ORISKA INSURANCE COMPANY

Combined Statutory Financial Statements

December 31, 2006 and 2005

(With Independent Auditor's Report Thereon)

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oriska Insurance Company
Oriskany, New York

We have audited the accompanying statements of admitted assets, liabilities and surplus – statutory basis of Oriska Insurance Company as of December 31, 2006, and the related statements of income and changes in surplus and cash flows - statutory basis for the year 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 audit. The financial statements of Oriska Insurance Company as of December 31, 2005, were audited by other auditors whose report dated May 24, 2006 expresses an unqualified opinion on these statements.

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

As described more fully in Note 1, the Company prepared these financial statements using accounting practices prescribed or permitted by the New York Insurance Department, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The effects on the financial statements of the variances between the statutory accounting practices and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

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 as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Summary Investment Schedule and the Investment Risks Interrogatories is presented to comply with regulatory instructions and for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of Oriska Insurance Company and the insurance departments whose jurisdiction the company is subject and is not intended to be and should not be used by anyone other than these specified parties.

TaylorChandler LLC

TaylorChandler, L.L.C
Certified Public Accountants

May 23, 2007
Montgomery, Alabama

ORISKA INSURANCE COMPANY

STATEMENTS OF ADMITTED ASSETS,

LIABILITIES AND SURPLUS - STATUTORY BASIS

AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
ADMITTED ASSETS		
Investments		
Bonds	$ 3,888,635	$ 4,909,406
Equity securities	3,915,383	3,403,612
Real estate	379,055	387,965
Total investments	8,183,073	8,700,983
Cash and short-term investments	4,774,391	4,165,927
Accrued interest	42,584	44,196
Premium and agents' balances	4,810,157	3,067,456
Reinsurance receivable on paid losses	1,419,258	1,552,646
Net deferred tax asset	41,000	410,000
Federal income tax receivable	1,223,116	503,000
Other receivable	420,514	-
Deductibles receivable	92,154	32,047
TOTAL ADMITTED ASSETS	$ 21,006,247	$ 18,476,255
LIABILITIES AND SURPLUS		
Liabilities		
Unpaid losses	$ 9,924,378	$ 9,077,960
Reinsurance payable on paid losses	-	4,425
Loss adjustment expenses	1,319,787	1,065,440
Commissions payable	30,793	39,611
Other expenses	1,138,913	218,420
Taxes, licenses and fees (excluding federal income taxes)	17,111	176,302
Unearned premiums	3,924,835	2,706,448
Ceded reinsurance payable	252,601	453,689
Remittances and items not allocated	527,000	9,238
Provision for reinsurance	392,814	-
Payable to parent, subsidiaries and affiliates	50,047	175,671
Federal income taxes payable	-	48,297
Advance premiums	11,175	-
Total liabilities	17,589,454	13,975,501
Surplus		
Common capital stock	1,500,000	1,500,000
Paid-in and contributed surplus	7,859,068	7,859,068
Unassigned surplus	(5,942,275)	(4,858,314)
Surplus	3,416,793	4,500,754
TOTAL LIABILITIES AND SURPLUS	$ 21,006,247	$ 18,476,255

See accompanying notes to financial statements

ORISKA INSURANCE COMPANY

STATEMENTS OF INCOME AND CHANGES IN SURPLUS - STATUTORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
UNDERWRITING INCOME		
Premiums earned	$ 6,596,691	$ 7,798,961
Deductions		
Losses	2,756,081	4,584,013
Loss adjustment expenses	640,396	(247,390)
Other underwriting expenses	4,027,673	3,930,928
Net underwriting income (loss)	(827,459)	(468,590)
INVESTMENT INCOME		
Investment income (net of fees)	284,242	234,567
Net realized gain (loss) on investments	236,074	131,599
Net investment income	520,316	366,166
OTHER INCOME		
Net gain or (loss) from agents' or premium balances charged off	(654,512)	(202,382)
Miscellaneous income	20,741	443,525
Total other income	(633,771)	241,143
NET INCOME BEFORE FEDERAL INCOME TAXES	(940,914)	138,719
Federal income taxes incurred	(373,671)	148,297
NET INCOME	$ (567,243)	$ (9,578)
CAPITAL AND SURPLUS ACCOUNT		
Surplus as regards policyholders, December 31 prior year	$ 4,500,754	$ 5,220,266
GAINS AND (LOSSES) IN SURPLUS		
Net income	(567,243)	(9,578)
Change in net unrealized gains and losses	381,447	67,089
Change in uncollateralized reserves	-	618,362
Change in provision for reinsurance	(392,814)	142,437
Change in net deferred income tax	(169,227)	282,304
Change in nonadmitted assets	(336,124)	(1,820,126)
Change in surplus as regards policyholders for the year	(1,083,961)	(719,512)
Surplus as regards policyholders, December 31 current year	$ 3,416,793	$ 4,500,754

