ORISKA INSURANCE COMPANY

STATUTORY BASIS
FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

ORISKA INSURANCE COMPANY

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HB HEVIA, BEAGLES & COMPANY, P. A.
PROFESSIONAL CONSULTING GROUP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oriska Insurance Company
Oriskany, New York

We have audited the accompanying statement of admitted assets, liabilities and surplus – statutory basis of Oriska Insurance Company as of December 31, 2004 and 2003, and the related statements of income – statutory basis, changes in surplus – statutory basis, and cash flows – statutory basis for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the 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.

As discussed more fully in Note 1 to the financial statements, the Company prepares its financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New York, which practices differ from accounting practices generally accepted in the United States of America. The effects on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Oriska Insurance Company at December 31, 2004 and 2003, or the results of its operations or its cash flows for the years then ended.

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In our opinion, the financial statements referred to above present fairly in all material respects, the admitted assets, liabilities, and surplus of Oriska Insurance Company at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

As discussed in Note 6 to the financial statements, the Company has a significant credit risk exposure on its high-deductible insurance policies. This credit risk relates to the ability of the Company's insureds to meet their claims reimbursement obligations on high-deductible policies. Management is of the opinion that this contingency will not have a material impact on the Company's financial condition. Accordingly, no provision for any liability that may result has been made in the financial statements.

Heard, Beagle & Company

Certified Public Accountants

May 27, 2005

ORISKA INSURANCE COMPANY

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS - STATUTORY BASIS
DECEMBER 31, 2004 AND 2003

ADMITTED ASSETS

	2004	2003
Cash and Invested Assets		
Bonds	$ 4,494,411	$ 5,841,278
Common Stock	4,209,882	4,292,337
Real Estate Held for Sale - Net	384,944	388,000
Cash and Short-Term Investments	4,071,967	2,115,912
Total Cash and Invested Assets	13,161,204	12,637,527
Premiums and Agents' Balances Receivable	1,820,264	6,353,228
Reinsurance Recoverable	669,109	1,280,130
Accrued Interest and Dividends	33,608	49,593
Receivable from Affiliates and Related Parties	-	698,023
Deferred Tax Asset	100,000	377,111
Receivables from Loss Funds	7,879	180,652
Federal Income Tax Receivable	356,000	-
Other	143,613	41,623
Total Admitted Assets	$ 16,291,677	$ 21,617,887

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

ORISKA INSURANCE COMPANY

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS - STATUTORY BASIS
DECEMBER 31, 2004 AND 2003

LIABILITIES AND SURPLUS

	2004	2003
Liabilities		
Losses and Loss Adjustment Expenses	$ 6,529,206	$ 7,924,022
Commissions and Other Expenses Payable	955,385	956,944
Due to Affiliates and Related Parties	1,021,920	-
Unearned Premiums	1,297,726	1,295,519
Ceded Reinsurance Balances Payable	318,506	3,852,943
Amounts Retained by Company for Account of Others	434,842	434,842
Provision for Reinsurance	142,464	15,763
Provision for Uncollateralized Reserve	618,362	-
Total Liabilities	11,318,411	14,480,033
Surplus		
Common Stock, No Par Value, 200 Shares Authorized, Issued and Outstanding	1,500,000	1,500,000
Paid-in Surplus	7,859,068	7,859,068
Unassigned Funds (Deficit)	(4,385,802)	(2,221,214)
Total Surplus	4,973,266	7,137,854
Total Liabilities and Surplus	$ 16,291,677	$ 21,617,887

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

ORISKA INSURANCE COMPANY

STATEMENTS OF INCOME - STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Net Premiums Earned	$ 5,204,062	$ 9,831,859
Underwriting Expenses		
Losses and Loss Adjustment Expenses	2,382,863	5,818,101
Commissions	213,677	820,653
Other Underwriting Expenses	3,552,546	2,892,064
Total Underwriting Expenses	6,149,086	9,530,818
Net Underwriting Gain (Loss)	(945,024)	301,041
Investment Income		
Net Investment Income	222,083	209,268
Net Capital Gain	298,022	133,978
Net Investment Income	520,105	343,246
Write-off of Uncollectible Premiums and Claims Reimbursements	(639,353)	(1,072,066)
Loss Before Income Taxes (Benefit)	(1,064,272)	(427,779)
Provision for Income Taxes (Benefit)	(113,297)	(33,970)
Net Loss	$ (950,975)	$ (393,809)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

