CUMBERLAND TECHNOLOGIES INC
Form 10-K
May 06, 2003

UNITED STATES
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, 2002

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 No. 0-19727

CUMBERLAND TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Florida	59-3094503
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
4311 West Waters Avenue, Suite 501 Tampa, Florida	33614
(Address of principal executive offices)	(Zip Code)

(813) 885-2112
(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
Common Stock	The Over The Counter Bulletin Board

Securities registered pursuant to Section12(g) of the Act:

Common Stock
(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 a check mark if disclosure of delinquent files pursuant to Item 405 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. [x]

$216,120

Aggregate market value of voting stock (Common Stock) held by nonaffiliates of the Registrant as of March 6, 2003

5,597,244 shares of Common Stock $.001 par value

Number of shares of Common Stock outstanding as of March 6, 2003

Documents incorporated by reference: NONE

PART I

Item 1. Business

General

Cumberland Technologies, Inc. ("CTI" or "the Company"), (f/k/a Cumberland Holdings, Inc.) a Florida corporation, was formed on November 18, 1991, to be a holding company and a wholly-owned subsidiary of Kimmins Corp. ("KC"). Effective October 1, 1992, KC contributed all of the outstanding common stock of two of its wholly-owned subsidiaries, Cumberland Casualty & Surety Company ("CCS") and Surety Specialists, Inc. ("SSI") to CTI. KC then distributed to its stockholders CTI's common stock on the basis of one share of common stock of CTI for each five shares of KC common stock and Class B common stock owned (the "Distribution"). Cumberland Technologies, Inc., ("the Company") is a holding company engaged through its subsidiaries, Cumberland Casualty & Surety Company ("CCS"), Surety Specialists, Inc. ("SSI"), The Surety Group, Inc. ("SG"), Associates Acquisition Corp. d/b/a Surety Associates ("SA") and Qualex Consulting Group, Inc. ("Qualex") in the delivery of specialty surety and insurance services. Surety services include underwriting surety bonds on a direct and assumed basis, surety consulting and the development of surety software. Insurance services include the underwriting of specialty and other liability insurance products. In addition, the Company conducts its business through a number of independent agencies which focus on selling and delivering surety insurance products to consumers. Because the need to advance technologically in the delivery of insurance products, the Company developed a software product called Bond-Pro(R). This patented surety issuance system increases the speed that surety agents deliver their products to the customer and financially report those transactions to the carrier, while reducing operating costs. The Company's business strategy is to continue the underwriting focus of each of its operating subsidiaries and to achieve growth through the expanded licensing of Bond-Pro(R).

CCS is a property and casualty insurance company that was incorporated in

Texas on May 4, 1988 and redomesticated in Florida, on September 2, 1994. CCS is licensed in twenty-seven states, the District of Columbia, and Guam. It holds a certificate of authority from the United States Department of the Treasury, which qualifies CCS as an acceptable surety on Federal bonds. CCS is rated "B+" (Very Good) by A.M. Best.

CCS currently has applications for admission pending in various states. Most of these states have a lengthy applications process in which the admission filing must be updated with certain financial and nonfinancial information until the insurance department decides to approve an application. The insurance department is not restricted as to the amount of time it may take to approve an application. All applications are updated as new information becomes available and CCS is waiting for inquiries or actions by these pending states. Those states in which CCS has not yet applied for licensing generally require additional years of operating history or additional capital and surplus. Once CCS has met these requirements, it is anticipated that the applications for admission will be submitted accordingly. CCS is currently attempting to obtain additional state licenses in order to spread its risk of loss geographically and to increase its sales of direct surety and insurance products. Management believes that CCS can function profitability selling direct surety and insurance products in the states in which it is currently licensed.

SSI, a Florida corporation, formed in August 1988, SG, a Georgia corporation, and SA, a South Carolina corporation purchased by the Company in February and July 1995, respectively, are specialized surety agencies which operate as independent agencies. Each secures surety risks for small to medium size contractors as an agent and for other agents as a broker. SG and SA are also general lines insurance agencies. When acting as an agent, SSI, SG and SA receive a commission from the various insurance companies it represents, one of which is CCS. Agency commissions are based upon a percentage of premiums paid by the consumer. The commissions paid by CCS to SSI, SG and SA range from 35 to 40 percent.

In addition, SSI generates additional revenues through joint partnering agreements to pursue small to medium size contract and commercial surety business on a countrywide basis. The agreements allow SSI to solicit surety business in states in which CCS is not licensed thereby significantly increasing the Company's ability to geographically spread risk. CCS participates in both agreements underwriting risk through a retrocession treaty.

Qualex, a Florida corporation, formed in November 1994, provides claim and contracting consulting services to the surety and construction industries. CCS purchases claim consulting services from Qualex on a contract basis.

The percentages of gross revenue generated by the Company's subsidiaries for the year ended December 31, 2002 are as follows:

Subsidiary	Revenue Percentage
CCS...........................	87%
Qualex........................	10%
SA............................	1%
SG............................	2%
	100%

The term "the Company" unless the context otherwise requires, refers to

Cumberland Technologies, Inc. and its subsidiaries. The principal executive offices of the Company are located at 4311 West Waters Avenue, Suite 401, Tampa, Florida 33614. The Company's telephone number is (813) 885-2112, its facsimile number is (813) 885-6734 and its web site is www.cumberlandtech.com.

Surety Products

CCS underwrites a wide variety of surety bonds for small to medium size surety accounts. CCS also assumes underwriting risk from other surety companies under various reinsurance arrangements. Contract surety bonds center primarily on performance and payment bonds issued for the construction industry. The bonds guarantee that a contractor will fulfill their obligations, with respect to performing the scope of work defined in the contract and fulfilling their financial obligations. CCS's typical bond is less than $200,000 with aggregate ongoing work of $500,000. These bonds are marketed through independent insurance agencies specializing in this type of coverage to general contractors, sub-contractors and specialty contractors.

Commercial surety bonds, which includes all non-contract surety bonds, numerous types of license and permit, miscellaneous and judicial bonds. The scope of each bond varies according to the law, locality, the nature of the guarantee, and the parties who have a right of action under the bond. The typical bond penalty ranges from $5,000 to $50,000 and is usually written on a volume basis.

Insurance Products

The Company's other liability insurance products include Registered Investment Advisors professional liability insurance and Notary Public Errors and Omission liability insurance. Both coverages are occurrence liability coverages, that insure against specific liability risks. Under the Registered Investment Advisors professional liability coverage, each endorsed account is limited to a maximum liability coverage of $500,000. Due to the volatility in the marketplace, the Company suspended marketing of this product effective September 2001. The Notary Public Errors and Omissions liability coverage is written with liability limits of $7,500 to $30,000 per policy.

On surety or insurance products sold directly by CCS, exposure to loss would be the penal amount of the bond, less any portion for which CCS has obtained reinsurance. On reinsurance, CCS's exposure to loss would be limited by the amount of reinsurance provided. Reinsurance does not relieve an insurer of its liability to the policyholder for the full amount of the policy, however, the reinsurer is obligated to the insurer for the portion assumed by the reinsurer.

Technology Product

On October 1, 1996, CTI launched the development of a surety bond issuance system "Bond-Pro(R)." The Company received its federal copyright registration #TX4-542-729 effective March 29, 1997. The Company sees the implementation of the system as an integral part of its unique service affording it the ability to capture a larger share of the marketplace. This program encompasses the required functions an agency needs to run a full scale bond desk when implemented inside the agency structure. The software is designed to reduce the labor required to provide improved service. CCS offers its Bond-Pro(R) program to small and medium size agencies in order to produce premiums. The efficiencies gained in using the Bond-Pro(R) system enhances CCS's ability to increase premiums and to develop relationships which may not otherwise be possible due to competition for this class of business. While a small percentage of the industry offers issue and reporting systems for bonds, no other provider offers a fully integrated, multi-carrier production and processing system including management reporting.

Underwriting

For the contract and commercial surety lines of business, the Company's underwriting philosophy provides for an individual analysis of the risk associated with each application, except for specific categories of miscellaneous bonds. In underwriting contract bonds, its approach focuses on the financial strength, experience and operating capacity of the contractor. In underwriting commercial surety, this approach focuses on the credit history and financial resources of the applicant.

The Company maintains control of the contract and commercial surety underwriting process through the use of authority limits for each underwriter and committee underwriting of larger risks. The Company may require collateral on contract bonds and occasionally, on other types of bonds based upon an assessment of the risk characteristics. The risk assessment includes evaluation of the financial strength of the contractor, the credit history of the contractor, work in progress and successful work experience. Collateral can consist of irrevocable letters of credit, certificates of deposit, cash, savings accounts and publicly traded securities. Both corporate and personal indemnification may be required in order to mitigate liability risk. The Company also targets various products in the commercial surety market which are characterized by relatively low risk exposure in small penal amounts. The underwriting criteria, including the extent of bonding authority granted to independent agents, will vary depending on the class of business and the type of bond. For example, relatively little underwriting information is typically required of certain low exposure risk such as notary bonds.