See accompanying notes to financial statements

ORISKA INSURANCE COMPANY

STATEMENTS OF CASH FLOWS - STATUTORY BASIS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FROM OPERATIONS		
Premiums collected net of reinsurance	$ **5,935,264**	$ 8,095,674
Net investment income	**234,427**	285,168
Miscellaneous income	**(633,771)**	303,025
Benefits and loss related payments	**(1,684,867)**	(1,581,364)
Commissions, expenses paid and aggregare write-ins for deductions	**(3,664,093)**	(4,221,923)
Federal and foreign income taxes paid	**(394,742)**	(48,297)
Net cash from operations	**(207,782)**	2,832,283
CASH FROM INVESTMENTS		
Proceeds from investments sold, matured or repaid:		
Bonds	**1,409,514**	1,084,045
Stocks	**565,813**	1,458,633
Total investment proceeds	**1,975,327**	2,542,678
Cost of investments acquired		
Bonds	**350,179**	(1,544,146)
Stocks	**523,427**	(373,495)
Real estate	**(8,910)**	-
Total investments acquired	**864,696**	(1,917,641)
Net cash from investments	**1,110,631**	625,037
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
Net transfers to affiliates and related parties	-	(846,248)
Other applications	**(294,385)**	(443,710)
Receivables from loss funds	-	(2,073,402)
Net cash from financing and miscellaneous sources	**(294,385)**	(3,363,360)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
Net change in cash and short-term investments	**608,464**	93,960
Cash and short-term investments:		
Beginning of year	**4,165,927**	4,071,967
End of period	$ **4,774,391**	$ 4,165,927

See accompanying notes to financial statements

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Oriska Insurance Company, (the Company), is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management, who is responsible for their integrity and objectivity. These accounting polices conform to statutory accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of operations

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 owned 100% by Oriska Corporation (a New York corporation). Oriska Corporation is an 82% owned subsidiary of IPA Acquisitions, Inc. (a California corporation). The President of the Company is the principal stockholder of IPA Acquisitions, Inc. 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 beginning in 2003. Workers' compensation represented 90% and 78% of net written premiums in 2006 and 2005, respectively.

The significant accounting policies followed by the Company are summarized as follows:

Use of estimates

The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include premiums earned, unpaid losses and loss adjustment expenses, and the unearned premium reserve. Each of these estimates may differ from amounts ultimately realized.

Basis of presentation

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the New York Insurance Department. Prescribed statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC). Permitted statutory accounting practices encompass all accounting practices that are not prescribed. The New York Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial condition and results of an insurance company and for determining its solvency under the New York Insurance Law. 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.

In 1994, the NAIC undertook a project to codify statutory accounting in an effort to develop a single uniform and comprehensive basis of statutory accounting. In its March 1998 meeting, NAIC membership adopted the Codification of Statutory Accounting Principles Project (the "Codification") as the NAIC-supported basis of accounting. The Codification was approved with a provision allowing for commissioner discretion in determining appropriate statutory accounting for insurers. Accordingly, such discretion will continue to allow prescribed or permitted accounting practices that may differ from state to state. The Company's adoption date for the Codification was January 1, 2001, that is consistent with state adoption.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and short-term investments

For the purpose of presentation in the Company's statements of cash flow, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

Investments

Investment grade United States government securities and other fixed income securities are reported at amortized cost, and premiums or discounts to the par value are amortized under the effective interest method. Non-investment grade bonds are carried at fair value. Realized gains and losses on dispositions are based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. Realized capital losses include write downs for impairments considered to be other than temporary. Unrealized gains and losses on securities are based on the difference between book value and fair value of each security. These gains and losses are credited or charged to surplus, whereas realized gains and losses flow through the Company's annual operations.

Fair value for cash, short-term investments, receivables, and payables approximate their carrying value. For investments in perpetual preferred stocks and common stocks, fair values are based on values provided by the Securities Valuation Office of the NAIC or by broker/dealer market quotes. Investments in redeemable preferred stocks are carried at cost.

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

Net investment income earned consists primarily of interest and dividends less investment related expense. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis.

The Company nonadmits investment income due and accrued if amounts are over 90 days past due.

The Company does not anticipate investment income as a factor in premium deficiency calculations.

Recognition of premium revenues and related expenses

Premiums and reinsurance contracts are generally recognized on a pro rata basis over the policy term. The unearned premium reserve is established to cover the portion of premiums paid in advance.

Expense incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred.

