

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

COMMERCE GROUP INC /MA
Form 11-K
June 28, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K
1 ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission File No: 0-16882

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

THE COMMERCE GROUP, INC. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE COMMERCE GROUP, INC.
211 Main Street
Webster, MA 01570

TABLE OF CONTENTS

	Page
Report of Independent Auditors.....	1
Financial Statements:	
Statement of Net Assets Available for Benefits as of December 31, 2000.....	2
Statement of Net Assets Available for Benefits as of December 31, 1999	3
Statement of Changes in Net Assets Available for Benefits for the Year ended December 31, 2000	4
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 1999.....	5
Statement of Changes in Net Assets Available for Benefits for the Period from September 1, 1998 (Date of Inception) through December 31, 1998.....	6

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Notes to Financial Statements	7
Supplemental Schedule as of December 31, 2000:	
Line 27a - Schedule of Assets Held for Investment Purposes.....	11
Consent of Independent Auditors.....	12
Signatures	13

REPORT OF INDEPENDENT AUDITORS

The Benefits Committee
The Commerce Group, Inc.

We have audited the accompanying statements of net assets available for benefits of The Commerce Group, Inc. 401(k) Plan (the Plan) as of December 31, 2000 and 1999, and the related statements of changes in net assets available for benefits for the years then ended and for the period from September 1, 1998 (date of inception) through December 31, 1998. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2000 and 1999, and the changes in its net assets available for benefits for the years then ended and for the period from September 1, 1998 (date of inception) through December 31, 1998, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment purposes as of December 31, 2000 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

June 19, 2001

1

The Commerce Group, Inc. 401 (k) Plan
 Statement of Net Assets Available for Benefits
 December 31, 2000

	Common Stock of Employer	Mutual Funds	Common Collect Trus
Assets:			
Investments, at fair value			
Merrill Lynch Fund:			
Self-Direct Brokerage (cost: \$38,807).....		\$ 38,807	
Cash.....			
Net assets available for benefits.....	\$ 0	\$ 38,807	\$

	Contribution Receivable	Cash	Total
Assets:			
Investments, at fair value			
Merrill Lynch Fund:			
Self-Direct Brokerage (cost: \$38,807).....			\$ 38,807
Cash.....	\$ 91,785	\$ 5,508,923	5,600,708
Net assets available for benefits.....	\$ 91,785	\$ 5,508,923	\$ 5,639,708

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

2

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

The Commerce Group, Inc. 401 (k) Plan
 Statement of Net Assets Available for Benefits
 December 31, 1999

	Common Stock of Employer	M F
Assets:		
Investments, at fair value		
Merrill Lynch Funds:		
Commerce Group, Inc. Common Stock Fund (cost: \$238,920).....	\$ 237,017	
Retirement Preservation Trust (cost: \$272,023).....		
Corporate Bond Fund (cost: \$464,461).....		\$
Capital Fund (cost: \$120,790).....		
Basic Value Fund (cost: \$502,800).....		
Global Allocation Fund (cost: \$103,002).....		
S & P 500 Index Fund (cost: \$371,014).....		
MFS Massachusetts Investors Growth Stock Fund (cost: \$633,682).....		
GAM International Fund (cost: \$400,493).....		
Lord Abbett Developing Growth Fund (cost: \$616,727).....		
Cash.....		
Accrued investment income.....		
Net assets available for benefits.....	\$ 237,017	\$3,

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

3A

The Commerce Group, Inc. 401 (k) Plan
 Statement of Net Assets Available for Benefits
 December 31, 1999

	Contribution Receivable	Cash and Inves Inc
Assets:		