Other liability insurance applications are individually evaluated and the decision to write a particular risk is made by the Company's underwriting department. The underwriting department determines whether to write a particular risk after evaluating a number of factors based upon detailed objective underwriting standards relating to each class of business.

Reinsurance

CCS assumes reinsurance premiums through a program whereby its subsidiary, SSI has contracted through two joint partnering agreements (St. Paul Fire and Marine Group, f/k/a United States Fidelity and Guaranty Company and Peerless Insurance Company) to pursue small to medium size contract and commercial surety business in states in which CCS is not licensed. Effective July 1, 2002, these programs were discontinued. CCS participates in the underwriting risk through a retrocession treaty with Transatlantic Reinsurance Company.

Effective October 1, 1996, CCS entered into a quota share agreement with First Indemnity of America Insurance Company ("FIA") whereby all of the premiums written through a shared underwriting office are subject to this treaty. The Company assumes 50% of the premiums written by FIA and cedes 50% of the premiums written by CCS.

The Company's insurance subsidiary, in the ordinary course of business, cedes insurance to other insurance companies, to limit its exposure to loss, provide greater diversification of risk, and minimize aggregate exposures. Because the ceding of insurance does not discharge the primary liability of the original insurer, CCS places reinsurance with qualified carriers after conducting a detailed review of the nature of the obligation and a thorough assessment of the reinsurers credit qualifications and claims settlement performance and capabilities. The reinsurance coverage terms are tailored to the specific risk characteristics of the underlining products of the company.

For contract and commercial surety business, CCS entered into an excess of loss reinsurance agreement with Transatlantic Reinsurance Company (Transatlantic Treaty), which is rated A+ (Superior) by A.M. Best. Excess of loss reinsurance is a form of reinsurance, which indemnifies the ceding insurer up to an agreed amount against all or a portion of the amount of loss in excess of a specified retention. The Company cedes risk insured to Transatlantic Reinsurance Company on an excess of loss treaty 95% of the risk insured with a maximum exposure to the Company of $235,000 per principal prior to June 30, 2001 and a maximum exposure of $300,000 per principal effective July 1, 2001 through June 30, 2002. Effective July 1, 2002, net exposure, is limited to $250,000 through its reinsurance program after a $1.4 million annual aggregate deductible, limited to $350,000 per principal, is satisfied. Under the Transatlantic Treaty, the reinsurer automatically assumes the risk of losses on all contract surety bonds written and classified as surety in CCS's statutory annual statement and all miscellaneous surety bonds with penal sums over $100,000 written and classified as surety in CCS's statutory annual statement.

Effective July 1, 2002, CCS entered into a quota share agreement with Transatlantic Reinsurance Company whereby CCS cedes 35% of the premiums, net of commissions, on its commercial surety bonds with penal sums less than $100,000. The quota share treaty is renegotiated annually.

For its liability line of registered investment advisor insurance, the Company has reduced its exposure on any one risk, through the purchase of a quota share agreement with Dorinco Reinsurance (Dorinco Treaty) which is rated A (Excellent) by A.M. Best. Under the Dorinco Treaty, CCS cedes 50% of its liability on all Registered Investment Advisor policies.

Reserves

Reserves for losses and loss adjustment expenses are established based upon reported claims and historical industry loss development. The amount of liability for case loss reserves for reported claims is based on a case by case evaluation of the claim. Historical industry data is reviewed and consideration is given to the anticipated impact of various factors such as legal developments, economic conditions and the effects of inflation. Amounts are adjusted periodically to reflect these factors.

Reserve for losses and loss adjustment expenses are actuarial estimates of losses, including the related settlement costs. Management believes that the reserves for losses and loss adjustment expenses are adequate to cover the losses and loss adjustment expenses, including the cost of incurred but not reported losses. During 2002, there were no material changes in the mix of business or types of risk assumed.

Current fluctuations in inflation have not had a material effect on the consolidated financial statements and there are no explicit provisions in the consolidated financial statements for the effects of inflation that may cause future changes in claim severity.

Other than certain classification differences, there are no material differences between statutory reserves and Generally Accepted Accounting Principle ("GAAP") reserves. CCS does not discount its loss reserves for financial reporting purposes.

Derivative Instruments

The Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" effective January 1, 2001. As a result, the Company identified one product that meets the definition of a derivative instrument as defined in SFAS No. 133. The policy is issued to registered investment advisors ("Advisors"), and insures losses suffered by the Advisors as a result of market declines on covered investment principal, provided that the Advisors have followed the investment guidelines required by the policy. The identified derivative was formerly accounted for as an insurance contract within the policy liabilities for loss and loss adjustment expenses account in the consolidated balance sheet for periods prior to January 1, 2001. Due to the volatility in the marketplace, the Company suspended marketing of this product effective September 2001.

Environmental Claims

The Company bonds several accounts that have incidental environmental exposure, with respect to which the Company provides limited contract bonding programs. In the commercial surety market, the Company provides bonds to corporations that are in the business of mining various minerals, establishing mitigation banks, or operating environmental facilities, and that are obligated to post financial assurance bonds that guarantee that property can be managed according to regulatory guidelines. While no environmental responsibility is overtly provided by commercial or contract bonds, some risk of environmental exposure may exist if the surety were to assume certain rights of ownership of the property in the completion of a defaulted project or through salvage recovery. To date, the Company has not received any environmental claim notices, nor is management aware of any potential environmental claims.

Investments

Insurance company investment practices must comply with insurance laws and regulations. Generally, insurance laws and regulations prescribe the nature and quality of, and set limits on, various types of investments, which may be made by CCS.

CCS's investment portfolios generally are managed to maximize any tax advantages to the extent available while minimizing credit risk with investments concentrated in high quality, fixed income securities. CCS's portfolios are managed to provide diversification by limiting exposures to any one issue or issuer and to provide liquidity by investing in the public securities markets. Portfolios are structured to support CCS's operations and in consideration of the expected duration of liabilities and short-term cash needs.

An Investment Committee of CCS's Board of Directors establishes investment policy and oversees the management of the portfolios.

Marketing

CCS principally markets its products in twenty-seven states, the District of Columbia and Guam in which it is licensed. Its products are marketed primarily through SSI, SG, SA and independent agents and producers, including multi-line agents and brokers that specialize as surety specialists, many of whom are members of the National Association of Surety Bond Producers. CCS uses specialized general agencies to market its other liability insurance products.

Competition

The insurance industry is a highly competitive industry. There are numerous firms, particularly in the specialty surety markets, which compete for a limited volume of business. Competition is based upon price, service, products offered, and financial strength of the insurance company. There are a number of companies in the industry, which offer products similar to the Company's products.

The Company competes in the small to medium size contract and commercial surety bond markets. Primary competitors include large multi-line companies, as well as small regional companies that specialize in the surety market. After a decade of stable pricing and consistent profitability, the surety industry has been hit with a spike in losses. As a result, more restrictive practices, increased rates and tightening credit conditions has created a new level of competition. Management believes it can effectively compete in the medium to small bond market.

The Company, while competitive in pricing and commission, believes that the availability of its proprietary Bond-Pro(R) surety issuance system, specialty underwriting, managerial experience and service are its primary competitive factors in the industry. To this end, the Company believes that its technology and specialization in underwriting niche surety markets will enable it to continue to compete effectively, even when challenged by the larger standard market companies.

Regulation

The Company's subsidiaries are subject to varying degrees of regulation and supervision in the jurisdictions in which they transact business under statutes, which delegate regulatory, supervisory, and administrative powers to State insurance regulators. In general, an insurer's state of domicile has principal responsibility for such regulation. It is designed generally to protect policy holders rather than investors and relates to matters such as the standards of solvency which must be maintained; the licensing of insurers and their agents; examination of the affairs of insurance companies, including periodic financial and market conduct examinations; the filing of annual and other reports, prepared on a statutory basis, on the financial condition of insurers or for other purposes; establishment and maintenance of reserves for unearned premiums and losses; and requirements regarding numerous other matters. Licensed or admitted insurers generally must file with the insurance regulators of such states, or have filed on its behalf, the premium rates and bond and policy forms used within each state. In some states, approval of such rates and forms must be received from the insurance regulators in advance of their use.