ORISKA INSURANCE COMPANY

STATEMENTS OF CHANGES IN SURPLUS - STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Capital and Surplus - Beginning of Year	$ 7,137,854	$ 7,304,694
Net Loss for the Year	(950,975)	(393,809)
Change in Net Unrealized Appreciation of Investments	568,922	633,947
Change in Net Deferred Income Tax	(145,111)	(117,075)
Change in Excess Statutory Reserve	(618,362)	-
Change in Non-admitted Assets	(892,389)	(289,903)
Change in Provision for Reinsurance	(126,673)	-
Capital and Surplus - End of Year	$ 4,973,266	$ 7,137,854

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

ORISKA INSURANCE COMPANY

STATEMENTS OF CASH FLOWS - STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash from Operations		
Premiums Collected Net of Reinsurance	$ 9,261,518	$ 7,017,270
Losses Paid	(2,760,974)	(4,345,382)
Underwriting Expenses Paid	(4,215,310)	(4,079,832)
Cash From (Used In) Underwriting	2,285,234	(1,407,944)
Agents' Balances Charged Off	(990,257)	(541,576)
Net Investment Income	162,966	349,652
Federal Income Taxes Paid	(208,894)	(370,103)
Net Cash From (Used In) Operations	1,249,049	(1,969,971)
Proceeds from Investments Sold, Matured or Repaid		
Bonds	2,004,673	2,071,753
Common Stocks	2,563,294	473,980
Cash, Cash Equivalents, and Short-Term Investments	176	-
Total Investment Proceeds	4,568,143	2,545,733
Cost of Investments Acquired		
Bonds	(662,094)	(3,589,775)
Common Stocks	(1,891,062)	(2,779,650)
Real Estate	(388,000)	-
Total Investments Acquired	(2,941,156)	(6,369,425)
Net Cash From (Used In) Investments	1,626,987	(3,823,692)
Cash from Financing and Miscellaneous Sources		
Net Transfers to Affiliates and Related Parties	1,719,943	2,655,303
Other Applications	(570,952)	(216,836)
Receivables from Loss Funds	(2,068,971)	
Net Cash From (Used In) Financing and Miscellaneous Sources	(919,980)	2,438,467
Net Change in Cash and Short-term Investments	1,956,056	(3,355,196)
Cash and Short-term Investments - Beginning of Year	2,115,912	5,471,108
Cash and Short-term Investments - End of Year	$ 4,071,968	$ 2,115,912

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oriska Insurance Company (the Company) is a New York corporation licensed as a property and casualty insurer. The Company provides insurance coverage for surety, disability, group health and accident, and workers' compensation. The Company is a wholly owned subsidiary of Oriska Corporation. The Company is licensed in New York, Pennsylvania, Georgia, West Virginia, Tennessee, North Carolina and the District of Columbia.

During 2002, the Company began writing workers' compensation insurance for the professional employer organization (PEO) industry. As a result of the new PEO market, the Company significantly reduced its writings in its other lines of business in 2003. Workers' compensation represented 78% of net written premiums in 2004 and 2003.

Basis of Financial Statement Presentation

The Company, domiciled in New York State, prepares its statutory financial statements in accordance with accounting practices prescribed or permitted by the Insurance Department of the State of New York. Prescribed statutory accounting practices (SAP) include the *NAIC Accounting Practices and Procedures Manual* (NAIC SAP), and other publications of the National Association of Insurance Commissioners (NAIC), as well as the state laws, regulations and administrative rules of the Insurance Department of the State of New York. Statutory accounting and reporting varies from generally accepted accounting principles (GAAP) as follows:

Investments – NAIC SAP requires investments in bonds be reported at amortized cost or market value in accordance with the requirements of NAIC. For GAAP, such fixed maturity investments are designated at purchase as held-to-maturity, trading or available-for-sale. Held-to-maturity fixed investments are reported at amortized cost, and the remaining fixed maturity investments are reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of shareholders' equity for those designated as available-for-sale.

Policy Acquisition Costs – NAIC SAP requires the costs of acquiring and renewing business to be expensed when incurred. Under GAAP, such costs, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policies.