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Investments, at fair value

Merrill Lynch Funds:		
Commerce Group, Inc. Common Stock Fund (cost: \$238,920)....	\$ 1,560	
Retirement Preservation Trust (cost: \$272,023).....	2,111	
Corporate Bond Fund (cost: \$464,461).....	3,709	
Capital Fund (cost: \$120,790).....	859	
Basic Value Fund (cost: \$502,800).....	3,767	
Global Allocation Fund (cost: \$103,002).....	841	
S & P 500 Index Fund (cost: \$371,014).....	2,812	
MFS Massachusetts Investors Growth Stock Fund (cost: \$633,682).	4,627	
GAM International Fund (cost: \$400,493).....	3,415	
Lord Abbett Developing Growth Fund (cost: \$616,727).....	5,341	
Cash.....		\$
Accrued investment income.....		
Net assets available for benefits.....	\$ 29,042	\$

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

3B

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2000

	Merrill Lynch Funds		
	Commerce Group, Inc. Common Stock Fund	Retirement Preservation Trust	Corporate Bond Fund
Additions to net assets attributed to:			
Dividends.....	\$ 25,040	\$ 18,861	\$ 31,172
Other additions.....	-	-	-
	25,040	18,861	31,172

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Participant contributions.....	107,017	173,111	273,276
Total additions.....	132,057	191,972	304,448
Deductions to net assets			
attributed to:			
Benefits paid to participants.....	39,460	22,919	39,113
Net realized investment (gains) losses..	28,012	-	(351)
Net (appreciation) depreciation			
in fair value of investments:.....	(1,903)	-	(17,037)
Total deductions.....	65,569	22,919	21,725
Net increase before transfers.....	66,488	169,053	282,723
Transfers between funds at			
participants' election, net	(327,634)	(474,873)	(737,251)
Transfers from (to) other plans.....	22,569	31,686	3,395
Net increase (decrease).....	(238,577)	(274,134)	(451,133)
Net assets available for benefits			
at beginning of year.....	238,577	274,134	451,133
Net assets available for			
benefits at end of year.....	\$ 0	\$ 0	\$ 0

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

4A

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2000

	Basic Value Fund	Merrill Lynch Funds Global Allocation Trust	S &
Additions to net assets attributed to:			
Dividends.....	\$ 114,487	\$ 21,006	\$
Other additions.....	-	-	

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

	114,487	21,006	
Participant contributions.....	276,237	59,745	2
Total additions.....	390,724	80,751	2
Deductions to net assets			
attributed to:			
Benefits paid to participants.....	43,171	14,186	
Net realized investment (gains)			
losses.....	132,419	13,544	
Net (appreciation) depreciation			
in fair value of investments:.....	(10,098)	936	
Total deductions.....	165,492	28,666	1
Net increase before transfers.....	225,232	52,085	1
Transfers between funds at			
participants' election, net	(742,454)	(156,864)	(5
Transfers from (to) other plans.....	20,753	-	
Net increase (decrease).....	(496,469)	(104,779)	(4
Net assets available for benefits			
at beginning of year.....	496,469	104,779	4
Net assets available for			
benefits at end of year.....	\$ 0	\$ 0	\$

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

4B

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2000

	MFS Massachusetts Investors Growth Stock Fund	GAM International Trust	Lord Abb Developi Growth Fund
Additions to net assets			
attributed to:			
Dividends.....	\$ 91,533	\$ 105,446	\$ 31,29
Other additions.....	-	-	-
	91,533	105,446	31,29
Participant contributions.....	377,031	245,487	385,92
Total additions.....	468,564	350,933	417,21

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Deductions to net assets			
attributed to:			
Benefits paid to participants.....	82,275	45,847	93,91
Net realized investment (gains) losses..	93,540	184,013	110,75
Net (appreciation) depreciation			
in fair value of investments:.....	137,547	71,243	203,59
Total deductions.....	313,362	301,103	408,26
Net increase before transfers.....	155,202	49,830	8,95
Transfers between funds at			
participants' election, net.....	(978,739)	(530,870)	(857,14)
Transfers from (to) other plans.....	47,681	5,889	22,53
Net increase (decrease).....	(775,856)	(475,151)	(825,66)
Net assets available for benefits			
at beginning of year.....	775,856	475,151	825,66
Net assets available for			
benefits at end of year.....	\$ 0	\$ 0	\$