CCS is domiciled in Florida and licensed in 27 states, the District of Columbia and Guam. SSI, SG and SA are licensed in Florida, Georgia and South Carolina respectfully. CCS is also regulated by the United States Department of the Treasury as an acceptable surety for Federal bonds.

Holding company laws impose standards on certain transactions between registered insurers and their affiliates, which include, among other things, that the terms of the transactions be fair and reasonable and that the books, accounts and records of each party be maintained so as to clearly and accurately disclose the precise nature and details of the transactions. Holding company laws also generally require that any person or entity desiring to acquire more than a specified percentage (commonly 10%) of the Company's outstanding voting securities, is required first to obtain approval of the applicable state's insurance regulators.

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") model law for property and casualty companies. The RBC model law is intended to provide standards for calculating a variable regulatory capital requirement related to a company's current operations and its risk exposures (asset risk, underwriting risk, credit risk and off balance sheet risk). These standards are intended to serve as a diagnostic solvency tool for regulators that establishes uniform capital levels and specific authority levels for regulatory interventions when an insurer falls below minimum capital levels. The model laws specifies four distinct action levels at which a regulator can intervene with increasing degrees of authority over a domestic insurer as its financial conditions deteriorates. These RBC levels are based on the percentage of an insurers surplus to its calculated RBC. The company's RBC is required to be disclosed in its statutory annual statement. The RBC is not intended to be used as a rating or ranking tool nor is to be used in premium rate making or approval. The Company calculated its RBC requirements as of December 31, 2002 and met the minimum standards under the NAIC guidelines.

Controlling Shareholders

Francis Williams, and KC (collectively "Majority Shareholder") owns 79.9% of the outstanding ordinary shares of the Company and collectively control the policies and affairs of the Company. Circumstances may arise in which the interest of the Majority Shareholder of the Company could be in conflict with the interest of the other holders of the common stock. In addition, the Majority Shareholder may have an interest in pursuing acquisitions, divestitures or other transaction that in their judgment, could enhance their equity investment, even though such transactions might involve risk to the other holders of the common stock.

Employees

On December 31, 2002, the Company had 34 employees. All are employed on a full-time basis. None of the Company's employees are union members or subject to collective bargaining agreements.

Forward-looking Statements

All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-K which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, changes in business strategy or plans, the availability and price of reinsurance, the Company's ability to pass on price increases, plans to install the Bond-Pro(R) program in independent insurance agencies, the impact of insurance laws and regulation, the availability of financing, reliance on key management personnel, ability to manage growth, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, and other statements regarding future plans and strategies, anticipated events, trends or similar expressions concerning matters that are not historical facts are forward looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ significantly and materially from past results and from the Company's expectations, including the risk factors discussed in this Form 10-K, Item 1 and 7A, and other factors, many of which are beyond the control of the Company, consequently, all of the forward-looking statements made in this Form 10-K are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized that they will have the expected consequences to or effects on the Company or its business or operations.

Item 2. Properties

The Company's operating subsidiaries rent or lease office space in the cities in which they are located. CCS and Qualex lease office space in Tampa, Florida from a company owned by Francis Williams, the Chairman of the Board of the Company, at a monthly rate of $10,885, pursuant to a lease that was executed June 1, 1999 and is effective through May 31, 2009.

Management considers the rented and leased office facilities of its subsidiaries adequate for the current and anticipated future level of operations.

Item 3. Legal Proceedings

CCS was named as a defendant in a class action lawsuit in the United States District Court for the District of Colorado. The plaintiffs are clients of a registered investment advisor (the "Advisor") and have alleged that the Advisor, a registered broker-dealer, and certain other defendants (excluding CCS) were negligent or otherwise responsible for losses suffered by the plaintiffs resulting from embezzlement of the plaintiffs' investments by a third party. As a separate count in the lawsuit, the plaintiffs have also asserted claims against CCS based on a policy of insurance issued by CCS to the Advisor. The policy does not provide coverage for embezzlement, rather it insures losses caused by market declines, providing that the Advisor has followed the investment guidelines required by the policy. On July 31, 2002, the District Court granted CCS motion for summary judgment and dismissed the claims against CCS.

The Company and its subsidiaries are involved in various lawsuits arising in the ordinary course of its business operations as an insurer. Management does not believe that any of these lawsuits will have a material effect on the consolidated financial position, future operations or cash flows of the Company.

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

None.

Executive Officers of the Registrant

All of the following persons are regarded as executive officers because of their responsibilities and duties as elected officers of the Company's subsidiaries. Other than Francis M. Williams and Joseph M. Williams (See Item 10), there are no family relationships between any of Company's executive officers and directors, and there are no arrangements or understandings between any of these officers and any other person pursuant to which the officer was selected as an officer.

Name	Position Presently Held	Entity	Period of Service
Joseph M. Williams..........	President	CTI	06/1992 to date
	President	CCS	11/2002 to date
Carol S. Black..............	Secretary	CTI	06/1995 to date
	Secretary/Treasurer	CCS	06/1995 to date
	Secretary	SSI	08/1995 to date
	Secretary/Treasurer	Qualex	08/1995 to date
	Secretary	SG	08/1995 to date
	Secretary	SA	08/1995 to date
Edward A. Mackowiak.........	President	Qualex	11/1994 to date
Sam H. Newberry.............	Vice President	SG	01/1998 to date

PART II

Item 5. Market for the Company's Common Equity and Related Stockholders Matters

The Company's common stock (symbol "CUMB") has been traded in the over-the-counter market since October 1, 1992. Effective December 16, 1996, the Company was approved and included in the trading on the Nasdaq SmallCap Market. Effective September 12, 2002, the Company's common stock was delisted from the Nasdaq SmallCap Market and on October 3, 2002, the Company announced its listing on the Nasdaq Over-the-Counter Bulletin Board. High and Low bid prices were set forth in Quotation Market Sheets published by Nasdaq. The high and low bid prices for 2002 and 2001 were as follows:

	Bid Information			
	2002		2001	
	High	Low	High	Low
First Quarter	$ 1.00	$ .75	$ 1.91	$ 1.38
Second Quarter	.59	.35	1.10	1.10
Third Quarter	.06	.05	.98	.90
Fourth Quarter	.15	.06	.95	.95

As of March 6, 2003, there were 799 stockholders of record of the common stock. A number of such holders are brokers and other institutions holding shares in "street name" for more than one beneficial owner.

Dividends

The payment by the Company of dividends, if any, in the future is within the discretion of its Board of Directors and will depend upon the Company's earnings, capital requirements (including working capital needs), and other financial needs. The Company did not declare or pay dividends in 2002 and does not anticipate paying any dividends on the Company's Common Stock in the near future.

The future payment of dividends, if any, by CCS is within the discretion of its Board of Directors and will depend upon CCS's earnings, statutory limitations, capital requirements (including working capital needs) and financial condition, as well as other relevant factors. Applicable state laws and regulations restrict the payment of dividends by CCS to the extent of current year profits less any dividends that have been paid in the preceding twelve months or net investment income for the year, whichever is less, unless CCS obtains prior approval from the insurance commissioner. CCS does not anticipate paying any dividends on CCS common stock in the near future.

Item 6. Selected Financial Data

The following selected financial data are taken from the Company's consolidated financial statements. The data should be read in conjunction with the accompanying consolidated financial statements and the related notes, Management's Discussion and Analysis and other financial information included in this Form 10-K.

		Year End
	2002	2001
	(In Thousands -	
Statement of Operations Data:		
Net premium income	$ 13,432	$ 13,641
Net investment income	486	605
Net realized capital gains (losses)	66	306
Income from investment in subsidiary	59	61
Commission and other income	2,198	1,909
Total revenue	16,241	16,522
Benefits and expenses	18,660	16,095
Impairment of long-lived assets	--	437
Interest expense	62	166

Income (loss) before income tax (benefit) expense and extraordinary gain	(2,481)	(176)
Income tax (benefit) expense	(912)	(76)
(Loss) income before extraordinary gain	(1,569)	(100)
Extraordinary gain on restructuring of note, net of income tax	--	158
Net income (loss)	$ (1,569)	$ 58
Income (loss) per common share - basic and diluted	$ (0.28)	$ 0.01*