Non-admitted Assets – NAIC SAP excludes certain assets not available for the payment of claims such as past due unpaid premiums, prepaid expenses

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and furniture and equipment. GAAP records all assets owned by the Company at cost or recoverable amounts.

Reinsurance – NAIC SAP requires that a liability for reinsurance balances be provided for unsecured unearned premiums and unpaid losses ceded to reinsurers unauthorized to assume such business and for certain overdue reinsurance balances. Changes to those amounts are credited or charged directly to unassigned surplus. Under GAAP, an allowance for amounts deemed uncollectible would be established through a charge to earnings.

NAIC SAP reports reserves for losses, loss adjustment expenses and unearned premiums ceded to reinsurers as reductions of the related reserves rather than as assets as required by GAAP.

Deferred Income Taxes – NAIC SAP recognizes all deferred tax liabilities and only deferred tax assets that will be realized within one year. GAAP recognizes deferred income taxes on temporary differences between GAAP and tax accounting with a valuation allowance against deferred tax assets that may not be recoverable.

Guaranty Fund and Other Assessments – NAIC SAP requires guaranty fund and other assessments be accrued when the Company receives notice that an assessment is payable. Under GAAP, guaranty fund assessments are accrued at the time the events occur on which assessments are expected to be based.

The *NAIC Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of New York effective January 1, 2001. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

Cash and Short-term Investments

For purposes of the statement of cash flows, NAIC SAP considers all debt instruments with a maturity of one year or less at date of purchase to be short-term investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Bonds, preferred stocks, common stocks and short-term investments are stated at values prescribed by the NAIC, as follows:

> Bonds not backed by other loans are principally stated at amortized cost.
>
> Loan-backed securities are valued at the lower of market value or amortized cost using the interest method including anticipated prepayments.
>
> Common stocks are reported at market value as determined by the Securities Valuation Office of the NAIC and the related net unrealized capital gains (losses) are reported in unassigned surplus without any adjustment for federal income taxes.
>
> Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.

Real estate held for sale is stated at the lower of cost or fair value and net of encumbrances and estimated selling costs.

Realized capital gains and losses are determined using the specific identification method. Changes in admitted asset carrying amounts of bonds, mortgage loans, common and non-redeemable preferred stocks are credited or charged directly to unassigned surplus.

Premiums

Premiums are recognized ratably over the life of the policies. Workers' compensation premiums are estimated based on anticipated payrolls of the PEO's for the policy period and are subject to audit at the end of the policy term. Advance premiums represent amounts received on policies not yet in force and are recognized as a liability in the Company's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses includes amounts determined from individual case estimates and loss reports, and an amount based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Reinsurance

Prospective reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance treaties.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of admitted assets and liabilities, and revenues and expenses. The significant estimates used in preparing these financial statements include those assumed in the determination of the liability for losses and loss adjustment expenses and the collectibility of claims reimbursements on high-deductible policies. It is reasonably possible that the significant estimates used will change within the next year.

NOTE 2 – INVESTMENTS

Stocks and Bonds

Securities owned at December 31, 2004, consist of the following:

	Par Value	Book Value	Market Value
Debt Securities:			
U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies	$ 2,965,000	$ 2,954,001	$ 2,972,814
Obligations of States and Political Subdivisions	375,000	375,783	394,703
Corporate Securities	1,150,000	1,149,874	1,146,076
Mortgage Backed Securities	14,429	14,753	15,528
Total Debt Securities	$ 4,504,429	4,494,411	4,529,121
Equity Securities		4,209,882	4,209,882
Total Debt and Equity Securities		$ 8,704,293	$ 8,739,003

Securities owned at December 31, 2003, consist of the following:

	Par Value	Book Value	Market Value
Debt Securities:			
U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies	$ 4,050,000	$ 4,024,033	$ 4,155,429
Obligations of States and Political Subdivisions	440,000	439,395	473,343
Corporate Securities	1,350,000	1,347,202	1,362,657
Mortgage Backed Securities	116,673	30,648	23,507
Total Debt Securities	$ 5,956,673	5,841,278	6,014,936
Equity Securities		4,292,336	4,292,336
Total Debt and Equity Securities		$ 10,133,614	$ 10,307,272