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

4C

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 1999

		Merrill Lynch Fu
	Commerce Group, Inc. Common Stock Fund	Retirement Preservation Trust
Additions to net assets		
attributed to:		
Dividends.....	\$ 6,896	\$ 8,716
Net realized investment gains (losses).....	(645)	-

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Net appreciation (depreciation) in fair value of investments.....	(13,694)	-
Other additions.....	-	-
	(7,443)	8,716
Participant contributions.....	139,993	182,544
Total additions.....	132,550	191,260
Deductions to net assets attributed to:		
Benefits paid to participants.....	4,779	10,256
Net increase before transfers.....	127,771	181,004
Transfers between funds at participants' election, net	13,143	(8,847)
Transfers from other plans.....	10,196	36,957
Net increase.....	151,110	209,114
Net assets available for benefits at beginning of year.....	87,467	65,020
Net assets available for benefits at end of year.....	\$ 238,577	\$ 274,134

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

5A

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 1999

Merrill Lynch Funds

Basic Value Fund	Global Allocation Trust
------------------	-------------------------

Additions to net assets attributed to:

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Dividends.....	\$ 36,467	\$ 11,920	\$
Net realized investment gains (losses)....	1,445	164	
Net appreciation (depreciation) in fair value of investments.....	(15,260)	1,484	
Other additions.....	-	-	
	22,652	13,568	
Participant contributions.....	287,727	60,215	
Total additions.....	310,379	73,783	
Deductions to net assets attributed to:			
Benefits paid to participants.....	7,691	1,619	
Net increase before transfers.....	302,688	72,164	
Transfers between funds at participants' election, net	23,209	6,795	
Transfers from other plans.....	44,958	-	
Net increase.....	370,855	78,959	
Net assets available for benefits at beginning of year.....	125,614	25,820	
Net assets available for benefits at end of year.....	\$ 496,469	\$ 104,779	\$

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

5B

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 1999

	GAM	Lord Abbett	an
	International	Developing	In
	Fund	Growth	
		Fund	

Additions to net assets

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

attributed to:				
Dividends.....	\$	-	\$ 19,523	\$
Net realized investment gains (losses).....		(2,580)	8,902	
Net appreciation (depreciation) in fair value of investments.....		65,760	168,871	
Other additions.....		-	7	
		63,180	197,303	
Participant contributions.....		280,771	403,697	
Total additions.....		343,951	601,000	
Deductions to net assets attributed to:				
Benefits paid to participants.....		16,113	18,479	
Net increase before transfers.....		327,838	582,521	
Transfers between funds at participants' election, net		(26,882)	(25,968)	
Transfers from other plans.....		40,709	51,728	
Net increase.....		341,665	608,281	
Net assets available for benefits at beginning of year.....		133,486	217,381	
Net assets available for benefits at end of year.....	\$	475,151	\$ 825,662	\$

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

5C

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the period from September 1, 1998 through December 31, 1998

Merrill Lynch Fu

Commerce
Group, Inc.
Common Stock

Retirement
Preservation

Con
B

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

	Fund	Trust	F
Additions to net assets			
attributed to:			
Dividends.....	\$ 581	\$ 677	\$
Net realized investment gains (losses).....	15	-	
Net appreciation (depreciation) in fair value of investments.....	11,791	-	
	12,387	677	
Participant contributions.....	44,360	155,275	
Total additions.....	56,747	155,952	
Deductions to net assets			
attributed to:			
Benefits paid to participants.....	94	45	
Net increase before transfers.....	56,653	155,907	
Transfers between funds at			
participants' election, net	5,440	(95,590)	
Transfers from other plans.....	25,374	4,703	
Net increase.....	87,467	65,020	1
Net assets available for benefits			
at beginning of period.....	-	-	
Net assets available for benefits at end of period.....	\$ 87,467	\$ 65,020	\$ 1