*Includes extraordinary gain of $.03 per common share

	Year Ende		
	2002	2001	
			(In
Assets Balance Sheet Data:			
Investments	$ 9,269	$10,815	$
Cash and cash equivalents	593	2,654	
Accrued investment income	124	154	
Accounts receivable	2,518	4,687	
Reinsurance recoverable	12,089	6,634	
Deferred policy acquisition costs	1,666	1,904	
Intangibles	441	534	
Other investment	700	641	
Deferred tax asset	402	499	
Income tax recoverable	1,073	--	
Other assets	303	372	
Total assets	$29,178	$28,894	$2
Liabilities and Shareholders Equity Data:			
Unearned premiums	$ 4,587	$ 5,583	$
Loss and loss adjustment expense reserve	8,896	5,285	
Derivative instruments	4,346	3,598	
Ceded reinsurance and accounts payable	3,803	5,143	
Income tax payable	--	113	
Term note to affiliate	604	603	
Non affiliate debt	455	652	
Total liabilities	22,691	20,977	1
Total stockholders' equity	$ 6,487	$ 7,917	$
Total liabilities and stockholders' equity	$29,178	$28,894	$2

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

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The Company believes the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of the Company's financial position and operating results:

The Company records valuation allowances to reduce the deferred tax assets to the amount that is more likely than not to be realized. While the Company considers taxable income in assessing the need for a valuation allowance, in the event the Company determines it would be able to realize its deferred income tax assets in the future in excess of the net recorded amount, an adjustment would be made and income increased in the period of such determination. Likewise, in the event the Company determines it would not be able to realize all or part of its deferred income tax assets in the future, an adjustment would be made and charged against income in the period of such determination.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In accordance with the Statement of Financial Standards No. 142 Goodwill and Other Liability Assets, the Company assesses goodwill annually for impairment. Upon determination that the carrying value of the asset is impaired, the Company would record an impairment charge or loss. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment that may not be reflected therein; and therefore, might require the Company to record an impairment charge in the future.

Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No.133") is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 effective January 1, 2001. The Company identified one product that meets the definition of a derivative instrument as defined in SFAS No. 133. The identified derivative was formerly accounted for as an insurance contract within the policy liabilities for loss and loss adjustment expenses account in the consolidated balance sheet. At December 31, 2002 the fair value of the derivative instrument has been determined by using a financial model that incorporates market data and other assumptions. Due to the volatility in the marketplace, the Company has suspended marketing of this product effective September 2001.

The liability for loss and loss adjustment expenses including incurred but not reported losses is based on the estimated ultimate cost of settling the claim using traditional paid and incurred loss development methods. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liabilities for loss and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. A liability for all costs expected to be incurred in connection with the settlement of unpaid loss and loss adjustment expenses is accrued when the related liability for unpaid losses is accrued. Loss adjustment expenses include costs associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. Loss adjustment expenses also include other costs that cannot be associated with specific claims but are related to losses paid or in the process of settlement, such as internal costs of the claims function. The Company does not discount its reserves for losses and loss adjustment expenses. The Company writes primarily surety contracts which are of short duration. The Company does not consider investment income in determining if a premium deficiency relating to short duration contracts exists.

Results of Operations

The following table sets forth, for the periods indicated, (i) summary financial data (in thousands), and (ii) the percentage change in the dollar amount for such items from period to period.

	Year Ended December 31,		
	2002	2001	2
			(Dollars
Net premium income	$ 13,432	$ 13,641	$ 1
Net investment income	486	605	
Net realized investment gains	66	306	
Commission and other income	2,257	1,970	
Losses and loss adjustment expenses	8,552	4,512	
Derivative expense	506	1,061	
Amortization of deferred acquisition costs	3,594	4,363	
Operating expenses and interest	6,070	6,325	
Impairment of long-lived assets	--	437	
(Loss) income before income tax (benefit) expense and extraordinary gain	(2,481)	(176)	
(Loss) income tax (benefit) expense	(912)	(76)	
(Loss) income before			

extraordinary gain	(1,569)	(100)	
Extraordinary gain	--	158	
Net (loss) income	$ (1,569)	$ 58	$

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums

During the years ended December 31, 2002 and 2001, earned direct and assumed earned premiums were $17,478,356 and $18,253,687, respectively. Overall earned premiums, net of ceded premiums decreased 2% or $(209,566). The decrease in earned premiums is a result of CCS's focus on a smaller market base in an effort to better control underwriting guidelines. The following table represents the written and earned premium for CCS and the percentage of change for the years ended December 31, 2002 and 2001, respectively.

	Written Premiums (000's)			Earned Premiums (000's)		
	2002	2001	% Change	2002	2001	% Change
Direct	$ 13.849	$ 13,867	(.1)%	$ 13,981	$ 14,465	(3.4)%
Assumed	2,634	4,194	(37.2)%	3,498	3,788	(7.7)%
Ceded	(4,139)	(4,654)	(11.1)%	(4,047)	(4,612)	(12.3)%
Total	$ 12,344	$ 13,407	(7.9)%	$ 13,432	$ 13,641	(1.5)%

Investments

During the years ended December 31, 2002 and 2001, net investment income earned was $486,138 and $604,463, respectively. The decrease in investment income is primarily attributed to redemption of bonds to meet the demand of claim payments. Net realized gains for the years ended December 31, 2002 and 2001 were $66,239 and $305,461, respectively. Net realized gains during 2002 and 2001 are a result of gains on bond disposals of $66,239 and $329,360. The gains for 2001 are offset by losses of $23,899 on stock disposals.

Commission Income

Commission income represents earnings from subsidiary agencies on bonds sold through insurance carriers that have the capacity for writing bonds not offered by Cumberland Casualty & Surety Company. Inter-company related commission earnings and expenses have been eliminated in preparing the consolidated financial statements. Commission income for the period ended December 31, 2002 increased by $93,690 or 23% when compared to the same period in the prior year.

Income from Investment in Affiliate

The earnings of $59,252 and $61,457 for the years ending December 31, 2002 and 2001 represent a 30% equity position the Company holds on a California agency.

Other Income

Other income is earned through an affiliate offering claims consulting services to insurance carriers. Primarily, their services include management, administration and completion of jobs defaulted under surety bonds. Other income increased by $194,082 or 13% when compared to the same period in the prior year.

Loss and Loss Adjustment Expenses

Loss and loss adjustment reserves have been prepared by consulting actuaries in accordance with accepted actuarial standards for the periods ended December 31, 2002 and 2001. Loss and loss adjustment expenses incurred represent the impact of the large influx of claims CCS experienced during 2002. Losses incurred for the year ended December 31, 2002 was $6,055,043 and represents an increase of $2,811,944 or 86.7% over 2001 losses incurred. The following table reflects the variance in losses incurred:

	12/31/02	12/31/01	Increase	% of Increase
Losses incurred - direct, net ..	$3,857,512	$2,313,544	$1,543,968	66.7%
Losses incurred - assumed, net .	2,197,521	929,545	1,267,976	136.4%
Total	$6,055,033	$3,243,089	$2,811,944	86.7%

The increase in direct losses when compared to prior year losses is comprised of primarily contract claims on contractors defaulting under performance and payment bond requirements. CCS encountered unexpected losses on an assumed block of business during 2002 creating incurred losses on that block of business of approximately $1,169,325.

Loss adjustment expenses totaled $2,044,046 on direct losses and $453,236 on assumed losses representing an increase over prior year loss adjustment expenses of $1,228,461 or 96.8%. Loss adjustment expenses represent the cost of the internal claims department, outside claims consultants and attorneys in connection with the settlement of claims.

In analyzing the development of large claims, CCS's management has redirected its underwriters to concentrate and focus on new business writings with small contractors and commercial surety business. Effective July 2002, CCS elected to not renew its assumption reinsurance treaties.

Derivative Instruments

Upon adoption of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities effective January 1, 2001, it was determined that CCS has one policy, referred to as the Registered Investment Advisors (RIA) program, deemed a derivative instrument. The RIA program provides specific liability coverage for professional services rendered by registered investment advisors. The insured liability risk arises from written warranties which address minimum performance standards associated with the delivery of risk management program services. The structure of the RIA is based on market value fluctuations and is sold as an insurance policy, with a five-year maturity schedule, guaranteeing a return of the principal amount invested, subject to meeting policy criteria. The Company distributes the policy to "market timer's and has no contract with the individual client. Prior to January 1, 2001, the RIA program was included in the category of loss and loss adjustment expenses on the Consolidated Balance Sheet and Consolidated Statement of Operations. Due to the volatility in the marketplace, the Company suspended marketing of this product effective September 10, 2001.

In prior years, the Company reserved for the derivative at a percentage of the earned premium. In valuing the reserves on the derivative, the Company had no history other than relying on market fluctuation projections which had a history of supporting the actuarial formulas developed when the policy was initially approved by Consulting Actuaries and Florida regulators. At December 31, 2002 and 2001, respectively, the derivative was valued using a growth factor, lapse factor and loss projections before applying a present value factor to ultimately determine the liability to the Company. At December 31, 2002 and 2001, the derivative instrument liability for this policy was set at $4,346,285 and $3,597,782, respectively. The policies began maturing in June of 2002. Claims paid in 2002, net of reinsurance was $184,075. Derivative expense for the periods ended December 31, 2002 and 2001 was $505,816 and $1,060,799, respectively.