Insurance liabilities

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

Unpaid losses and loss adjustment expenses are reported at undiscounted future value for the years ended December 31, 2006 and 2005.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Estimated reinsurance recoveries from reinsurance carriers that will become due as the reserves for unpaid losses are exhausted and are netted with the reserves for losses and loss adjustment expenses. At December 31, 2006 and 2005, these amounts totaled $2,448,000 and $3,576,000. Recoveries are estimated on the assumption that all claims reserves will be exhausted through the payment of claims.

Contingent liability exists with respects to reinsurance that would become an actual liability in the event the reinsuring companies might be unable to meet their obligations to the Company under existing reinsurance agreements. The provision for reinsurance was $392,814 and $0 as of December 31, 2006 and 2005, respectively and any increase or decrease between years is recorded directly to surplus.

Amounts paid for reinsurance contracts are expensed over the contract period during which insured events are covered by the reinsurance contracts. The Company only has reinsurance for workers' compensation. The Company does not have reinsurance for surety, health, fidelity, and disability.

Income taxes

The Company files its own tax return. Deferred income tax provisions are based on the asset and liability method. Deferred federal taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Such differences are related principally to the discounting of loss reserves, unrealized gains and losses on equity securities and the unearned premium reserve.

The Company is a taxable entity under IRS Section 831.

The Company is charged various state assessments and premium tax.

Reclassification

Certain amounts have been reclassified to conform to the 2006 presentation.

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES, CASH AND SHORT-TERM INVESTMENTS

Investments are presented in the financial statements at amortized cost as follows:

	2006			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Market value**
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 3,134,066**	**$ 2,076**	**$ (42,179)**	**$ 3,093,963**
States, territories and possessions	**209,834**	**5,955**	**-**	**215,789**
Industrial and miscellaneous loans	**544,735**	**-**	**(5,544)**	**539,191**
Common stocks	**2,738,397**	**1,207,803**	**(30,818)**	**3,915,382**
Total	**$ 6,627,032**	**$ 1,215,834**	**$ (78,541)**	**$ 7,764,325**

	2005			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Market value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 3,448,047	$ 7,595	$ (44,712)	$ 3,410,930
States, territories and possessions	351,029	9,589	-	360,618
Industrial and miscellaneous loans	1,110,330	-	(14,998)	1,095,332
Common stocks	2,573,713	904,998	(75,099)	3,403,612
Total	$ 7,483,119	$ 922,182	$ (134,809)	$ 8,270,492

Investments of no single issuer, except for investments in U.S. Government and U.S. Government Agencies, were greater than 10% of capital and surplus as of December 31, 2006 and 2005.

Gross realized gains and losses on sales of securities were:

	2006	2005
Gross realized gains:		
Debt securities	**$ 1,491**	$ -
Common stocks	**234,583**	163,140
Total	**$ 236,074**	$ 163,140
Gross realized losses:		
Debt securities	**$ -**	$ 1,049
Common stocks	**-**	30,492
Total	**$ -**	$ 31,541

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES, CASH AND SHORT-TERM INVESTMENTS (CONTINUED)

Major categories of net investment income are summarized as follows:

	2006	2005
Fixed maturities	$ 149,958	$ 165,961
Common stocks	67,532	67,287
Cash and short-term investments	108,290	58,450
Gross investment income	325,780	291,698
Less management fees	(41,538)	(57,131)
Net investment income	$ 284,242	$ 234,567

The amortized cost and estimated fair value of bonds at December 31, 2006 and 2005 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2006	
	Amortized cost	Fair value
Due in one year or less	$ 1,244,223	$ 1,234,132
Due after one year through five years	2,090,073	2,064,728
Due after five years through ten years	546,556	542,125
Due after ten years	7,783	7,958
	$ 3,888,635	$ 3,848,943

Cash, cash equivalents and short-term investments of the Company at December 31, 2006 and 2005 consist of the following:

	2006	2005
Checking accounts and certificates of deposit	$ 3,001,776	$ 3,789,453
Money market funds	1,524,563	376,474
U.S. Treasury bills	248,052	-
Total	$ 4,774,391	$ 4,165,927

Included with cash at December 31, 2006 and 2005, were special deposits with a carrying value of $2,547,335 and $2,411,782, respectively. These special deposits were on deposit with various State Departments of Insurance.

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 in the process of selling the property in 2007 to Monument Realty, Inc. See Note 15. Accordingly, it has been classified as "Held for Sale" as of December 31, 2006. This investment is carried at fair market value as of December 31, 2003 less liens on the property of $643,945 and estimated selling costs.

NOTE 3 – REINSURANCE ACTIVITY

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.

The Company entered into excess of loss reinsurance agreements effective December 31, 2004 to December 31, 2005, covering all workers' compensation losses in excess of $1,000,000 per occurrence up to a limit of $10,000,000 per occurrence. These agreements are with various Lloyd's syndicates. This policy was extended through April 30, 2006.