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

6A

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the period from September 1, 1998 through December 31, 1998

Merrill Lynch Funds

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

	Basic Value Fund	Global Allocation Fund	S
Additions to net assets attributed to:			
Dividends.....	\$ 1,587	\$ 1,944	\$
Net realized investment gains (losses).....	24	(2)	
Net appreciation (depreciation) in fair value of investments.....	5,162	(548)	
	6,773	1,394	
Participant contributions.....	85,145	23,677	6
Total additions.....	91,918	25,071	7
Deductions to net assets attributed to:			
Benefits paid to participants.....	238	-	
Net increase before transfers.....	91,680	25,071	7
Transfers between funds at participants' election, net	15,128	(40)	
Transfers from other plans.....	18,806	789	1
Net increase.....	125,614	25,820	8
Net assets available for benefits at beginning of period.....	-	-	
Net assets available for benefits at end of period.....	\$ 125,614	\$ 25,820	\$ 8

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

6B

The Commerce Group, Inc. 401 (k) Plan
Statement of Changes in Net Assets Available for Benefits
For the period from September 1, 1998 through December 31, 1998

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

	GAM International Fund	Lord Abbett Developing Growth Fund	\$
Additions to net assets			
attributed to:			
Dividends.....	\$ -	\$ -	\$
Net realized investment gains (losses).....	3	534	
Net appreciation (depreciation) in fair value of investments.....	5,483	34,723	
	5,486	35,257	
Participant contributions.....	92,362	146,679	
Total additions.....	97,848	181,936	
Deductions to net assets			
attributed to:			
Benefits paid to participants.....	141	278	
Net increase before transfers.....	97,707	181,658	
Transfers between funds at			
participants' election, net	15,389	16,064	
Transfers from other plans.....	20,390	19,659	
Net increase.....	133,486	217,381	
Net assets available for benefits at beginning of period.....	-	-	
Net assets available for benefits at end of period.....	\$ 133,486	\$ 217,381	\$

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

6C

THE COMMERCE GROUP, INC. 401 (k) PLAN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2000
 NOTE A - Description of Plan

1. General

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

The Commerce Group, Inc. 401(k) Plan (the "Plan") was adopted by The Commerce Group, Inc. (the "Company") effective September 1, 1998. It is subject to many of the reporting and disclosure, minimum coverage, vesting, fiduciary responsibility and civil enforcement provisions of the Employee Retirement Income Security Act of 1974. The Plan is a voluntary retirement savings account which allows each participant to direct the investment of their account balances among options which include money market funds, self directed brokerage and mutual funds, one of which consists entirely of the common stock of the Company. No matching contributions are made by the Company to the Plan. The Plan may be amended and/or terminated by the Company at any time; however, no such event may adversely affect the rights of Participants in the Plan with respect to contributions made prior to the date of such event. All administrative expenses of the Plan are paid for by the Company.

On August 18, 2000, the Board of Directors of the Company (the "Board") voted to replace Merrill Lynch Trust Co., FSB ("Merrill Lynch") with Fidelity Management Trust Company ("Fidelity") as the Trustee of the Plan, effective January 1, 2001. The Board also amended the Plan by adopting the Fidelity Corporate Plan for Retirement also effective as of January 1, 2001. A blackout period, for the Month of December, 2000, was imposed on the Plan in order to facilitate the transfer. During this period, participants could not make any investment changes or additional contributions to Merrill Lynch. On November 16, 2000, the Plan Investment Committee approved moving investments held in the form of the Company's stock over to The Commerce Group, Inc. Employee Stock Ownership Plan ("ESOP") in the form of a KSOP amendment. The KSOP, which will be a component of the ESOP, will allow employees to participate in the purchase of Company stock on a pre-tax basis for their retirement. Fidelity prohibits company stock purchases in a 401(k) plan administered by them. Funds, other than Company stock, were cashed out and transferred to Fidelity effective January 1, 2001. As a result of the fact that Company stock will no longer be purchased as part of the Plan, the Company will no longer be required to file Form 11-K in the future.