NOTE 2 – INVESTMENTS (CONTINUED)

The cost and approximate value of bonds held at December 31, 2004 are shown below by contractual maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Carrying Value	Approximate Market Value
Due in one year or less	$ 1,185,138	$ 1,194,291
Dure after one year through five years	2,876,235	2,898,448
Due after five years through ten years	217,261	218,939
Due after ten years	215,777	217,443
	$ 4,494,411	$ 4,529,121

Real Estate Held for Sale

During 2003, in partial settlement of unpaid insurance premiums from an insured, the Company accepted title to improved real estate in a troubled debt restructuring under SSAP No. 36. The Company is actively attempting to sell the property. Accordingly, it has been classified as "Held for Sale". This investment is carried at fair market value at the date of acquisition (which amount is less than the total indebtedness owing from the insured) less liens on the property of $637,955 and estimated selling costs. A realized loss of $139,000 was recorded in 2003 for unpaid premiums written off as uncollectible in excess of the net realizable value of the real estate received.

Investment Income

Investment Income is comprised of the following:

	2004	2003
Short-term Investments:		
Interest	$ 16,514	$ 9,418
Debt Securities		
Interest	190,678	187,423
Realized Gains	6,926	138,103
Equity Securities		
Dividends	82,639	47,911
Realized Gains	291,096	(4,125)
	587,853	378,730
Investment Expenses	67,748	35,484
Net Investment Income	$ 520,105	$ 343,246

NOTE 2 – INVESTMENTS (CONTINUED)

At December 31, 2004, investments carried at a book value of $2,383,410 were on deposit with regulatory authorities.

NOTE 3 - REINSURANCE

The Company limits the maximum net loss which can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks to other insurers or reinsurers by entering into excess of loss and quota share reinsurance contracts. Excess of loss reinsurance contracts cede a portion of retained losses over minimum amounts ranging from $100,000 to $1,000,000, depending upon the line of business. Ceded reinsurance is treated as the risk and liability of the assuming companies.

During 2003 the Company assumed $2,706,427 of excess of loss reinsurance premiums from an affiliate and incurred a commission expense of $394,597 on the transaction.

The effects of reinsurance ceded and assumed on premiums written and earned are as follows:

	2004		2003	
	Written	Earned	Written	Earned
Direct Premiums	$2,560,646	$3,102,562	$ 5,490,019	$ 8,702,380
Assumed Premiums	-	-	2,706,427	2,706,427
Ceded Premiums	2,612,296	2,101,500	(969,375)	(1,576,949)
Net Premiums	$5,172,942	$5,204,062	$ 7,227,071	$ 9,831,858

The reinsurance contracts do not relieve the Company from its obligations to policyholders. In the event that any or all of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreements, the Company would be liable for defaulted amounts.

The estimated amount recoverable from reinsurers deducted from the reserve for losses and loss adjustment expenses was $2,894,794 and $3,547,953 at December 31, 2004, and 2003, respectively.

There were no return commissions recoverable at December 31, 2004 and 2003.

NOTE 3 - REINSURANCE (CONTINUED)

At December 31, 2004, the Company had unsecured recoverables from reinsurers for losses and loss adjustment expenses paid and unpaid, including IBNR and unearned premiums that exceed 3% of surplus as follows:

Everest RE	$	225,000
Folksamerica Reinsurance Co.		876,000
GE RE		604,000
Houstan Casualty Co.		678,000
Kemper RE		308,000
Odyssey American RE		302,000
Reliance National		332,000
Lumbermans Mutual		159,000

During 2004 the Company commuted its reinsurance with Max RE for the period 2002 to 2003. There was no ceded losses on this coverage and no unearned premium.

NOTE 4 – INCOME TAXES

Deferred income taxes are provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Such differences relate primarily to the discounting of loss reserves for tax purposes. NAIC allows deferred income tax assets to be recognized to the extent they can be used within one year from the balance sheet date.