The effect of the Company's reinsurance on premiums written and premiums earned in 2006 and 2005 are as follows:

	2006	2005
Premiums written:		
Direct	**$ 7,766,257**	$ 10,120,731
Ceded	**48,821**	(879,721)
Net premiums written	**$ 7,815,078**	$ 9,241,010
Premiums earned:		
Direct	**$ 6,550,979**	$ 8,682,126
Ceded	**45,712**	(883,165)
Net premiums earned	**$ 6,596,691**	$ 7,798,961

Amounts recoverable from reinsurers at December 31, 2006 and 2005 consist of the following:

	2006	2005
Dorinco Rein. Co.	**$ 31,000**	$ 55,000
Everest Rein. Co.	**316,000**	367,000
Folks America Rein. Co.	**959,000**	1,444,000
GE Reinsurance Corp.	**529,000**	614,000
General Security National Insurance Co.	**38,000**	-
Houston Cas. Co.	**235,000**	357,000
Kemper Rein. Co.	**128,000**	259,000
Lumbermens Mut. Cas. Co.	**62,000**	111,000
Odyssey America Rein. Co.	**92,000**	155,000
Praftorian Ins. Co.	**9,000**	-
Transatlantic Rein. Co.	**32,000**	61,000
Trenwick Amer. Rein. Corp.	**17,000**	57,000
Insuramce Co. of Hanover	**-**	29,000
Sorema North American	**-**	67,000
	$ 2,448,000	$ 3,576,000

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.

As of December 31, 2006 and 2005, the Company did not accrue any additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in the financial statements as a result of existing contractual arrangements.

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 4 – LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for unpaid losses and loss adjustment expense is summarized as follows (in thousands):

	2006	2005
Balance, beginning of year	**$ 11,696,046**	$ 9,424,000
Less reinsurance recoverables on paid losses	**(1,552,646)**	2,895,000
Net balance, beginning of year	**10,143,400**	6,529,000
Incurred related to:		
Current year	**4,872,000**	4,875,000
Prior years	**(4,508,235)**	(537,600)
Total incurrred	**363,765**	4,337,400
Paid related to:		
Current year	**1,173,000**	766,000
Prior years	**(1,910,000)**	(43,000)
Total paid	**(737,000)**	723,000
Net balance, end of year	**11,244,165**	10,143,400
Plus reinsurance recoverables on paid losses	**1,419,258**	1,552,646
Balance, end of year	**$ 12,663,423**	$ 11,696,046

NOTE 5 – INCOME TAXES

The U.S. Federal statutory income tax rate applicable to ordinary income is 35% for 2006 and 2005. The tax effects of temporary differences that give rise to the net deferred tax asset at December 31, 2006 and 2005 consists of:

December 31,	2006	2005
Deferred tax assets:		
Unrealized gains on equity securities	**$ (448,084)**	$ (317,141)
Discounting of unearned premium reserve	**274,738**	184,038
Discounting of loss reserves	**474,042**	570,604
Other	**2,240**	34,662
Total deferred tax assets	**$ 302,936**	$ 472,163
Nonadmitted deferred tax assets	**261,936**	62,163
Net admitted deferred tax asset	**$ 41,000**	$ 410,000

NOTE 5 – INCOME TAXES (CONTINUED)

The Company incurred Federal income taxes of ($373,671) and $148,297 in 2006 and 2005, respectively.

The following provides a reconciliation of 2006 taxable income to financial statement income:

	2006
Financial statement net income	$ (567,243)
Federal income tax	(373,671)
Change in discount on loss reserves	(323,837)
20% change in unearned premium reserve	243,677
50% travel and entertainment	2,856
Dividends received deduction	(47,272)
85% tax exempt interest	(13,168)
Other	10,253
Taxable income	$ (1,068,405)

NOTE 6 – CAPITAL COMMON STOCK

The capital stock of the Company is comprised of common stock that is voting, no par value, and 200 shares are authorized, issued, and outstanding.

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.

The Company did not declare or pay any dividends in 2006 or 2005.

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, 2006 and 2005, the Company met the RBC requirements.

NOTE 7 – AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Oriska Corporation; a New York corporation. Oriska Corporation is 82% owned by IPA Acquisition, Inc.; a privately held California corporation owned 100% by James Kernan. The Company is affiliated with Insurance Company of the Americas (ICA) (NAIC No. 33030) a privately held Florida corporation 100% owned by IPA Acquisitions, Inc. In addition, James Kernan is 100% owner of Nor-Eastern Holdings, Inc. (Nor-Eastern), a Delaware corporation. Nor-Eastern is the 100% owner of Reinsurance Company of America, Inc. (RCA) (NAIC No. 26549), an Illinois corporation, and RCA is 100% owner of Financial Benefits Insurance Company (FBI) (NAIC No. 15440).