Amortization

During the year ended December 31, 2002 the net amortization of deferred policy acquisition costs were to $3,593,701 as compared to $4,362,721 for the year ended December 31, 2001. The acquisition costs represent 20.6% and 23.9% of the direct and assumed earned premiums for the years ended December 31, 2002 and 2001, respectively.

Operating Expenses

During the year ended December 31, 2002, operating expenses and taxes, licenses and fees (excluding income taxes) decreased slightly to $6,008,072 from $6,159,044 for the same period in 2001. Operating expenses represent 37% of total revenue for the years ended December 31, 2002 and 2001.

Interest Expense

Interest expense on non-affiliated debt is interest paid to the former owners of The Surety Group and Surety Associates on notes due to agencies the Company purchased in 1995. Interest on affiliated debt represents interest on a note payable to TransCor, a division of KC.

Income Taxes

The Company incurred income tax (benefits) during 2002 and 2001 of $(912,031) and $(75,932), respectively. The company's effective tax rate for 2002 is 36.7% and 26.7% for 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Premiums

During the year ended December 31, 2001 and 2000, earned direct and assumed premium was $18,253,687 and $15,236,814, respectively. Overall earned premiums, net of ceded premiums increased 12.5% or $1,513,363. The increase in earned premiums is a result of CCS's continued growth in the surety bond market. The following table represents the written and earned premium for CCS and the percentage of change for the years ended December 31, 2001 and 2000, respectively.

Written Premiums (000's)			Earned Premiums (000's)		
2001	2000	% Change	2001	2000	% Change

Direct	$ 13,867	$ 13,775	.7%	$ 14,465	$ 12,756	13.4%
Assumed	4,194	2,393	75.3%	3,788	2,481	52.7%
Ceded	(4,654)	(3,510)	32.6%	(4,612)	(3,109)	48.3%
Total	$ 13,407	$ 12,658	5.9%	$ 13,641	$ 12,128	12.5%

During the years ended December 31, 2001 and 2000, net investment income earned was $604,463 and $576,406, respectively. The return on average invested assets was 6.01% for the year 2001 as compared to 6.28% for the year 2000. The slight decrease in the return is attributed to the decrease in overall interest rates. Net realized gains for the years ended December 31, 2001 and 2000 were $305,461 and $38,381, respectively. Net realized gains during 2001 are a result of gains on bond disposals of $329,360 which is offset by losses of $23,899 on stock disposals. Realized gains in year 2000 are attributed to stock disposals.

Commission Income

Commission income represents earnings from subsidiary agencies on bonds sold through insurance carriers that have the capacity for writing bonds not offered by CCS. Inter-company related commission earnings and expenses have been eliminated in preparing the consolidated financial statements. Commission income for the year ended December 31, 2001 increased by $27,060 or 7% when compared to the same period in the prior year.

Other Income

Other income is earned through an affiliate offering claims consulting services to insurance carriers. Primarily, their services include management, administration and completion of jobs defaulted under surety bonds. Other income for 2001 increased by $200,223 or 15% when compared to the same period in the prior year.

Loss and Loss Adjustment

Loss and loss adjustment reserves have been prepared by consulting actuaries in accordance with accepted actuarial standards. The Company writes two lines of business classified as other liability and surety and fidelity bonds. The category of other liability GAAP reporting requirements changed effective January 1, 2001 under SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities and are discussed as a separate item for the reporting year ended December 31, 2001. The following table is a presentation of how the reserves are presented on the Consolidated Balance Sheet for year ended December 31, 2001.

	Year Ended December 31,	
	2001	2000
Loss and loss adjustment reserves	$5,284,804	$6,245,818
Derivative instruments	3,597,782	--
Totals	$8,882,586	$6,245,818
Less:		
Derivative instruments (SFAS No. 133 as of January 1, 2001 formerly		

included in loss and loss adjustment reserves	3,237,782	--
Additional amount required under SFAS 133	360,000	--
Loss and loss adjustment expense reserves	$5,284,804	$6,245,818

The amount that would be attributed to derivative instruments for the year ended December 31, 2000 is $310,005 and is included in liability for loss and loss adjustment expense reserves.

Loss and loss adjustment expenses totaled $4,511,910 and $3,360,358 for the years ended December 31, 2001 and 2000, respectively, representing an increase of $1,151,522 for year 2001. In analyzing losses on direct and assumed business segregated from loss adjustment expenses, losses increased $430,741 (direct business) and $1,053,943 (assumed business) over the prior year. The Company processed 193 claims for payment during 2001 with an average settlement, net of reinsurance amounting to $10,130 on its direct line of business as compared to processing 122 claims for payment during 2000 with an average settlement, net of reinsurance totaling $14,360.

Loss adjustment expenses (LAE's) represent the cost of the internal claims department, outside claims consultants and attorneys in connection with the settlement of claims. LAE's decreased $333,132 when compared to the same period in the prior year. The decrease is a result of CCS processing claims through the home office.

The loss and loss adjustment expense reserve liability at December 31, 2001 includes direct case losses and loss adjustment reserves on 30 claims with an average reserve of approximately $58,295. The balance of the loss and loss adjustment expense reserve liability is held under IBNR (incurred but not reported) on direct and assumed surety claims totaling $3,535,967.

Derivative Instruments

Prior to 2001, the Company reserved for the RIA policy at a percentage of the earned premium. The change in valuation became significant when SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities became effective January 1, 2001.

In valuing the reserves on the RIA, the Company had no history other than relying on market fluctuation projections which had a history of supporting the actuarial formulas developed when the policy was initially approved by Consulting Actuaries and Florida regulators. With the implementation of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, the impact on how reserves were valued was immediate. At December 31, 2001, the RIA was established using a growth factor, lapse factor and loss projections before applying a present value factor to ultimately determine the liability to the Company. At December 31, 2001 the derivative instrument liability (formerly Loss and loss adjustment expense reserves) for this policy was set at $3,597,782. The charge to earnings for the year ended December 31, 2001 was an additional $360,000. The policies will begin maturing in June of 2002.

Amortization

During the year ended December 31, 2001 the net amortization of deferred policy acquisition costs were to $4,362,721 as compared to $3,767,107 for the year ended December 31, 2000. The acquisition costs represent 23.9% and 24.7% of the direct and assumed earned premiums for the years ended December 31, 2001 and 2000, respectively.

Operating Expenses

During the year ended December 31, 2001, operating expenses and taxes, licenses and fees (excluding income taxes) increased to $6,159,044 from $5,308,516 for the same period in 2000. The increase of $850,600 or 16% is a result of increased salary and related expenses ($307,000); accounting and actuarial fees ($107,000); legal fees ($66,400); credit reports ($48,000); office supplies and related expenses ($178,100) and travel expenses ($93,100) and taxes, license and fees ($51,000). The Company's increase in expenses is related to the Company's direct marketing efforts and continued expansion. The Company reclassified $466,332 and $146,633 attributed to in-house in claims expenses to loss adjustment expenses for the year ended December 31, 2001 and 2000, respectively.

Interest Expense

Interest expense on non-affiliated debt is interest paid to the former owners of The Surety Group and Surety Associates on notes due to agencies the Company purchased in 1995. Interest on affiliated debt represents interest on a note payable to TransCor, a division of KC.

Income Taxes

The Company incurred income tax (benefit) expense during 2001 and 2000 of $(75,932) and $764,390, respectively. The Company's effective tax rate for the 2001 is 26.7% and 42% for 2000.

Asset Impairment

In accordance with Statement of Financial Accounting Standard 121 ("SFAS 121"), goodwill and other long-lived assets that were capitalized in conjunction with the purchase of Associates Acquisition Corp., d/b/a Surety Associates, were deemed impaired as of December 31, 2001, and an asset impairment charge of $437,418 was recorded.

Liquidity and Capital Resources

The capacity of a surety company to underwrite insurance and reinsurance is based on maintaining liquidity and capital resources sufficient to pay claims and expenses as they become due. Based on standards established by the National Association of Insurance Commissioners (NAIC) and promulgated by the Florida Department of Financial Services, the Company is permitted to write net premiums up to an amount equal to three times its statutory surplus, or approximately $14,204,000 at December 31, 2002. Statutory guidelines impose an additional limitation on increasing net written premiums to no more than 33% of prior year's net written premiums. Under these guidelines, the Company could increase net written premiums by approximately $1,800,000.