The tax effect of temporary differences that give rise to the deferred tax asset at December 31, 2004 and 2003 consist of:

	2004	2003
Unrealized Securities Gains	$ (275,000)	$ (172,753)
Discounting of Unearned Premiums	89,000	90,686
Discounting of Loss Reserves	411,000	458,457
Other	7,000	721
Net Deferred Tax Asset	232,000	377,111
Non-admitted Deferred Tax Asset	(132,000)	-
Admitted Net Deferred Tax Asset	$ 100,000	$ 377,111

NOTE 4 – INCOME TAXES (CONTINUED)

The following is a reconciliation of the Federal income tax expense to statutory rates:

	2004	2003
Federal Taxes at Statutory Rate	$ (372,495)	$ (145,444)
Discounting of Loss Reserves	(47,850)	269,517
Discounting of Unearned Premiums	(2,108)	(177,125)
Tax-exempt Investment Income	(26,040)	(18,506)
Other Items	335,196	37,588
Federal Income Tax Provision (Benefit)	$ (113,297)	$ (33,970)

The Company files a separate return from its Parent Company.

NOTE 5 – LOSS AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for loss and loss adjustment expenses is summarized as follows:

	(In Thousands)	
	2004	2003
Losses and Loss Adjustment Expenses		
- Beginning of year	$ 7,924	$ 7,407
Less Reinsurance Recoverables on Paid Losses	(1,280)	(1,706)
	6,644	5,701
Incurred Losses and Loss Adjustment Expenses		
Current year	3,661	8,090
Prior years	260	(2,272)
	3,921	5,818
Paid Losses and Loss Adjustment Expenses		
Current year	1,761	3,119
Prior years	2,944	1,756
	4,705	4,875
Losses and Loss Adjustment Expenses		
- End of year	6,529	7,924
Less Reinsurance Recoverables on Paid Losses	(669)	(1,280)
	$ 5,860	$ 6,644

NOTE 6 – HIGH DEDUCTIBLE POLICIES

In 2003 the Company began to write high-deductible workers' compensation insurance for PEO's. The deductibles on these policies range from $5,000 to $500,000. The Company is exposed to significant credit risk arising from these high-deductible policies.

The reserves for these deductibles were reviewed by Robert J. Meyer, FCAS of Milliman USA. The reserve credit taken by the Company for high deductibles was approximately $14.3 million as of December 31, 2004. Funds billed to PEO's and admitted for paid claims was $7,877.

The Company reviews the financial viability of its insureds, whether reimbursements for deductibles on workers' compensation policies are collectible, and the suitability of the deductible plans to its insureds.

At December 31, 2004, the Company held security interest in bank accounts, real estate, and other assets of insureds as collateral against this risk exposure. However, the Company is unable to reasonably determine the value of some of those security interests, because the collateral agreements do not provide that minimum cash balances be maintained, nor do they provide for effective monitoring of the cash balances. Management is in the process of negotiating enhanced collateral facilities with its insureds to minimize this credit risk. However, there is no assurance that these negotiations will be successful.

The Company is also the plaintiff in legal actions against several PEO's for non-payment of premiums and claims reimbursement. The ultimate outcome of this litigation cannot reasonably be determined at this time.

Management is of the opinion that these contingencies will not have a material impact on the Company's financial condition and a $618,362 provision for non-recovery of deductibles has been made in the financial statements.

NOTE 7 – CAPITAL AND SURPLUS

Property and casualty insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by the insurance company is to be determined based on the various risk factors related to it. At December 31, 2004 and 2003, the Company met the RBC requirements.

The maximum amount of dividends that may be paid by property and casualty insurance companies without prior approval by the State of New York Insurance Commissioner is subject to restrictions relating to statutory surplus and net income. The Company cannot pay dividends without prior approval of the State of New York Insurance Commissioner.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Company is owned 100% by Oriska Corporation (a New York corporation). Oriska Corporation is an 82% owned subsidiary of IPA Acquisitions, Inc. (a California corporation).

Monument Agency, Inc. (Monument) provides agency services and facilities to the Company and its affiliates. Monument is a related party through contractual obligations. In 2004 and 2003 the Company incurred $198,467 and $377,211, respectively, in commissions to Monument.

In 2003, administrative support and facilities expense were charged to the Company by Monument on a cost allocation basis. In 2004, a similar administrative support and facilities expense arrangement was in place through United Systems Management, Inc. (USA). USA is also a related party through common management.

The President of the Company is the principal shareholder of IPA Acquisitions, Inc. In addition to his management responsibilities he also provides legal counsel and engineering loss control and risk inspection services to the Company. He does not receive a regular salary from the Company, but was paid $97,902 and $48,383 in legal fees in 2004 and 2003, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

At December 31, 2004 and 2003, the Company had the following receivables (payables) due from (to) its affiliates and related parties:

	2004	2003
Insurance Company of the Americas	$ (809,500)	$ 176,750
Oriska Corporation	(25,202)	680,417
IPA Acquisitions, Inc.	21,132	(965,268)
Monument Agency, Inc.	(429,287)	806,124
Reinsurance Company of America, Inc.	215,279	-
United Systems Management, Inc.	5,658	-
	$ (1,021,920)	$ 698,023

During 2003 the Company assumed $2,706,427 of reinsurance from an affiliate, Insurance Company of the Americas. The Company assumed this coverage by replacing an existing unrelated reinsurer, Dallas Fire.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company is named as a defendant in various legal actions arising principally from claims made under insurance policies and disputes with insureds. Those actions have been considered by the Company in estimating the loss and loss adjustment expense liability. Management believes that the resolution of those actions will not have a material effect on the Company's financial position or results of operations.

See Note 6 for contingencies related to high-deductible-policies.

IPA Acquisitions, Inc., the Company's ultimate Parent, has issued surplus notes to several PEO's that the Company insures. At December 31, 2004 the outstanding balance on these notes and other funds held by IPA for the Company's benefit was approximately $724,000. The principal and interest, while due on demand, can only be paid out of dividends paid by the insurance subsidiaries of IPA, including the Company. The repayment of this debt and all dividends are subject to approval by the Florida or New York Departments of Insurance. The Company is not directly obligated or a guarantor of these surplus notes or other obligations of IPA or affiliated companies.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Company's concentration of credit risk consist primarily of cash, receivables from insureds, and uncollateralized reserve credits on high-deductible policies.

The Company maintains cash balances in excess of insurance provided by the Federal Deposit Insurance Corporation (FDIC). Balances recorded in the financial statements in excess of FDIC limits were $3,390,866 and $231,005 at December 31, 2004 and 2003, respectively.

The Company writes a significant portion of its business through Monument Agency, Inc. (See Note 8). In 2004 and 2003, premiums written through Monument represent 98% and 83% of total direct written premiums, respectively. One PEO client represents 85% of direct written premium in 2004 and 81% of premiums and agents' balances receivable at December 31, 2004.

See Note 6 for discussion on high-deductible policies.

NOTE 11 – RECONCILIATION OF ANNUAL STATEMENT SURPLUS TO AUDITED FINANCIAL STATEMENTS

The following is a reconciliation of surplus reported in these financial statements to surplus reported in the Company's Annual Statements:

	2004	2003
Surplus - Per Annual Statement	$ 5,302,546	
Surplus - Per Amended Annual Statement		$ 7,740,392
Commissions, Taxes and Other Expenses Payable	(142,000)	(160,894)
Receivables Non-admitted	91,720	86,725
Reserve Credit on High Deductible Policies - Portion Nonadmitted	-	(179,140)
Loss from Balances Charged Off	(279,000)	(530,490)
Federal Income Taxes Payable	-	181,261
Net Increase (Decrease) in Surplus	(329,280)	(602,538)
Surplus - Per Audited Financial Statements	$ 4,973,266	$ 7,137,854

NOTE 11 – RECONCILIATION OF ANNUAL STATEMENT SURPLUS TO AUDITED FINANCIAL STATEMENTS (CONTINUED)

The following is a reconciliation of net income (loss) reported in these financial statements to net income (loss) reported in the Company's Annual Statements:

	2004	2003
Net (Loss) - Per Annual Statement	$ (1,132,513)	
Net Income - Per Amended Annual Statement		$ 160,418
Commissions and Other Underwriting Expenses	18,894	(317,130)
Losses from Balances Charged Off	343,905	(530,490)
Provision for Federal Income Taxes	(181,261)	354,117
Other		(60,724)
Net Increase (Decrease) in Net Income	181,538	(554,227)
Net (Loss) - Per Audited Financial Statements	$ (950,975)	$ (393,809)

NOTE 12 - EXAMINATION BY NEW YORK DEPARTMENT OF INSURANCE

The Company has been examined by the New York Department of Insurance through the year December 31, 1998 and is currently undergoing an examination through December 31, 2003.

HB HEVIA, BEAGLES & COMPANY, P. A.
PROFESSIONAL CONSULTING GROUP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Oriska Insurance Company
Oriskany, New York

Our audit was conducted for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. The supplementary information on "Summary Investment Schedule" and "Supplemental Investment Risks Interrogatories" on pages 23 and 24-29, respectively, is presented for purposes of additional analysis and is not a required part of the basic statutory financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic statutory financial statements, and, accordingly, we express no opinion on it.

Hevia Beagles & Company
Certified Public Accountants

May 27, 2005

Suite 120, 9400 4th Street N., St. Petersburg, Florida 33702-2525 • (727) 577-9400 • (800) 570-5404 • Fax: (727) 576-5404

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	Gross Investment Holdings 2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	Admitted Assets as Reported in the Annual Statement 4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	2,206,388	16.356	2,206,388	16.356
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	747,613	5.542	747,613	5.542
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	375,783	2.786	375,783	2.786
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or Guaranteed by GNMA	14,753	0.109	14,753	0.109
1.512 Issued or Guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA or FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,149,874	8.524	1,149,874	8.524
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	4,209,882	31.209	4,209,882	31.209
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes $........ of property acquired in satisfaction of debt)				
5.3 Property held for sale ($......633,944 including property acquired in satisfaction of debt)	633,944	4.700	633,944	4.700
6. Policy loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	4,151,292	30.774	4,151,292	30.774
9. Other invested assets				
10. Total invested assets	13,489,529	100.000	13,489,529	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

Due April 1

For the year ended December 31, 2004

Of The ORISKA INSURANCE COMPANY

Address (City, State, Zip Code) Oriskany, NY, 13424

NAIC Group Code 3384 NAIC Company Code 30175 Employer's ID Number 16-1418092

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.
Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 15,920,155

1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 Washington Mutual Investors Fund	Unaffiliated Common Stock	1,169,607	7.347
2.02 GMAC	Unaffiliated Bonds	250,000	1.570
2.03 FNMA	Unaffiliated Common Stock	149,541	0.939
2.04 Computer Associates	Unaffiliated Common Stock	149,088	0.936
2.05 Countrywide Credit	Unaffiliated Common Stock	133,236	0.837
2.06 Altria Group	Unaffiliated Common Stock	128,310	0.806
2.07 Agilent Technologies	Unaffiliated Common Stock	115,680	0.727
2.08 Barrick Gold	Unaffiliated Common Stock	111,412	0.700
2.09 Kerr McGee	Unaffiliated Common Stock	109,801	0.690
2.10 Viacom	Unaffiliated Common Stock	98,253	0.617

NAIC Rating	1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.		
Bonds		
3.01 NAIC-1	4,754,680	29.866
3.02 NAIC-2	250,000	1.570
3.03 NAIC-3		
3.04 NAIC-4		
3.05 NAIC-5		
3.06 NAIC-6		
Preferred Stocks		
3.07 P/RP-1		
3.08 P/RP-2		
3.09 P/RP-3		
3.10 P/RP-4		
3.11 P/RP-5		
3.12 P/RP-6		

4. Assets held in foreign investments:
4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]

	1 Amount	2 Percent
4.02 Total admitted assets held in foreign investments		
4.03 Foreign-currency-denominated investments		
4.04 Insurance liabilities denominated in that same foreign currency		

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

NAIC Sovereign Rating	1 Amount	2 Percent
5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:		
5.01 Countries rated NAIC-1		
5.02 Countries rated NAIC-2		
5.03 Countries rated NAIC-3 or below		

NAIC Sovereign Rating	1 Amount	2 Percent
6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:		
Countries rated NAIC-1:		
6.01		
6.02		
Countries rated NAIC-2:		
6.03		
6.04		
Countries rated NAIC-3 or below:		
6.05		
6.06		

Description	1 Amount	2 Percent
7. Aggregate unhedged foreign currency exposure		

NAIC Sovereign Rating	1 Amount	2 Percent
8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:		
8.01 Countries rated NAIC-1		
8.02 Countries rated NAIC-2		
8.03 Countries rated NAIC-3 or below		