2. Investment Options Available to Plan Participants

The Company has a Trust Agreement with Merrill Lynch as Trustee, providing for the management, investment and reinvestment of Plan assets. The investment options available to Plan Participants are as follows:

- a. Commerce Group, Inc. Common Stock Fund - The fund invests in the common stock of the Company.
- b. Merrill Lynch Retirement Preservation Trust - Seeks to provide preservation of capital, liquidity and current income levels that are typically higher than those by money market funds.
- c. Merrill Lynch Corporate Bond Fund - Seeks a high level of current income and as a secondary objective, the fund seeks capital appreciation.
- d. Merrill Lynch Capital Fund - Seeks the highest total investment return consistent with prudent risk through a fully managed investment policy in equity, fixed income and convertible securities.
- e. Merrill Lynch Basic Value Fund - Seeks capital appreciation and secondary income by investing primarily in large cap equities that appear to be undervalued.
- f. Merrill Lynch Global Allocation Fund - Seeks high total investment return utilizing U.S. and foreign equity, fixed income

and money market securities. The investment approach provides the fund with the opportunity to benefit from anticipated shifts in the relative performance of different types of securities and different markets.

g. Merrill Lynch Self-Direct Brokerage - Enables the participant to purchase and hold investments that are not offered as part of the Plan's core investment options.

h. Merrill Lynch S&P 500 Index Fund - The fund is a passive mutual fund which invests in the largest 500 U.S. publicly traded companies.

i. MFS Massachusetts Investors Growth Stock Fund - Seeks long-term growth of capital through companies believed to have better than average long-term growth potential. Emphasis is placed on high-quality companies with characteristics such as: strong management, history of consistent long-term earnings growth and market leadership.

j. GAM International Fund - Seeks long-term capital appreciation primarily in equity securities in foreign countries, focusing on Canada, the United Kingdom, continental Europe and the Pacific Basin.

k. Lord Abbett Developing Growth Fund - Seeks to provide long-term capital appreciation by primarily investing in the stocks of small companies with above average long-term rates, strong management, undervalued assets and companies with exciting prospects.

7

THE COMMERCE GROUP, INC. 401 (k) PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2000

NOTE A - Description of Plan (continued)

3. Eligibility

Employees of the Company become eligible to participate in the Plan after (1) three months of service with the Company, and, (2) upon attaining 18 years of age (changed from 21 years of age effective December 31, 1998). Employees cease to be eligible to participate in the Plan upon termination of their employment with the Company.

4. Contributions

Eligible employees may contribute a portion of their pay to the Plan on a tax deferred basis, so that the eligible employee is not taxed on the money they contribute until funds are distributed. Eligible employees are allowed to contribute from 1% up to a maximum of 15% of their covered compensation, subject to annual maximum limits imposed by the Internal Revenue Service. Eligible employees may also contribute up to 100% of their pretax cash bonus which they may be eligible to receive twice yearly or the same percentage as is applied to their regular pay, also subject to a maximum dollar amount on all contributions allowable by the Internal Revenue Code. Eligible employees may also make rollover contributions under the Plan from another qualified plan or an individual retirement account. The Company does not match employee contributions.

5. Vesting

Because participants' account balances consist solely of amounts they have deferred from their own compensation (and the investment income derived therefrom) participating employees are 100% vested in their accounts at all times.

6. Distributions

Participating employees may withdraw funds from the Plan prior to retirement only in the circumstance of a demonstrated financial hardship. Upon termination of employment for reasons other than death, disability or retirement, former participants may also request an eligible rollover distribution.