At December 31, 2002, the Company's $29,178,488 of total assets were distributed primarily as follows: 34.2 percent in cash and investments (including accrued investment income), 50.1 percent in receivables and reinsurance recoverables, 7.2 percent in intangibles and deferred policy acquisition costs, 5.1 percent in deferred income tax asset and 3.4 percent in other assets.

The Company follows investment guidelines that are intended to provide an acceptable return on investment while maintaining sufficient liquidity to meet its obligations.

Net cash (used in) provided by operating activities was $(3,723,761), $2,753,355 and $191,380 for the years ended December 31, 2002, 2001 and 2000, respectively. In 2002, cash (used in) provided by operating activities is primarily attributed to payment of claims resulting in policy liabilities and reinsurance ceded payable decreasing and reinsurance recoverables increasing. In 2001, cash provided by operating activities was primarily attributed to an increase in policy liabilities and accruals. In 2000, cash provided by operating activities was attributed to policy liabilities which was offset by reinsurance recoverable and policy acquisition costs and amortization.

Net cash provided by (used in) investing activities was $1,787,211, $(572,432) and $(1,293,487) for the years ended December 31, 2002, 2001 and 2000, respectively. Investing activities consist primarily of purchases, sales and maturities of investments.

Net cash used in financing activities was $(124,322), $(220,570) and $(204,262) for the years ended December 31, 2002, 2001 and 2000, respectively. Financing activities consist primarily of repayments on borrowings and advances to (from) affiliates during 2002, 2001 and 2000.

The following summarizes the Company's contractual cash obligations at December 31, 2002 and the effect such obligations are expected to have on its liquidity and cash flow in future periods.

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual cash obligations:					
Operating leases	$1,345	$ 262	$ 654	$ 365	$ 64
Debt instruments	1,059	676	144	144	95
Total contractual cash obligations	$2,404	$ 938	$ 798	$ 509	$ 159

At December 31, 2002 and 2001, the Company did not have any other commercial commitments, such as guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Losses and Loss Adjustment Expenses

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses (LAE) of CCS. The liabilities for losses and LAE's are determined using case-basis evaluations and statistical projections and represent estimates of the ultimate net cost of all unpaid losses and LAE's incurred through the end of the period. These estimates are subject to the effect of trends in future claim severity and frequency. These estimates are continually reviewed and, as experience develops and new information becomes known, the liability is adjusted as necessary; such adjustments, if any, are included in current operations.

Reconciliation of Liability for Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending liability balances, net of reinsurance recoverable, for 2002, 2001 and 2000 to the gross amounts reported in the Company's balance sheets:

	2002
Gross liability for losses and LAE at beginning of year	$ 5,284,804
Recoverables on losses and LAE	1,812,616
Liability for losses and LAE on unpaid losses before adjustment for incurred and paid losses	3,472,188
Incurred losses and LAE's claims, net of reinsurance, occurring during:	
Current year	8,203,575
Prior year	348,740
Total incurred losses, net of reinsurance	8,552,315
Losses and LAE payments for claims, net of reinsurance, occurring during:	
Current year	5,469,929
Prior years	3,936,415
Total payments	9,433,344
Liability for losses and LAE, net	2,591,159
Add: recoverables on losses and LAE's	6,304,311
Liability for losses and LAE, at end of year	$ 8,895,470

The Company experienced a deficiency of $348,740 for the period ended December 31, 2002. The deficiency is a result of settling claim basis reserves established in prior years for amounts that were more than expected. The Company experienced $936,570 and $1,003,077 in redundancies for losses and loss adjustment expenses in 2001 and 2000, respectively. The redundancies principally result from subrogation received on pooling agreement case base reserves and claims in prior years.

KC and SSI entered into an agreement with an independent contractor, AEC on August 16, 1989 on a construction contract with the United States Navy ("Navy"). At the time the bonds were issued by CCS as surety, KC entered into an indemnification agreement, whereby KC indemnified CCS from any and all losses, costs and expenses incurred related to the bonds. In 1991, the Navy defaulted and terminated AEC on the contract. The contract was subsequently litigated and

CCS was unsuccessful in its litigation activities with the Navy. As a result, KC reimbursed CCS $1,500,000 of the total subrogation recoverable of $1,850,877 in November 2001 on the contract. CCS wrote off the remaining $350,877 reinsurance recoverable as a charge to loss and loss adjustment expense and incurred an additional $240,000 in legal fees during 2001.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors. Future average severities are projected based on historical trends adjusted for anticipated changes in underwriting standards, policy provisions, and general economic trends. These anticipated trends are monitored based on actual development and are modified if necessary.

The differences between the December 31, 2002 liability for losses and LAE reported in the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") and that reported in the annual statement filed with the state insurance departments in accordance with insurance accounting practices prescribed or permitted by the Florida Department of Financial Services as follows:

Statutory reserves for losses and LAE's (which is net of reinsurance recoverables on unpaid losses and LAE)	$ 4,638,870
Reinsurance recoverables on losses and LAE's	4,999,661
Subrogation recoverables on losses and LAE's	1,304,649
Statutory reserve for derivative instrument	(2,047,710)
Liability for losses and LAE, as reported in the accompanying GAAP basis consolidated financial statements	$ 8,895,470

Analysis of Loss and Loss Adjustment Expense Development

The following table represents the development of the liability for unpaid losses and LAE, net of reinsurance, for 1992 through 2002 (in thousands).

	1992	1993	1994	1995	1996	1997	1998
Gross liability for loss and LAE....................	$2,426	$ 3,355	$ 3,138	$2,352	$ 2,305	$ 2,550	$ 3,220 $
Reinsurance..................	-	-	-	-	(313)	-	-
Liability for losses and loss Adjustment expenses, net of reinsurance............	$ 2,426	$ 3,355	$ 3,138	$ 2,352	$ 1,992	$ 2,550	$ 3,220 $
Liability re-estimated as of:							
One year later............	3,884	5,327	2,684	3,113	1,801	3,117	3,033
Two years later...........	4,057	3,878	2,818	2,972	2,420	3,479	2,506

Three years later..........	3,561	4,147	2,788	3,456	2,888	3,088	997
Four years later...........	3,814	4,006	3,134	3,803	2,668	1,686	544
Five years later...........	3,564	4,582	3,394	3,571	1,158	1,715	-
Six years later............	4,376	4,905	3,180	2,082	1,253	-	-
Seven years later..........	4,077	4,791	1,641	2,102	-	-	-
Eight years later..........	4,045	3,211	1,654	-	-	-	-
Nine years later...........	2,431	3,201	-	-	-	-	-
Ten years later............	2,468	-	-	-	-	-	-
Cumulative (deficiency) redundancy..................	$ (42)	$ 154	$ 1,484	$ 250	$ 739	$ 835	$ 2,676 $

	1992	1993	1994	1995	1996	1997	1998
Cumulative amount of liability, net of reinsurance recoverables, paid through:							
One year later...........	$ 1,151	$ 765	$ 1,643	$ 1,334	$ 563	$ 1,802	$ 2,155 $
Two years later..........	$ 1,834	$ 1,058	$ 2,316	$ 2,186	$ 1,631	$ 2,856	$ 1,878 $
Three years later.........	$ 2,088	$ 2,868	$ 2,164	$ 2,997	$ 2,466	$ 2,575	$ 488 $
Four years later..........	$ 1,957	$ 3,717	$ 2,875	$ 3,506	$ 2,336	$ 1,345	$ 271 $
Five years later..........	$ 3,533	$ 4,442	$ 3,230	$ 3,360	$ 929	$ 1,506	$ - $
Six years later..........	$ 3,840	$ 4,804	$ 3,062	$ 1,906	$ 1,116	$ -	$ - $
Seven years later.........	$ 2,278	$ 4,769	$ 1,572	$ 1,998	$ -	$ -	$ - $
Eight years later.........	$ 2,183	$ 3,204	$ 1,633	$ -	$ -	$ -	$ - $
Nine years later.........	$ 2,424	$ 3,199	$ -	$ -	$ -	$ -	$ - $
Ten years later..........	$ 2,469	$ -	$ -	$ -	$ -	$ -	$ - $

Effect of Inflation

Inflation has not had a material impact upon the Company's operations for the last three years.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

The following tables present principal maturity cash flows and related weighted average interest rates by expected maturity as of December 31, 2002 and 2001:

2002 Expected Maturity Da

(In thousands)

	2003	2004	2005	2006	2007
Assets					
Debt securities available for sale	$ 2,876	$ 630	$ 976	$ 1,724	$ 29
Average interest rate	5.4%	5.83%	6.1%	5.6%	7.4
Debt securities held to maturity ..	260	100	--	--	--
Average interest rate	5.5%	5.5%	--	--	--
Mortgage loans	40	1	1	1	
Average interest rate	7.5%	7.5%	7.5%	7.5%	7.
Short-term investments	434	--	--	--	--
Average interest rate	2.3%	--	--	--	--
Liabilities					
Debt including current portion	$ 676	$ 72	$ 72	$ 72	$ 7
Average interest rate	9.8%	6.3%	6.3%	6.3%	6.