NAIC Sovereign Rating	1 Amount	2 Percent
9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:		
Countries rated NAIC-1:		
9.01		
9.02		
Countries rated NAIC-2:		
9.03		
9.04		
Countries rated NAIC-3 or below:		
9.05		
9.06		

1 Issuer	2 NAIC Rating	3 Amount	4 Percent
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:			
10.01			
10.02			
10.03			
10.04			
10.05			
10.06			
10.07			
10.08			
10.09			
10.10			

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

Description	1 Amount	2 Percent
11.02 Total admitted assets held in Canadian Investments	111,412	0.700
11.03 Canadian-currency-denominated investments		
11.04 Canadian-denominated insurance liabilities		
11.05 Unhedged Canadian currency exposure		

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

1 Contractual Sales Restrictions	2 Amount	3 Percent
12.02 Aggregate statement value of investments with contractual sales restrictions		
Largest 3 investments with contractual sales restrictions:		
12.03		
12.04		
12.05		

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

1 Name of Issuer	2 Amount	3 Percent
Assets held in equity interests:		
13.02 Washington Mutual Investors Fund	1,169,607	7.347
13.03 FNMA	149,541	0.939
13.04 Computer Associates	149,088	0.936
13.05 Countrywide Credit	133,236	0.837
13.06 Altria Group	128,310	0.806
13.07 Agilent Technologies	115,680	0.727
13.08 Barrick Gold	111,412	0.700
13.09 Kerr McGee	109,801	0.690
13.10 Aetna US Healthcare	99,800	0.627
13.11 Viacom	98,253	0.617

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1 Investment Category	2 Amount	3 Percent
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	4,209,882	26.444
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	Washington Mutual Investors Fund	1,169,607	7.347
14.04	FNMA	149,541	0.939
14.05	Computer Associates	149,088	0.936

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1 Investments in General Partnerships	2 Amount	3 Percent
15.02	Aggregate statement value of investments held in general partnership interests		
	Largest 3 investments with contractual sales restrictions:		
15.03			
15.04			
15.05			

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2 Amount	3 Percent
	Total admitted assets held in Mortgage Loans		
16.02			
16.03			
16.04			
16.05			
16.06			
16.07			
16.08			
16.09			
16.10			
16.11			

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	Loans 2 Amount	3 Percent
Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:		
16.12 Construction loans		
16.13 Mortgage loans over 90 days past due		
16.14 Mortgage loans in the process of foreclosure		
16.15 Mortgage loans foreclosed		
16.16 Restructured mortgage loans		

Loan-to-Value	Residential 1 Amount	2 Percent	Commercial 3 Amount	4 Percent	Agricultural 5 Amount	6 Percent
17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:						
17.01 Above 95%						
17.02 91% to 95%						
17.03 81% to 90%						
17.04 71% to 80%						
17.05 Below 70%						

18. Amounts and percents of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes[ ] No[X]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

1 Description	2 Amount	3 Percent
Assets held in the 5 Largest Real Estate Holdings:		
18.02 Property Held for Sale	663,944	4.170
18.03		
18.04		
18.05		
18.06		

Description	At Year-end 1	2	At End of Each Quarter 1st Qtr 3	2nd Qtr 4	3rd Qtr 5
19. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
19.01 Securities lending agreements (do not include assets held as collateral for such transactions)					
19.02 Repurchase agreements					
19.03 Reverse repurchase agreements					
19.04 Dollar repurchase agreements					
19.05 Dollar reverse repurchase agreements					

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	Owned 1 Amount	Owned 2 Percent	Written 3 Amount	Written 4 Percent
20. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:				
20.01 Hedging				
20.02 Income generation				
20.03 Other				

Description	At Year-End Amount 1	At Year-End Percent 2	Amount at End of Each Quarter 1st Qtr 3	Amount at End of Each Quarter 2nd Qtr 4	Amount at End of Each Quarter 3rd Qtr 5
21. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:					
21.01 Hedging					
21.02 Income generation					
21.03 Replications					
21.04 Other					

Description	At Year-End Amount 1	At Year-End Percent 2	Amount at End of Each Quarter 1st Qtr 3	Amount at End of Each Quarter 2nd Qtr 4	Amount at End of Each Quarter 3rd Qtr 5
22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:					
22.01 Hedging					
22.02 Income generation					
22.03 Replications					
22.04 Other					