when a loss occurs. In this regard, Wes-FIC is believed to operate differently from many other reinsurers in that risks it writes are entirely retained, while other reinsurers may retrocede portions of the risks to other reinsurers, thereby assuming contingent risks that such reinsurers will not be able to respond if called upon to pay off on risks reinsured. In this respect Wes-FIC and KBS are competitively well positioned, inasmuch as their net premiums written for calendar 2001 amounted to only 2.8% of their combined statutory surplus, compared to an industry average of about 94% based on figures reported for 2000.

Wes-FIC is also licensed to write direct insurance business (as distinguished from reinsurance) in Nebraska, Utah, and Iowa, and may write direct insurance in the non-admitted excess and surplus lines market in several other states, but the volume written to date has been minimal.

In July 1996, Wes-FIC purchased KBS for approximately $80 million in cash. KBS provides specialized insurance coverage to more than 20% of the banks in the United States, mostly small and medium-size banks in the Midwest. It is licensed to write business in 27 states. KBS is also subject to regulation by the Department of the Treasury. Its product line for financial institutions includes policies for crime insurance, check kiting fraud indemnification, internet banking catastrophe bonds, directors and officers liability, bank employment practices, and professional errors and omissions indemnity, as well as deposit guaranty bonds, which insure deposits in excess of federal deposit insurance limits. KBS, which for many years had minimized its risks arising from large losses through cessions to third party reinsurers, restructured its reinsurance program effective January 1, 1998 in order to retain a much higher portion of its premiums and risks of loss. Wesco s management anticipates that KBS s reinsurance restructuring will improve operating results over the long term in return for greater short-term volatility.

KBS markets its products in some states through exclusive, commissioned agents, and direct to insureds in other states. Inasmuch as the number of small midwestern banks is declining as the banking industry consolidates, KBS relies for growth on an extraordinary level of service provided by its dedicated employees and agents, and on new products such as deposit guaranty bonds, which were introduced in 1993 and currently account for approximately one-third of premiums written.

Standard & Poor s Corporation, in recognition of Wes-FIC s strong competitive position as a member of Berkshire s family of wholly and substantially owned insurance subsidiaries and its unusual capital strength, has assigned its highest rating, AAA, to Wes-FIC s claims-paying ability. This rating recognizes the commitment of Wes-FIC s management to a disciplined approach to underwriting and reserving, as well as Wes-FIC s extremely strong capital base.

Wesco s and Wes-FIC s boards are hopeful, but have no assurance, that the businesses of Wes-FIC and KBS will grow. They welcome the opportunity to participate in additional reinsurance retrocessions and other insurance arrangements, as well as acquisitions of other insurance companies.

Insurance companies are subject to regulation by the departments of insurance of the various states in which they write policies as well as the states in which they are domiciled and, if applicable, as is the case with KBS, by the Department of the Treasury. Regulations relate to, among other things, capital requirements, shareholder and policyholder dividend restrictions, reporting requirements, annual audits by independent accountants, periodic regulatory examinations, and limitations on the size and types of investments that can be made.

Wes-FIC, which is operated by NICO, has no employees of its own. KBS has 16 employees.

FURNITURE RENTAL SEGMENT

CORT, acquired in February 2000 by a subsidiary of Wesco, is the largest, and only national, provider of rental furniture, accessories and related services in the rent-to-rent (as opposed to rent-to-own) segment of the furniture industry. It rents high quality furniture to corporate and individual customers who desire flexibility in meeting their temporary office, residential or tradeshow furnishing needs and who typically do not seek to own such furniture. In addition, CORT sells previously rented furniture through company-owned clearance centers, thereby enabling it to regularly renew its inventory and update styles. CORT s national network includes 119 showrooms, 85 clearance centers and 79 warehouses in 35 states and the District of Columbia as well as three web sites (cort1.com, relocationcentral.com and corttradeshow.com).

The rent-to-rent business is differentiated from the rent-to-own business primarily by the terms of the rental arrangements and the type of customer served. Rent-to-rent customers generally desire high quality furniture to meet temporary needs, have established credit, and pay on a monthly basis. Typically, these customers do not seek to acquire the property rented. In the typical rent-to-rent transaction, the customer agrees to rent furniture for three to six months, subject to extension by the customer on a month-to-month basis. By contrast, rent-to-own arrangements are generally made by customers without established credit whose objective is to acquire ownership of the property; these arrangements are typically entered into on a month-to-month basis and require weekly rental payments.

CORT s customer base includes Fortune 500 companies, small businesses and professionals, and owners and operators of apartment communities. CORT s management believes that its size, national presence, consistently high level of customer service, product quality and breadth of selection, depth of management and efficient clearance centers have been key contributors to the company s success. CORT offers a full range of office, conference room and reception area furniture, panel systems and accessories. CORT emphasizes its ability to outfit an entire suite of offices with high quality furniture in two business days. CORT s objective is to build on these fundamentals and to further increase revenues by continuing to pursue its growth strategy. The key components of this strategy are (1) expanding its corporate customer base, (2) making selective acquisitions, (3) capturing an increasing number of internet customers through enhancements to its on-line catalog and websites, and (4) continuing to invest in the development of various products and services. CORT believes that, as a result, over the long term, margins will expand and operating earnings will increase.

In order to capitalize on the significant profit potential available from longer average rental periods and the higher average monthly rent for office products, CORT s strategy is to place greater emphasis on rentals of office furniture than residential furniture. In order to promote longer office lease terms, CORT offers lower rates on leases where lease terms exceed six months. A significant portion of CORT s residential furniture rentals are derived from corporate relocations and temporary assignments, as new and transferred employees of CORT s corporate customers enter into leases for residential furniture. Sales personnel maintain contact with corporate relocation departments and present the possibility of obtaining fully furnished rental apartments as a lower-cost alternative to hotel accommodations. Thus, CORT offers its corporate rental customers a way to reduce the costs of corporate relocation while developing residential business with new and transferred employees.

CORT s Relocation Central Corporation subsidiary (Relocation Central), formed in January 2001, is a web-enabled customer management center which obtains relocation leads and distributes them to a company-operated national network of locator agents. Relocation Central operates apartment locator businesses in six metropolitan areas. It intends to open apartment locator businesses in additional markets, either within CORT s existing showrooms or in acquired premises.

The customer management center manages apartment and business furniture leads through its web site, relocationcentral.com. The website serves as an access site to users considering moving to major cities. It provides useful data, such as information about vacant apartments, school systems, movers, local recreation and weather, as well as tips on relocating, at no charge.

Relocation Central s personnel also market CORT s furniture rental business to real estate investment trusts and other owners of housing communities and apartment houses. CORT s management hopes that, through Relocation Central, CORT will become the principal source of furniture rentals for large, multi-unit owners whose tenants require rental furniture. To date, more than 350 apartment communities refer their tenants to CORT.

CORT also provides short-term rentals for trade shows and conventions. Its corttradeshow.com website assists in providing information to and gathering leads from prospects.

Until the economy weakened beginning late in 2000, CORT benefited from increasing demand for furniture rental services. CORT s management believed that this favorable trend had been caused by continued growth in management and professional employment, the increasing importance to American business of flexibility and outsourcing, and the impact of a more mobile and transitory population. CORT s management attributes the decline in business experienced throughout its industry in 2001 to continued weakness of the economy, notably in the high-technology sector, exacerbated by the terrorist activity on September 11.

The rent-to-rent segment of the furniture rental industry is highly competitive. There are several large regional as well as a number of smaller regional and local rent-to-rent furniture companies. In addition, numerous retailers offer residential and office furniture under rent-to-own arrangements. Management believes that the principal competitive factors in the furniture rental industry are product value, furniture condition, extent of furniture selection, terms of rental agreement, speed of delivery, exchange privilege, option to purchase, deposit requirements and customer service.

The majority of CORT s furniture sales revenue is from clearance center sales. The remaining furniture sales revenue is derived primarily from lease conversions and sales of new furniture. Sales of rental furniture allow CORT to control inventory levels and maintain showroom quality of rental inventory. On average, furniture is typically sold through the clearance centers three years after its initial purchase by the company.

With respect to sales of furniture through its clearance centers, CORT competes with numerous used and new furniture retailers, some of which are larger than CORT. Management believes that price and value are its principal competitive advantages in this activity.

CORT and Relocation Central have approximately 2,750 employees, including 90 union members. Management considers labor relations to be good.

INDUSTRIAL SEGMENT

Precision Steel, acquired in 1979, and one of its subsidiaries operate steel service centers in the Chicago and Charlotte metropolitan areas. The service centers buy stainless steel, low carbon sheet and strip steel, coated metals, spring steel, brass, phosphor bronze, aluminum and other metals, cut these metals to order, and sell them to a wide variety of customers.

The service center business is highly competitive. Precision Steel s annual sales volume of approximately 25 thousand tons compares with the steel service industry s annual volume of approximately 20 million tons. Precision Steel competes not only with other service centers but also with mills which supply metal to the service centers. Competition exists in the areas of price, quality, availability of products and speed of delivery. Because it is willing to sell in relatively small quantities, Precision Steel has been able to compete in geographic areas distant from its service center facilities.

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Competitive pressure is intensified by imports and by a tendency of domestic manufacturers to use less costly materials in making parts.

Precision Brand Products, Inc. (Precision Brand), a wholly owned subsidiary of Precision Steel that is also located in the Chicago area, manufactures shim stock and other toolroom specialty items, and distributes a line of hose and muffler clamps. These products are sold under the Precision Brand and DuPage names nationwide, generally through industrial distributors. This business is highly competitive. Precision Brand s share of the toolroom specialty products market is believed to approximate .5%; statistics are not available with respect to its share of the market for hose and muffler clamps.

Steel service raw materials are obtained principally from major domestic steel mills, and their availability is considered good. Precision Steel s service centers maintain extensive inventories in order to meet customer demand for prompt deliveries; typically, processed metals are delivered to the customer within one week. Precision Brand normally maintains inventories adequate to allow for off-the-shelf service to customers within 24 hours.

The industrial segment businesses are subject to economic cycles. These businesses are not dependent on a few large customers. The backlog of steel service orders decreased to approximately $4.1 million at December 31, 2001 from $5.8 million at December 31, 2000.

There are 214 full-time employees engaged in the industrial segment businesses, about 40% of whom are members of unions. Management considers labor relations to be good.

ACTIVITIES NOT IDENTIFIED WITH A BUSINESS SEGMENT

Certain of Wesco s activities are not identified with any business segment. These extraneous, relatively insignificant operations include (1) investment activity unrelated to the insurance segment, (2) management of owned commercial real property in Pasadena, California, a portion of which will be redeveloped, and (3) parent company activities.

The Wesco group, while it seeks suitable businesses to acquire and explores ways to expand its existing operations, also invests in marketable equity securities and in securities with fixed maturities. (See Note 3 to the accompanying consolidated financial statements for summaries of investments.)

Six full-time employees are engaged in the activities of Wesco and MS Property.

Item 2. Properties

MS Property owns a business block in Pasadena, California situated between the city hall and a large shopping mall. The mall has recently been redeveloped to include residential units and a multi-screen movie theatre. The block s improvements include a nine-story office building that was constructed in 1964 and has approximately 125,000 square feet of net rentable area, and a multistory garage with space for 425 automobiles. Of the 125,000 square feet of space in the office building, approximately 5,000 square feet are used by MS Property or leased to Blue Chip or Wesco. The remaining space is leased to outside parties, including California Federal Bank, the ground floor tenant, law firms and others, under agreements expiring at dates extending to 2008. Adjacent to the building and garage is a vacant parcel; MS Property is in process of redeveloping it, together with a parcel of land it owns in the next block which it has been using as a 100-car parking lot.

MS Property also owns several buildings that are leased to various small businesses in a small shopping center in Southern California.

Wes-FIC s place of business is the Omaha, Nebraska headquarters office of NICO.

KBS leases 5,100 square feet of office space in a multistory office building in Topeka, Kansas under a lease that expires in 2007.

CORT leases 23,800 square feet of office space in a multistory office building in Fairfax, Virginia, which it uses as its headquarters. It has an option to renew the lease for five years beyond its 2006 expiration.

CORT carries out its rental, sales and warehouse operations in metropolitan areas in 35 states and the District of Columbia through 212 facilities, of which 18 were owned and the balance leased as of 2001 yearend. The leased facilities lease terms expire at dates ranging from 2002 to 2015. CORT has generally been able to extend expiration dates of its leases or obtain suitable alternative facilities on satisfactory terms. Its management seeks to locate properties in new markets where rental, clearance and warehouse operations can be combined in one facility. As CORT expands in a particular district, it seeks to open free-standing showrooms and clearance centers that can be serviced from pre-existing warehouses. CORT s showrooms generally have 4,500 square feet of floor space. CORT regularly reviews the presentation and appearance of its furniture showrooms and clearance centers and periodically improves or refurbishes them to enhance their attractiveness to customers.

Relocation Central leases 2,800 square feet of office space in a multistory office building in Santa Clara, California, which it uses as its headquarters. It has no option to renew the lease beyond its 2003 expiration.

Relocation Central s apartment locator services are situated in 10 leased facilities in six metropolitan areas in five southern and midwestern states under leases expiring at dates ranging from 2002 to 2005, as well as in two of CORT s showrooms.

Precision Steel and its subsidiaries own three buildings housing their plant and office facilities, with usable area approximately as follows: 138,000 square feet in Franklin Park, Illinois; 63,000 square feet in Charlotte, North Carolina; and 59,000 square feet in Downers Grove, Illinois.

Item 3. Legal Proceedings

Wesco and its subsidiaries are not involved in any legal proceedings that are expected to result in material loss.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5.

Wesco s capital stock is traded on the American Stock Exchange and the Pacific Stock Exchange.

The following table sets forth quarterly ranges of composite prices for American Stock Exchange trading of Wesco shares for 2001 and 2000, based on data reported by the American Stock Exchange, as well as cash dividends paid by Wesco on each outstanding share:

	2001			2000		
	Sales Price			Sales Price		
Quarter Ended	High	Low	Dividends Paid	High	Low	Dividends Paid
March 31	$310	$270	$0.315	$281	$200	$0.305
June 30	350	291	0.315	252	200	0.305
September 30	349	275	0.315	256	209	0.305
December 31	343	287	0.315	294	236	0.305
			$1.260			$1.220

There were approximately 600 shareholders of record of Wesco s capital stock as of the close of business on March 18, 2002. It is estimated that approximately 5,200 additional Wesco shareholders held shares of Wesco s capital stock in street name at that date.

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Item 6. Selected Financial Data

Set forth below and on the following page are selected consolidated financial data for Wesco and its subsidiaries. For additional financial information, attention is directed to Wesco s audited 2001 consolidated financial statements appearing elsewhere in this report. (Amounts are in thousands except for amounts per share.)

	December 31,				
	2001	2000	1999	1998	1997
Assets:					
Cash and cash equivalents	$ 120,784	$ 153,810	$ 66,331	$ 320,034	$ 10,687
Investments					
Securities with fixed maturities	924,160	839,683	309,976	66,619	279,697
Marketable equity securities	667,262	833,937	2,214,883	2,778,595	2,224,848
Accounts receivable	43,871	38,444	8,685	7,707	7,148
Rental furniture	212,586	244,847			
Property and equipment	47,916	53,833	11,414	12,193	13,229
Goodwill of acquired businesses	264,465	260,037	28,556	29,338	30,121
Other assets	38,649	36,324	12,350	13,920	22,382
Total assets	$2,319,693	$2,460,915	$2,652,195	$3,228,406	$2,588,112
Liabilities:					
Insurance losses and loss adjustment expenses	$ 61,879	$ 39,959	$ 33,642	$ 36,731	$ 41,437
Deferred furniture rental income and security deposits	23,796	27,669			
Accounts payable and accrued expenses	36,794	33,881	3,674	4,520	4,491
Notes payable	33,649	56,035	3,635	33,635	33,635
Income taxes payable, principally deferred	225,665	305,175	707,345	920,035	733,488
Other liabilities	25,513	21,162	8,527	9,729	10,769
Total liabilities	$ 407,296	$ 483,881	$ 756,823	$1,004,650	$ 823,820
Shareholders equity:					
Capital stock and surplus	$ 30,439	$ 30,439	$ 30,439	$ 30,439	$ 30,439
Unrealized appreciation of investments, net of taxes	372,267	480,469	1,312,590	1,686,716	1,290,939
Retained earnings	1,509,691	1,466,126	552,343	506,601	442,914
Total shareholders equity	$1,912,397	$1,977,034	$1,895,372	$2,223,756	$1,764,292
Per capital share	$ 268.60	$ 277.68	$ 266.21	$ 312.33	$ 247.80

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	Year Ended December 31,				
	2001	2000	1999	1998	1997
Revenues:					
Sales and service revenues	$443,628	$ 426,096	$ 64,571	$ 66,137	$ 67,557
Insurance premiums earned	43,031	23,783	17,655	15,923	11,507
Dividend and interest income	70,981	59,759	49,679	40,543	36,552
Realized net securities gains		1,311,270	11,186	51,706	100,914
Other	3,439	3,056	4,600	3,921	4,498
	561,079	1,823,964	147,691	178,230	221,028
Costs and expenses:					
Cost of products and services sold	144,712	146,649	50,728	51,527	52,710
Insurance losses, loss adjustment and underwriting expenses	46,682	19,392	7,366	8,174	860
Selling, general and administrative	276,712	227,954	11,468	12,425	10,588
Interest expense	4,169	5,235	2,549	3,016	3,320
Goodwill amortization	7,476	6,342	782	782	782
	479,751	405,572	72,893	75,924	68,260
Income before income taxes	81,328	1,418,392	74,798	102,306	152,768
Provision for income taxes	(28,792)	(495,922)	(20,655)	(30,503)	(50,959)
Net income	$ 52,536	$ 922,470	$ 54,143	$ 71,803	$101,809
Amounts per capital share:					
Net income	$ 7.38	$ 129.56	$ 7.60	$ 10.08	$ 14.30
Cash dividends	1.26	1.22	1.18	1.14	1.10

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

In reviewing this