Beginning January 1, 2005, the Company entered into an expense sharing agreement with ICA, OIC, RCA, FBI, and Nor-Eastern. Under this agreement, the Company provides all services necessary for the day-to-day operation of the other companies. Expenses for each company are allocated based on a time-study conducted by the Company. Under the expense sharing agreement the Company paid $859,382 and $978,786, during 2006 and 2005, respectively. At December 31, 2006 and 2005 $50,047 and $63,622 was due to Oriska Corporation, respectively.

NOTE 7 – AFFILIATE AND RELATED PARTY TRANSACTIONS (CONTINUED)

In 2003, OIC assumed reinsurance from ICA. OIC assumed this coverage by replacing an existing unrelated reinsurer. At December 31, 2006 and 2005, $100,000 and $204,000 of reinsurance recoverables was due to ICA, respectively. In relation to these amounts recoverable, OIC provided a trust account in the amount of $758,000 and $727,000 for 2006 and 2005, respectively. No provision for reinsurance was recorded at December 31, 2006 and 2005.

In 2005, the Company received premiums for 2003 from Monument Agency, Inc. (MAI). These premiums were actually premiums of ICA. At December 31, 2006 and 2005, $0 and $112,049, respectively, was due to ICA for these premiums.

MAI provides agency services to the Company. In 2006 and 2005, the Company incurred $399,506 and $1,042,556 in commissions to MAI. The amount of commissions payable was $27,604 at December 31, 2006.

During 2004, the Company had a reimbursement agreement with United Systems Administration, Inc. (USA) for administrative support and facilities expenses. USA is also a related party through common management. In 2005, the Company transferred this agreement to Oriska Corporation. The amounts paid by Oriska Corporation are allocated to the Company. The Company paid $20,307 in connection with the USA agreement and this is included in the total payments made to Oriska Corp. of $859,382. In 2005, the Company incurred expenses of $1,042,408 in connection with the USA agreement.

During 2006 and 2005, the Company incurred $596,465 and $326,211, respectively, in legal fees to a law firm in which the Company's president has an ownership interest and $360 and $11,723 in consulting fees to an engineering firm in which the Company's president has an ownership interest.

NOTE 8 - CONTINGENCIES

In the normal course of its operations, the Company is involved in litigation related to certain claims and subject to assessments and contingent gains from certain required underwriting and guaranty associations. In the opinion of management, the disposition of these matters will not have a material adverse effect on the Company's financial position.

IPA Acquisitions, Inc., the Company's ultimate Parent, has issued surplus notes to several PEO's that the Company insures. At December 31, 2006 and 2005, the outstanding balance on these notes and other funds held by IPA for the Company's benefit was approximately $705,710. The principal and interest, while due on demand, can only be paid out of dividends paid by the insurance subsidiaries. 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.

Management believes that IPA has sufficient liquidity to cover its surplus notes in the near-term and has sufficient financial flexibility through various alternative financial arrangements so that the possibility of a future lack of liquidity to meet credit exposure is not probable. Accordingly, no provision for any liability that may result from this situation has been made in the financial statements.

The Company sued Brown and Brown of Texas that was fraudulently using its name. All claims and counterclaims were settled in 2007 and there is no longer any exposure to the company regarding this action.

The Company is a defendant in a lawsuit brought on by an independent insurance agency claiming the Company breeched its obligation to provide insurance coverage. A negative outcome could have a significant impact on the financial position of the Company. Management believes this suit is without merit and plans to vigorously defend its position.

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

NOTE 8 – CONTINGENCIES (CONTINUED)

The Company is a defendant in which the plaintiff has accused the Company of having failed to return funds which were allegedly deposited with the Company as collateral for workers' compensation coverage. The Company presently plans to defend the litigation as it never received funds from the plaintiff nor did it ever provide workers' compensation coverage.

The Company is seeking payment in connection with Cema Construction Corp. filling Chapter 11 in the United States Bankruptcy Court for the Eastern Division of New York. The Company has sought payment of both its pre-petition and post-petition claims in the bankruptcy estate. The Company has vigorously pursued payment and has also entered into settlement negotiation. The outcome of this matter is not determinable at this time.

NOTE 9 – CONCENTRATION OF RISK

Financial instruments that potentially subject the Company to credit risk consist principally of cash, premiums and agents' balances in the course of collection, deductibles receivable on paid losses and reinsurance receivable on paid losses. In addition, the Company writes primarily one line of business and writes only in the states in which it is licensed.