7. Federal Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated August 4, 1999, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

8. Risks and Uncertainties

The Plan provides for various investment options in registered investment companies. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with investment securities, it is reasonably possible that changes in their values will occur in the near term and that such changes could materially affect Participants' account balances and the amounts reported in the statement of net assets available for benefits.

8

THE COMMERCE GROUP, INC. 401 (k) PLAN
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2000

Note B - Significant Accounting Policies

1. Basis of Accounting

The financial statements of the Plan have been prepared on the accrual basis. All expenses associated with the administration of the Plan, with the exception of the charge for partial or total distribution from a participating employee's account, are paid directly by the Company and accordingly, are not reflected in the accompanying statements.

2. Valuation of Investments

The Plan's investments, including the common stock of the Company, are stated at fair value, based on quoted market prices.

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

The shares of the registered investment companies are valued at quoted market prices, which represent the net asset values of the shares held by the Plan at December 31, 1999 and 2000. The Merrill Lynch Retirement Preservation Trust is valued at cost, which approximates fair value.

3. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note C - Investments

Accumulated unrealized gains at December 31, 2000 and 1999 and the net increase (decrease) in unrealized gains in 1999 and 2000 were as follows:

Unrealized gains at December 31, 1998.....	\$ 79,666
Unrealized gains at December 31, 1999.....	423,642
Net increase in unrealized gains.....	\$ 343,976
Unrealized gains at December 31, 1999.....	\$ 423,642
Unrealized gains at December 31, 2000.....	0
Net decrease in unrealized gains.....	\$(423,642)

The proceeds from sales of investments, the cost of investments sold and net realized investment gains (losses) determined on an average cost basis were as follows:

	Proceeds From Sales	Cost of Investments Sold/Transferred	Net Realized Investment Gains (Losses)
 Year ended December 31, 2000			
Common stock of employer...	\$ 433,301	\$ 461,313	\$ (28,012)
Common/Collective trust...	656,657	656,657	0
Mutual funds.....	5,328,088	5,908,209	(580,121)
Total.....	\$ 6,418,046	\$ 7,026,179	\$ (608,133)
 Year ended December 31, 1999			
Common stock of employer...	\$ 6,662	\$ 7,307	\$ (645)
Common/Collective trust....	43,811	43,811	0
Mutual funds.....	222,497	209,822	12,675
Total.....	\$ 272,970	\$ 260,940	\$ 12,030

9

THE COMMERCE GROUP, INC. 401 (k) PLAN
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2000

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

Note D - American Commerce Insurance Company 401(k) Plan

On January 29, 1999, the Company, in a joint venture with AAA Southern New England, acquired Automobile Club Insurance Company, whose name was changed to American Commerce Insurance Company ("American Commerce") upon completion of the acquisition.

American Commerce maintained a separate 401(k) plan for the benefit of substantially all of its employees. Subsequent to December 31, 1999, the Directors of American Commerce voted to merge the American Commerce 401(k) plan with the Company's Plan on January 1, 2001.

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

THE COMMERCE GROUP, INC. 401(k) PLAN
EIN NO.: 04-2599931 Plan No: 002
Line 27a - Schedule of Assets Held for Investment Purposes
December 31, 2000

Investments	Units/ Shares	Cost	Current Value
Merrill Lynch Funds:			
Self-Direct Brokerage.....	38,807	\$38,807	\$38,807
Total Investments.....	38,807	\$38,807	\$38,807

11

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-62367) pertaining to The Commerce Group, Inc. 401(k) Plan of our report dated June 19, 2001, with respect to the financial statements and schedule of The Commerce Group, Inc. 401(k) Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2000.

Boston, Massachusetts
June 27, 2001

12

SIGNATURES

Edgar Filing: COMMERCE GROUP INC /MA - Form 11-K

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 27, 2001

THE COMMERCE GROUP, INC. 401(k) PLAN

By

Randall V. Becker

By

(Randall V. Becker)

Treasurer and Chief Accounting Officer