2001 Expected Maturity

(In thousands)

	2002	2003	2004	2005	2006
Assets					

Debt securities available for sale	$ 502	$ 3,424	$ 1,140	$ 1,757	$ 1,071
Average interest rate	6.4%	5.3%	5.8%	6.7%	5.8
Debt securities held to maturity	--	260	100	--	--
Average interest rate	--	5.5%	5.5	--	--
Mortgage loans	2	2	2	2	2
Average interest rate	7.5%	7.5%	7.5%	7.5%	7.5
Short-term investments	434	--	--	--	--
Average interest rate	5.5%	--	--	--	--
Liabilities					
Debt including current portion	$ 729	$ 72	$ 72	$ 72	$ 72
Average interest rate	8.1%	6.3%	6.3%	6.3%	6.3

The operations of the Company are subject to risk resulting from interest rate fluctuations to the extent that there is a difference between the amount of the Company's interest-earning assets and the amount of interest-bearing liabilities that are prepaid/withdrawn, mature or reprice in specified periods. The principal objective of the Company's asset/liability management activities is to provide maximum levels of net interest income while maintaining acceptable levels of interest rate and liquidity risk and facilitating the funding needs of the Company.

Due to the limited nature and duration of claims, generally one to two years, the Company maintains a portfolio with a yield that approximates the money market interest rate scenario.

Additionally, the Company's exposure to rapid changes in interest rates is partially mitigated because most of the Company's interest-earning assets and interest-bearing liabilities being written are at fixed rates.

New Accounting Standards

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations ("SFAS 143"). SFAS 143 provides accounting and reporting standards related to obligations associated with the retirement of tangible long-lived assets. SFAS 143 is effective on January 1, 2003, however, earlier application is encouraged. The Company has not evaluated the effect, if any, that the adoption of SFAS 143 will have on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB 13, and Technical Corrections". SFAS 145 rescinds FASB No. 4, Reporting Gains and Losses form Extinguishment of Debt, and an amendment of that Statement, FASB 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. SFAS 145 also rescinds SFAS 44, Accounting for Intangible Assets of Motor Carriers", and FASB 13, Accounting for Leases, eliminating an inconsistency between certain sale-leaseback transaction. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires costs associated with exit or disposal activities to be recognized when the costs are incurred, rather than at a date of commitment to an exit or disposal.

Item 8. Consolidated financial statements and Supplementary Data

The consolidated financial statements of the Company required by this Item are listed in Item 15(a)(1) and (2) and are submitted as a separate section of this report.

The following information presents unaudited quarterly operating results for the Company for 2002 and 2001. The data has been prepared by the Company on a basis consistent with the Consolidated Financial Statements included elsewhere in this Form 10-K, and include all adjustments, consisting of normal recurring accruals, that the Company considers necessary for a fair presentation thereof.

				Three Months End	
(In thousands, except per share data)	12/31/02	9/30/02	6/30/02	3/31/02	12/31
Revenue	$ 3,136	$ 4,795	$ 4,498	$ 3,812	$ 4,
Benefit related expenses	597	4,728	4,590	2,737	3,
Operating and other expenses	1,262	1,464	1,866	1,478	1,
Total benefits and expenses	1,859	6,192	6,456	4,215	4,
(Loss) income before income tax (benefit) expense and extraordinary gain	1,277	(1,397)	(1,958)	(403)	(
Income tax (benefit) expense	(267)	(297)	(745)	(137)	
(Loss) income before extraordinary gain	1,010	(1,100)	(1,213)	(266)	(
Extraordinary gain (net of taxes) .	--	--	--	--	
Net (loss) income	$ 1,010	$ (1,100)	$(1,213)	$ (266)	$
Weighted average shares Outstanding - basic	5,597	5,597	5,597	5,597	5,
Net (loss) income per share - basic	$ .18	$ (0.20)	$ (0.22)	$ (0.05)	$ (0
Weighted average shares Outstanding - diluted	5,597	5,597	5,597	5,620	5,
Net (loss) income per share - Diluted	$ .18	$ (0.20)	$ (0.22)	$ (0.05)	$ 0

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 10. Directors and Executive Officers of the Registrant

The current directors and executive officers of the Company are as follows:

Name	Age	Position
Francis M. Williams	61	Chairman of the Board of Directors
Joseph M. Williams	46	President and Treasurer
Andrew J. Cohen	49	Director
R. Donald Finn	59	Director

All Directors of the Company hold office until the next annual meeting of stockholders and the election and qualification of their successors. Officers of the Company are elected annually by the Board of Directors and hold office at the discretion of the Board.

Set forth below is information regarding the directors and executive officers of the Company:

Francis M. Williams has been Chairman of the Board of the Company since its inception and, until June 1992, was President of the Company. In addition, Mr. Williams has been Chairman of the Board and Director of CCS and SSI from inception and President and Chairman of the Board of KC since its inception in 1979. Prior to November 1988, Mr. Williams was the Chairman of the Board and Chief Executive Officer of Kimmins Corp. and its predecessors and sole owner of K Management Corp. From June 1981 until January 1988, Mr. Williams was the Chairman of the Board of Directors of College Venture Equity Corp., a small business investment company; and since June 1981, he has been Chairman of the Board, Director, and sole stockholder of Kimmins Coffee Service, Inc., an office coffee service company. Mr. Williams has also been a director of the National Association of Demolition Contractors and a member of the executive committee of the Tampa Bay International Trade Council.

Joseph M. Williams has served as the Treasurer and President of the Company since June 1992. He also served as Vice President and Secretary of the Company from its inception on November 18, 1991 through June 1992. Mr. Williams served as a member of the Board of Directors of the Company from November 18, 1991 through February 24, 1997. In addition, Mr. Williams has been the Secretary and Treasurer of Kimmins Corp. since October 1988 and a member of the Board of Directors of CCS since 1988. He held the position of President of CCS from 1991 through August of 1996. On November 11, 2002, Mr. Williams was elected as President of CCS. From 1989 through 1990 he held the position of Secretary and Treasurer of CCS and from 1991 through 1994 served as Treasurer of CCS. Mr. Williams has been employed by the Company and Kimmins Corp. in various capacities since 1994. From January 1982 to December 1983, he was managing partner of Williams and Grana, a firm engaged in public accounting. From January 1978 to December 1981, Mr. Williams was employed as a senior tax accountant with Price Waterhouse & Company. Joseph M. Williams is the nephew of Francis M.

Williams.

Andrew J. Cohen was elected as a Director to the Company's Board effective February 24, 1997. Currently Co-President and Chief Executive Officer of ABC Capital Corp., an investment management firm based in Tampa, Florida and also acts as Co-Chairman on their Board of Directors. In addition, Mr. Cohen is President of Albany Associates, Inc., a Tampa based management consulting firm. From June of 1972 through 1997, Mr. Cohen was co-President of ABC Fabric of Tampa, Inc. which was the fourth largest private retail fabric company in the United States. Mr. Cohen brings both national marketing and corporate management experiences to the Company.

R. Donald Finn was elected as a Director to the Company's Board effective September 9, 1999. For more than the last five years, Mr. Finn has been a partner in the law firm of Gibson, McAskill & Crosby, located in Buffalo, New York, where Mr. Finn has practiced law for more than the last 25 years.

Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on the Company's review of the copies of such forms received by it, or written representations from certain reporting persons that no Form 5 was required for those persons, the Company believes that, during the year ended December 31, 2002 all filing requirements applicable to its officers, directors, and greater than 10 percent beneficial owners were complied with.

Item 11. Executive Compensation and Other Information

Summary Compensation Table

The following table provides certain summary information concerning compensation paid or accrued by the Company and its subsidiaries to and on behalf of the Company's President and CCS's President for each of the three years in the period ended December 31, 2002:

Name and Principal Position	Year	Salary	Bonus
Joseph M. Williams, ...	2002	$125,000	$ 50,00
President and Treasurer - CTI	2001	$125,000	$ 50,00
	2000	$ 95,000	$ 64,00

(1) Represents the Company's contribution to the employee's account of the Company's 401(k) Plan and premiums paid by the Company for term life insurance and long-term disability. These plans, subject to the terms and conditions of each plan, are available to all employees.