The Company maintains its cash balances in statewide financial institutions. The Company consistently maintains cash balances over the FDIC limit of $100,000. At December 31, 2006 and 2005, the Company had $863,270 and $3,940,037 over FDIC limits. Certain money market funds included in cash and cash equivalents are not insured by FDIC.

The Company writes a significant portion of its business through Monument. In 2006 and 2005, premiums written through Monument represented 99% of total direct written premiums.

NOTE 10 – HIGH DEDUCTIBLE POLICIES

The Company writes insurance policies that generally include high deductibles up to $1,000,000 and is exposed to credit risk arising from such policies. The known reserves for these deductibles were reviewed by the Company's independent actuary. At December 31, 2006 and 2005, the amount of reserve credits taken by the Company for high deductibles on known claim reserves was approximately $3,435,538 and $2,556,872, respectively, and the amount billed and recoverable on paid claims (net nonadmitted amounts) was $148,618 and $32,047.

The Company reviews financial viability of its policyholders, collectablity of reimbursements for deductibles and the suitability of deductible plans to its policyholders. Reimbursement of deductible payments is uncollectible if the policyholder fails to meet its financial commitments. Management is of the opinion that this contingency will not have a near-term impact on the Company's financial condition, and management has provided financial flexibility for the payment of the deductible obligation over the long term. Furthermore, the Company has obtained an independent credit risk analysis which consisted of a review of the credit risk associated with large deductible workers' compensation insurance collateral of the Company's insureds as of December 21, 2005 which assisted management in its assessment.

At December 31, 2006 and 2005, the Company held directly, or in trust, amounts totaling $6,430,439 and $7,036,950 as collateral for high deductibles. The amount held in excess of FDIC limits at December 31, 2006 was $12,867.

Management believes that the Company has sufficient liquidity and financial flexibility so that the possibility of a future lack of liquidity to meet credit exposure is not probable. Accordingly, no provision for any liability that may result from this situation has been made in the financial statements.

At December 31, 2006 and 2005, the Company held interests in bank accounts, real estate, and other assets of insureds as collateral against this risk exposure. However, the Company is not able 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.

NOTE 10 – HIGH DEDUCTIBLE POLICIES (CONTINUED)

The following is a summary of the amounts on deposit from and billed to the policyholders for reserve and loss funds at December 31, 2006 and 2005:

		2006		2005
Reserve funds billed for known claims	**$**	**3,435,538**	$	2,556,872
Fund held in a trust for the benefit of the Company		**6,430,439**		-
Funds due from (to) policyholders for known claims reserve fund	**$**	**(2,994,901)**	$	2,556,872
Funds due from policyholders for loss funds	**$**	**5,121,786**	$	3,834,063
Total reserve credit taken against loss reserves	**$**	**3,435,538**	$	2,556,872

NOTE 11– REGULATORY ACTIONS

On July 27, 2006, the Superintendent of Insurance of the State of New York issued an Order to Show Cause and temporarily put the Company into receivership. On August 17, 2006, the Company and the Superintendent agreed to continue temporary receivership pending a hearing scheduled November 29, 2006. The November 29, 2006 hearing has been postponed until 2007.

NOTE 12 – CLAIMS ACCOUNTS

A checking account funded by the Company is not included on the balance sheet. This account is a claims account that is funded as claims payments are made. The balance in this account at December 31, 2006 was $86,511. The Company had $112,867over FDIC limits in this claim account as of December 31, 2006.

NOTE 13 – RECONCILIATION TO ANNUAL STATEMENT

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

		2006		2005
Total surplus per Annual Statement	**$**	**3,135,026**	$	4,229,409
Decrease in high deductible receivables		**(56,463)**		-
Decrease in non-admitted assets		**63,497**		303,345
Decrease in federal income tax expense		**249,148**		247,000
Loss from balances charged off		**-**		(279,000)
Decrease in gross deferred tax asset		**(192,501)**		-
Decrease in cash		**(32,248)**		-
Increase in accounts payable due and accured		**(135,293)**		-
Increase in unearned premium		**(18,080)**		-
Increase in premium receivable		**175,801**		-
Decrease in state income tax expense		**257,427**		-
Net increase (decrease) in surplus		**311,288**		271,345
Total surplus per audited financial statements	**$**	**3,446,314**	$	4,500,754

ORISKA INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 13 – RECONCILIATION TO ANNUAL STATEMENT (CONTINUED)

	2006	2005
Net income (loss) per Anuual Statement	**$ (761,101)**	$ 31,861
Increase in bad debt expense	**(56,463)**	-
Increase in miscellaneous expense	**(192,081)**	(1,901)
Increase in losses direct	**(30,914)**	-
Increase in legal expense	**(135,293)**	-
Decrease in premiums earned	**(18,040)**	-
Decrease in federal income tax expense	**2,148**	-
Decrease in state income tax expense	**257,422**	-
Increase in commissions and brokerage expense	**(123,106)**	304,367
Decrease in agreement balance charge off	**343,905**	(343,905)
Increase in estimate for premium written	**175,801**	
Net increase (decrease) in net income	**223,379**	(41,439)
Net income (loss) per audited financial statements	**$ (537,722)**	$ (9,578)

NOTE – 14 - CORRECTION OF AN ERROR

Unassigned deficit as of January 1, 2005 was restated for the correction of an error resulting from unrecorded federal income taxes recoverable related to the carryback of the Company's 2004 net operating loss to the 2002 and 2003 tax years. The correction of the error resulted in a decrease in the unassigned deficit on January 1, 2005 of $247,000 and decrease in the net loss for the year ended December 31, 2004 of $247,000.

NOTE 15 – SUSEQUENT EVENTS

Oriska Corporation paid the mortgage for the real estate to be released in the amount of $660,000. An additional sum of $40,000 was paid by Oriska Corporation to the Company for additional paid in capital to increase surplus for the Company by a total of $700,000.

In 2007, the real estate held for sale is in the process of being sold to Monument Realty, Inc., a related party.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S QUALIFICATION LETTER

Board of Directors
Oriska Insurance Company
Oriskany, New York

We have audited the statutory financial statements of the Oriska Insurance Company for the year ended December 31, 2006 and have issued our report dated May 23, 2007.

. In connection therewith, we advise you as follows:

1. We are independent with respect to the Oriska Insurance Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants and the Rules of Professional Conduct of the New York Board of Accountancy.

2. The personnel assigned to the audit of the financial statements of the Oriska Insurance Company have the competence, as required by Section 201 of the Code of Professional Conduct of the American Institute of Certified Public Accountants, to perform such audits. The engagement partner is experienced in auditing insurance entities. Staff personnel, whom have had experience in auditing financial statements of insurance entities, were assigned to perform tasks commensurate with their experience. The engagement partner is a certified public accountant.

3. We consent to the filing of this letter and of our opinion referred to in the above statutory basis financial statements with the New York State Insurance Department, and that the Commissioner will be relying on this information in the monitoring and regulation of the financial position of insurers.

4. The working papers prepared in the course of the audit of the financial statements will be retained by us for at least seven years and upon instruction from the Company, will be made available for review by the New York State Insurance Department.

5. We are a properly licensed firm by the New York Board of Accountancy and all members of our firm who are CPAs are members in good standing with the American Institute of Certified Public Accountants.

6. We are in compliance with the requirements of Section 7 of the NAIC's Annual Statement Instructions regarding qualifications of independent certified public accountants.

TaylorChandler LLC

TaylorChandler, LLC
Certified Public Accountants

May 23, 2007
Montgomery, Alabama

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	2,703,042	20.807	2,703,042	20.807
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	423,241	3.258	423,241	3.258
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	209,834	1.615	209,834	1.615
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	7,783	0.060	7,783	0.060
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, 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)	544,735	4.193	544,735	4.193
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	290,774	2.238	290,774	2.238
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	3,624,608	27.902	3,624,608	27.902
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 (including $...............0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including $...............0 property acquired in satisfaction of debt)	379,055	2.918	379,055	2.918
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	4,774,392	36.847	4,774,392	36.847
9. Other invested assets				
10. Total invested assets	12,957,464	100.000	12,957,464	100.000

30175200628500100 2006 Document Code: 285

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES
(To Be Filed by April 1)

For the year ended December 31, 2006

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. $ 20,990,768

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 Fund	Unaffiliated Common Stock	290,774	1.417
2.02 General Motors	Unaffiliated Bond	243,975	1.189
2.03 Altria Group	Unaffiliated Common Stock	180,222	0.878
2.04 Viacom Inc.	Unaffiliated Common Stock	160,017	0.780
2.05 Countrywide Inc.	Unaffiliated Common Stock	152,820	0.745
2.06 Computer Associates	Unaffiliated Common Stock	149,649	0.729
2.07 Barrick Gold Corp.	Unaffiliated Common Stock	141,220	0.688
2.08 Noble Energy Inc.	Unaffiliated Common Stock	127,582	0.622
2.09 US Goverment (FNMA)	Unaffiliated Common Stock	124,719	0.608
2.10 Loews Corp.	Unaffiliated Common Stock	124,410	0.606

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	5,417,276	26.392
3.02 NAIC-2		
3.03 NAIC-3	243,975	1.189
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	191,424	0.933
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		

NONE

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	191,424	0.933
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 Fund	290,774	1.417
13.03 Altria Group	180,222	0.878
13.04 Viacom Inc.	160,017	0.780
13.05 Countrywide Inc.	152,820	0.745
13.06 Computer Associates	149,649	0.729
13.07 Barrick Gold Corp.	141,220	0.688
13.08 Noble Energy Inc.	127,582	0.622
13.09 US Goverment (FNMA)	124,719	0.608
13.10 Loews Corp.	124,410	0.606
13.11 Lockheed Martin Corp.	110,880	0.540

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	3,915,382	19.075
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03	Washington Mutual Fund	290,774	1.417
14.04	Altria Group	180,222	0.878
14.05	Viacom Inc.	160,017	0.780

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 in general partnership interests:		
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 less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

1 Description	2 Amount	3 Percent
Largest 5 investments in any one parcel or group of contiguous parcels of real estate:		
18.02		
18.03		
18.04		
18.05		
18.06		

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:
19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[ ]
If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

1 Description	2 Amount	3 Percent
19.02 Aggregate statement value of investments held in mezzanine loans		
Largest three investments held in mezzanine real estate loans:		
19.03		
19.04		
19.05		

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description	At Year-End		Amount at End of Each Quarter		
	Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)					
20.02 Repurchase agreements					
20.03 Reverse repurchase agreements					
20.04 Dollar repurchase agreements					
20.05 Dollar reverse repurchase agreements					

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

N O N E

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

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

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

In planning and performing our audit of the financial statements of Oriska Insurance Company as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered Oriska Insurance Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with statutory accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Deficiencies in the Design of Controls

- Inadequate design of internal control over access to computer facility and lack of fire suppression system in computer facility.
- Inadequate design of internal control to formally track all end user devices on the Company's computer network.
- Inadequate design of internal control to encrypt email communications.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Deficiencies in the Operation of Internal Controls

- Failure to consistently backup media in a protected environment, failure to regularly verify backup media, and failure to track all backup media.

- Failure to fully test the disaster recovery plan.

During our audit, we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions concerning those matters are summarized in the memorandum that accompanies this letter.

This communication is intended solely for the information and use of management, audit committee, and others within the organization, and the New York Insurance Department and is not intended to be and should not be used by anyone other than these specified parties.

Taylor Chandler LLC

Taylor Chandler, LLC
Certified Public Accountants

Montgomery, Alabama
May 23, 2007

Reconciliations

The Company currently does not maintain reconciliations between its Annual Statement, audited financial statements, and its tax return. It is recommended that such reconciliations be maintained.

Capitalization Policy

The Company has a policy to expense all purchases for equipment and software. However, per SSAP No. 87 "Capitalization Policy, An Amendment to SSAP Nos. 4, 19, 29,73, and 82" a capitalization is required to be in place at a certain established threshold. We recommend that a capitalization policy be implemented and documented.

Off Balance Sheet Accounts

The Company maintains a departure from NAIC SAP related to the treatment of high deductible collateral accounts and a claims checking account. These accounts are kept off-balance sheet, as allowed by regulators. We recommend that these accounts be moved onto the balance sheet to be fully compliant with NAIC SAP.

TAYLORCHANDLER LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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DESIGNATION OF INDEPENDENT CPA

Board of Directors
Oriska Insurance Company
Oriskany, New York

You have designated TaylorChandler, LLC to act as independent certified public accountants to audit the financial statements of Oriska Insurance Company. In that connection, we advise you as follows:

1. In performing our audit, we will comply with the provisions of Section 13 of the NAIC *Annual Statement Instructions* and with the Code of Professional Conduct and pronouncements on professional standards of the American Institute of Certified Public Accountants.

2. We will provide to you our report on the financial statements of Oriska Insurance Company for the prior calendar year and our report on conditions relating to the Company's internal control structure that we observed during our audit of the financial statements.

3. Based on the authority granted by you herein to comply with Section 13 of the NAIC *Annual Statement Instructions*, we will report to the Commissioner of the New York Insurance Department within fifteen days following any determination by us of material misstatement of financial condition as reported to the Commissioner by Oriska Insurance Company or failure of Oriska Insurance Company to meet minimum capital and surplus requirements set forth in the New York Insurance Law. We will report any such determination to you immediately.

4. The work papers prepared in the conduct of our audit and communications between the Company and us relating to our audit will be retained by us for a period of not less than seven years after the period reported on and, upon instructions of the Company, will be made available for review by the Commissioner of the New York Insurance Department.

This letter is furnished solely for you to comply with Section 13 of the NAIC *Annual Statement Instructions* and should be used for no other purpose.

TaylorChandler LLC

TaylorChandler, LLC
Certified Public Accountants

May 23, 2007
Montgomery, Alabama