Aggregate Option Exercises in 2002 and December 31, 2002 Option Values

Mr. Joseph M. Williams exercised 56,000 and 44,000 options in 2001 and 2000, respectively. During 2002, no options were exercised or granted.

Compensation Committee Interlocks and Insider Participation

There is no compensation committee of the Company's Board of Directors or other committee of the Board performing equivalent functions. The person who performs the equivalent function is Francis M. Williams, Chairman of the Board. Francis Williams serves as an executive officer and director of Kimmins Corp. of which Joseph Williams is also an executive officer.

Compensation of Directors

During the year ended December 31, 2002 and 2001, respectively, the Company paid Francis M. Williams an annual fee of $75,000 as Chairman of the Board. All non-officer Directors received an annual fee of $5,000. Directors are reimbursed for all out-of-pocket expenses incurred in attending Board of Directors and committee meetings.

Board Compensation Committee Report on Executive Compensation

There is no formal compensation committee of the Board of Directors or other committee of the Board performing equivalent functions. As noted above, compensation is determined by Francis M. Williams, Chairman of the Board of the Company under the direction of the Board of Directors. There is no formal compensation policy for the Chief Executive Officer of the Company. Compensation of the Chief Executive Officer, which primarily consists of salary, is based generally on performance and the Company's resources. Compensation for Mr. Joseph Williams has been fixed annually each year by the Chairman of the Board. Mr. Joseph Williams' compensation is not subject to any employment contract.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Common Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth the number of shares of the Company's Common Stock beneficially owned as of December 31, 2002 by (i) persons known by the Company to own more than 5 percent of the Company's outstanding Common Stock, (ii) each director and officer of the Company, and (iii) all directors and executive officers of the Company as a group:

Name and Address	Amount and Nature of Beneficial Ownership of	Percent of Issued and Outstanding

of Beneficial Owner (1) (2)	Common Stock	Common Stock
Francis M. Williams	3,897,145 (3)	69.6%
Joseph M. Williams	360,493 (4)	6.4%
R. Donald Finn	7,131 (5)	.1%
Andrew J. Cohen	47,590 (6)	.9%
Kimmins Corp.	1,723,290	30.8%
All directors and executive officers as a group (four persons)	4,886,215	87.3%

(1) The address of all officers and Directors of the Company listed above are in care of the Company at 4311 West Waters Avenue, Suite 401, Tampa, Florida 33614.

(2) The Company believes that the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them, unless otherwise noted.

(3) Includes 2,677,322 shares owned by Mr. Francis Williams; 1,149,434 shares allocated to Mr. Williams based on his 66.7% ownership in Kimmins Corp., 29,345 shares owned by Mr. Williams' wife; 22,748 shares held by Mr. Williams as trustee for his wife and children and 18,296 shares held by Mr. Williams as custodian under the New York Uniform Gifts to Minors Act for his Children. Mr. Williams owns 66.7% of the outstanding common stock of Kimmins Corp. and is its Chairman and Chief Executive Officer.

(4) Includes 133,500 shares owned by Mr. Joseph M. Williams; 1,010 shares held by Mr. Williams as trustee for his children; 219 shares held by the KC 401(K) Plan and ESOP of which Mr. Williams is fully vested. Also includes 205,764 shares held by KC's 401(K) Plan, Profit Participation Plan and ESOP, options to acquire 20,000 shares of the Company's Common Stock held by the ESOP, of which Mr. Williams is a trustee; Mr. Williams disclaims beneficial ownership of these shares.

(5) Includes 2,131 shares owned by Mr. R. Donald Finn and options to acquire 5,000 shares of the Company's common stock.

(6) Includes 72,540 shares owned by C&C Properties a partnership in which Mr. Cohen has a 50% ownership, 6,320 shares held in trust for Mr. Cohen's minor children and options to acquire 5,000 shares of the Company's common stock.

Item 13. Certain Relationships and Related Transactions

Surplus Debentures/Term Note

In 1988, CCS issued a surplus debenture to KC in exchange for $3,000,000 which bears interest at 10 percent per annum. In 1992, the debenture due to KC from CCS was assigned to CTI. Interest and principal payments are subject to approval by the Florida Department of Financial Services. On April 1, 1997, CTI forgave $375,000 of its $3,000,000 surplus debenture due to CCS. As a result, CCS increased paid-in-capital by $375,000. As of December 31, 1999, no payments could be made under the terms of the debenture. On June 30, 1999, CTI forgave $576,266 of its $2,625,000 surplus debenture due to CCS. As a result, CCS increased paid-in-capital to $1,000,000 from $423,734. As of December 31, 2002, no payments could be made under the terms of the debenture. In 2003, CTI forgave the balance of its surplus note to CCS in the amount of $2,048,734. As a result paid-in and contributed surplus of CCS increased to $3,048,734.

Effective November 10, 1988, the Company entered into a $1,000,000 convertible term note agreement with TransCor Waste Services, Inc., a subsidiary of KC. The note, originally due November 10, 2001, has been extended to November 10, 2004. The annual rate of interest is equal to one half of one percent per annum in excess of the stated interest rate established by the Bank of America. The average interest rate for 2002 was 8.6%. On December 26, 2001, the Company made a principal note payment of $395,945 reducing the note to $604,055. The lender may convert the principal amount of the note or a portion thereof into common stock at $3.00 per share subsequent to a six-month anniversary and prior to the close of business on the maturity date.

CCS writes surety bonds for KC and its affiliates. Revenues attributable to transactions with KC and its affiliates were $264, $88 and $7,816 for the years ended December 31, 2002, 2001 and 2000, respectively. Qualex performs consulting services for KC and affiliates. Revenue attributable to transaction with affiliates were $16,586, $121,089 and $171,292 for years ended December 31, 2002, 2001 and 2000, respectively.

Item 14. Controls and Procedures

Within the 90-day period to the filing of this report, evaluations were carried out under the supervision and with the participation of the Company's management, including the President and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon those evaluations, the President and Chief Financial Officer concluded that, (subject to the limitations noted below), the design and operation of these disclosure controls, and procedures were effective. No significant changes have been made in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluations.

Limitations on the Effectiveness of Controls

Management, including the President and Chief Financial Officer, does not expect that disclosure controls and procedures and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objective, of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instance of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 15. Exhibits, Consolidated financial statements, Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this Annual Report on Form 10-K

1. Consolidated Financial Statements

- Independent Auditors' Report
- Consolidated Balance Sheets at December 31, 2002 and 2001
- Consolidated Statements of Operations for each of the three years in the period ended December 31, 2002.
- Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2002.
- Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2002.
- Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II - Condensed Financial Information of Registrant

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. The following documents are filed as exhibits to this Annual Report on Form 10-K:

3(a) - Articles of Incorporation* 3(b) - Bylaws*
10(a) - Lease agreement with Cumberland Properties, Inc.*
10(c) - 1991 Stock Option Plan*
11 - Statement Re: Computation of Earnings Per Share
21 - Subsidiary list
99.1 - Certification under Section 906 of the Sarbanes-Oxley Act of 2002
99.2 - Certification under Section 906 of the Sarbanes-Oxley Act of 2002

* Note - Incorporated by reference to the same exhibit number filed with the Registrant's Registration Statement on Form 10 (File No. 0-19727.)

(b) Reports on Form 8-K - On September 12, 2002 the Company filed a Form 8-K to announce that it will be delisted from the NASDAQ SmallCap Market.

On October 3, 2002 the Company filed a Form 8-K to announce that it will be listed on the Nasdaq OTC Bulletin Board.

(c) Exhibits - The response to this portion of Item 15 is submitted as a separate section of this report.

(d) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

CUMBERLAND TECHNOLOGIES, INC.

Date: May 6, 2003 By: /s/ Joseph M. Williams
Joseph M. Williams, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: May 6, 2003 By: /s/ Joseph M. Williams
Joseph M. Williams, President

Date: May 6, 2003 By: /s/ Francis M. Williams
Francis M. Williams, Chairman of the Board

Date: May 6, 2003 By: /s/ R. Donald Finn
R. Donald Finn, Director

Date: May 6, 2003 By: /s/ Andrew J. Cohen
Andrew J. Cohen, Director

Date: May 6, 2003 By: /s/ Carol S. Black
Carol S. Black, Secretary
(Principal Financial and Accounting Officer)

Annual Report on Form 10-K

Item 15(a), (c) and (d)

List of Consolidated Financial Statements

Consolidated Financial Statement Schedules and Exhibits

Year Ended December 31, 2002

Cumberland Technologies, Inc.

Tampa, Florida

CUMBERLAND TECHNOLOGIES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS,
FINANCIAL STATEMENT SCHEDULES AND EXHIBITS

The following consolidated financial statements of Cumberland Technologies, Inc. are included herein: