Exhibit A

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

Year ended December 31, 2004 and the period from June 11, 2003 (inception of Liquidation) to December 31, 2003 with Report of Independent Auditors

The Home Insurance Company in Liquidation

Financial Statements
(Modified Cash Basis)

Year ended December 31, 2004 and the period from June 11, 2003
(inception of Liquidation) to December 31, 2003

Contents

0505-0644644-PH

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Report of Independent Auditors

Special Deputy Liquidator
The Home Insurance Company in Liquidation

We have audited the accompanying statements of restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of The Home Insurance Company in Liquidation (the Liquidating Company) as of December 31, 2004 and 2003, and the related statements of restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the year ended December 31, 2004 and for the period from June 11, 2003 (inception of liquidation) to December 31, 2003. These financial statements are the responsibility of the Liquidating 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Liquidating Company's internal controls over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose expressing an opinion on the effectiveness of the Liquidating Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements have been prepared on a modified cash basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the restricted and unrestricted net assets, excluding certain amounts (modified cash basis) of The Home Insurance Company in Liquidation as of December 31, 2004 and 2003, the restricted and unrestricted cash receipts and disbursements and changes in cash, bonds, short-term investments and cash equivalents (modified cash basis), and changes in restricted and unrestricted net assets, excluding certain amounts (modified cash basis) for the year ended December 31, 2004 and for the period from June 11, 2003 (inception of liquidation) to December 31, 2003, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Liquidating Company, the New Hampshire Department of Insurance, the Liquidator, and the Liquidation Court to whose jurisdiction the Liquidating Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 13, 2005

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified Cash Basis)

	December 31 2004	2003
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds	**$ 425,845,179**	$ 174,531,250
Short-term investments	**90,609,091**	151,422,458
Certificates of deposit	**156,556**	321,943
Cash and cash equivalents	**88,031,228**	121,185,400
Total unrestricted bonds, short-term investments and cash at cost	**604,642,054**	447,461,051
Common stocks, marketable, at market value	**396,748**	18,710,427
Interest income due and accrued	**4,064,169**	1,390,004
Total unrestricted liquid assets	**609,102,971**	467,561,482
Unrestricted illiquid assets:		
Surplus notes, at fair value	**129,200**	–
Common stocks, at fair value	**14,000,000**	17,144,990
Limited partnership interests, at fair value	**3,497,773**	87,285
Total unrestricted illiquid assets	**17,626,973**	17,232,275
Restricted liquid assets:		
Bonds, at cost	**53,699,125**	–
Cash and cash equivalents	**848,689**	825,673
Total restricted liquid assets	**54,547,814**	825,673
Fixed assets (net of accumulated depreciation of $270,708 and $61,054, respectively)	**424,106**	492,336
Due from affiliate	**1,115,913**	991,083
Total restricted and unrestricted assets, excluding certain amounts	**682,817,777**	487,102,849
Liabilities		
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	**5,608,065**	748,612
Reserve related to real estate tax refund	**5,245,113**	–
Restricted and unrestricted net assets, excluding certain amounts	**$ 671,964,599**	$ 486,354,237

See accompanying notes.

0505-0644644-PH

The Home Insurance Company in Liquidation

Statements of Restricted and Unrestricted Cash Receipts and Disbursements, and Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents (Modified Cash Basis)

	Year ended December 31, 2004		Period from June 11, 2003 (inception of Liquidation) to December 31, 2003	
	Unrestricted	**Restricted**	**Unrestricted**	**Restricted**
Cash receipts:				
Reinsurance collections	$ 99,926,205	$ 53,699,125	$ 126,021,113	$ –
Remittance of funds held by reinsurers	–	23,016	25,016,815	825,673
Proceeds from sale of common stock	20,535,778	–	–	–
Salvage, subrogation and other claim recoveries	11,893,537	–	7,049,340	–
Real estate tax refund	16,455,195	–	–	
Net investment income	13,303,931	–	3,314,684	–
Agents' balances	8,792,572	–	1,902,779	–
Proceeds from maturity of certificates of deposit	4,696,926	–	–	–
Return of special deposits	2,070,071	–	–	–
Receivable collected from affiliate	1,968,778	–	–	–
Deposits returned from outside claim adjusters	1,277,774	–	–	–
Reimbursement of legal fees	483,160	–	–	–
Miscellaneous income	230,105	–	35,272	–
Proceeds from sale of bonds	225,000	–	–	–
Partial redemption of surplus notes	107,500	–	–	–
Sale of subsidiaries	30,483	–	–	–
Other	1,216,657	–	1,021,314	–
Total cash receipts	183,213,672	53,722,141	164,361,317	825,673
Cash operating disbursements:				
Losses and loss expenses paid	2,226,324	–	14,102,239	–
Human resources costs	11,816,178	–	5,973,159	–
Asset transfer agreement	–	–	7,500,000	–
Consultant and outside service fees	3,489,852	–	7,289,513	–
General office and rent expense	3,308,640	–	2,241,936	–
Legal fees	1,790,892	–	1,211,546	–
Computers and other equipment expense	1,039,481	–	1,185,065	–
Administration costs	745,462	–	643,070	–
Temporary services	300,352	–	391,409	–
Third-party administrator payments	50,002	–	620,020	–
Investment expenses	13,642	–	–	–
Other	1,251,844	–	72,570	–
Total cash operating disbursements	26,032,669	–	41,230,527	–
Excess of cash receipts over cash operating disbursements	157,181,003	53,722,141	123,130,790	825,673
Beginning cash and investments, at cost	447,461,051	825,673	324,330,261	–
Ending cash and investments, at cost	$ 604,642,054	$ 54,547,814	$ 447,461,051	$ 825,673

See accompanying notes.

0505-0644644-PH

The Home Insurance Company in Liquidation

Statements of Changes in Restricted and Unrestricted Net Assets, Excluding Certain Amounts (Modified Cash Basis)

	Year ended December 31, 2004	Period from June 11, 2003 (inception of Liquidation) to December 31, 2003
Net restricted and unrestricted net assets, excluding certain amounts, beginning of period	**$ 486,354,237**	$ 354,100,535
Excess of unrestricted and restricted cash receipts over cash operating disbursements	**210,903,144**	123,956,463
Other changes in net assets:		
Fair value of marketable common stocks, liquid	**(18,313,679)**	4,024,275
Fair market of common stocks, illiquid	**(3,144,990)**	816,546
Fair value of surplus notes, illiquid	**129,200**	–
Fair value of limited partnership interests, illiquid	**3,410,488**	42,381
Interest income due and accrued	**2,674,165**	1,346,254
Fixed assets	**(68,230)**	492,336
Due from affiliate	**124,830**	991,083
Incurred but unpaid administrative expenses, loss adjustment expenses and investment expenses	**(4,859,453)**	584,364
Reserve related to real estate tax refund	**(5,245,113)**	–
Net restricted and unrestricted net assets, excluding certain amounts, end of period	**$ 671,964,599**	$ 486,354,237

See accompanying notes.

The Home Insurance Company in Liquidation

Notes to Financial Statements
(Modified Cash Basis)

Year ended December 31, 2004 and the period from June 11, 2003
(inception of Liquidation) to December 31, 2003

1. Background and Significant Accounting Policies

The Home Insurance Company (the Company) was declared insolvent on June 11, 2003, and the liquidation of the Company was ordered (the Liquidation Order) by the Merrimack County Superior Court of the State of New Hampshire (the Liquidation Court). The Insurance Commissioner of the State of New Hampshire was appointed Liquidator of the Company. The liquidation of the Company (since June 11, 2003, The Home Insurance Company in Liquidation) is being conducted in accordance with New Hampshire statutes governing insurance insolvency proceedings. The Company has issued no new insurance policies since 1995, and it was placed in supervision by the New Hampshire Insurance Department in 1997. The principal activities since the date of the Liquidation Order (insolvency) consist of determining claims under policies issued prior to the date of insolvency, recovering reinsurance balances for losses ceded under reinsurance agreements, and collecting assets to distribute to creditors. On June 13, 2003, the Liquidation Court issued a revised Liquidation Order, which did not change the effective date of the insolvency.

The following represent the significant accounting policies affecting The Home Insurance Company in Liquidation (the Liquidating Company) that are used in preparing the accompanying financial statements. These policies differ from accounting principles generally accepted in the United States.

Basis of Accounting

The Liquidating Company's financial statements are prepared using a modified cash basis of accounting, which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization by the Liquidating Company is expected to occur, primarily liquid and illiquid investments and cash, certain receivables, and fixed assets are recorded. Liabilities that have been acknowledged by the Liquidating Company are prioritized into ten creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies (Revised Statutes Section (RSA) 402-C:44). Since only Class I liabilities are currently being paid, only incurred but unpaid Class 1 (Administration Costs) liabilities, which is a creditor class superior to all other classes, are presented in the financial statements. These financial statements reflect the net assets and the operating expenses on the basis described above.

1. Background and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Under this basis of accounting, the Liquidating Company does not record the amounts of certain assets, such as reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance policy claims and losses, as such amounts have not been settled and agreed to with third parties.

These statements do not include any assets of the Liquidating Company's branches outside of the United States, which are subject to liquidation proceedings in those locations and are not under the control of the Liquidator.

"Restricted" is a term used to denote certain assets held and managed by the Liquidating Company for parties at interest. The right of ownership to these assets is conditional upon future events. Accordingly, such amounts are shown separately where appropriate. See Note 5. There were no restricted assets as of June 11, 2003.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions by management that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Bonds

Marketable bonds are carried at cost. Amounts received over or under original cost are treated as a gain or loss upon disposition. Bonds are generally held until maturity. The types of bonds that the Liquidating Company may invest in are prescribed by order of the Liquidation Court and consist principally of U.S. Government and U.S. Government agency securities and other high-credit quality instruments.

Cash and Cash Equivalents

Cash and cash equivalents are presented at cost which approximates fair value. Cash equivalents consist principally of money market accounts and commercial paper.

1. Background and Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments are reported at cost, which approximates fair value and consists primarily of United States Treasury securities.

Marketable Common Stocks

Marketable common stocks are carried at fair value based upon the closing price on a national exchange.

Illiquid Common Stocks and Limited Partnership Interests

Common stocks that are illiquid are comprised of investments in a 71%-owned company, an 18% ownership in a privately held corporation (the Privately Held Corporation), and investments in limited partnerships. Fair value of these instruments has been estimated by the percentage of equity of each investment owned. During 2004, the Privately Held Corporation issued a dividend of $3,431,853 in limited partnership units and $711,071 in cash to the Liquidating Company.

Fixed Assets

Fixed assets are carried at cost, net of accumulated depreciation. Maintenance and repairs are charged to disbursements when paid. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets.

Due from Affiliate

Due from affiliate represents amounts due from US International Reinsurance Company in Liquidation (USI Re), a wholly owned subsidiary of the Liquidating Company, pursuant to an asset transfer agreement as described in Note 7.

1. Background and Significant Accounting Policies (continued)

Losses and Loss Expenses Paid

The amount shown for losses and loss expenses paid in the statement of cash receipts and disbursements, and changes in cash, bonds, short-term investments and cash equivalents primarily represents (1) prepayments of workers' compensation benefits pursuant to agreements with state guaranty funds to avoid disruption in payment during the transfer of related claims files to the various state guaranty funds, (2) loss expenses for services rendered during the period March 5, 2003 (date of court order placing the Company in rehabilitation) through June 10, 2003 (the rehabilitation period) and accorded administrative expense priority by the Rehabilitation Order and Liquidation Order, and (3) checks issued for loss and loss expenses prior to June 11, 2003, which cleared after the Liquidation Order.

Employee Benefits

Substantially all full-time employees of the Liquidating Company are covered by various employee incentive plans, which were approved by the Liquidation Court on April 5, 2004. The costs of these plans are primarily payable in 2005, but are based on 2004 service and were accrued over the service period in 2004. The amount incurred and accrued was $3,149,094 for the year ended December 31, 2004, which was paid in February 2005. No costs were incurred or paid under these plans during the period from June 11, 2003 to December 31, 2003.

Priority of Claims and Distributions to Creditors

The Liquidating Company will distribute funds to policyholder/creditors in accordance with RSA 402-C:44, which governs asset distributions from the estate of the Liquidating Company. The RSA establishes the following classes of creditors:

Class I: Payment of all administration expenses of closing the business and liquidating the Company.

Class II: Payment of policy claims (excluding any loss for which indemnification is provided by other benefits or advantages recovered or recoverable by the claimant).

Class III: Claims of the federal government.

Class IV: Debts due to employees for services performed.

1. Background and Significant Accounting Policies (continued)

Priority of Claims and Distributions to Creditors (continued)

Class V: All other claims, including claims of any state or local government, not falling within other classes.

Class VI: Claims based solely on judgments.

Class VII: Interest on claims already paid.

Class VIII: Miscellaneous subordinated claims.

Class IX: Preferred ownership claims, including surplus or contribution notes, or similar obligations, and premium funds on assessable policies.

Class X: The claims of shareholders or other owners.

The claims of a higher class of creditor (e.g., Class I) must be paid in full before a lower creditor class becomes eligible for payment. The Liquidating Company is currently paying only Class I (Administration Costs) creditors. However, it is anticipated that payments will be made in the future, after court approval. It is management's judgment that there will not be sufficient assets to pay any claims below Class II.

2. Marketable Securities

The cost and estimated fair values of marketable bonds and common stock by major category are summarized as follows:

	December 31, 2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted marketable securities				
Debt securities:				
U.S. Treasury Notes	$ 52,431,419	$ –	$ (351,483)	$ 52,079,936
Government Agencies	150,245,925	–	(575,829)	149,670,096
Corporate	141,439,770	820,194	(767,393)	141,492,571
Mortgage backed	73,594,921	321,156	(80,874)	73,835,203
Asset backed	8,133,144	1,138	(45,326)	8,088,956
Total	$ 425,845,179	$ 1,142,488	$(1,820,905)	$425,166,762
Common stock	$ 1,627,706	$ 116,595	$(1,347,553)	$ 396,748
Restricted marketable securities				
Debt securities	$ 53,699,125	$ –	$ (269,000)	$ 53,430,125
Total U.S. Treasury notes	$ 53,699,125	$ –	$ (269,000)	$ 53,430,125

2. Marketable Securities (continued)

	December 31, 2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Unrestricted marketable securities				
Debt securities:				
U.S. Treasury Notes	$ 99,578,125	$ 953,125	$ –	$100,531,250
Government Agencies	74,953,125	257,625	–	75,210,750
Total	$ 174,531,250	$ 1,210,750	$ –	$175,742,000
Common stock	$ 1,627,706	$18,031,704	$ (948,983)	$ 18,710,427

The cost and fair values of marketable bonds by contractual maturity as of December 31, 2004 is as follows:

	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
Marketable debt securities				
December 31, 2004				
One year or less	$ 518,286	$ 491,972	$ 53,699,125	$ 53,430,125
Over one year through five years	245,090,598	243,725,101	–	–
Over five years through twenty years	98,508,230	99,025,530	–	–
Mortgage backed	73,594,921	73,835,203	–	–
Asset backed	8,133,144	8,088,956	–	–
Total	$ 425,845,179	$425,166,762	$ 53,699,125	$ 53,430,125

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

3. Securities on Deposit

Investments on deposit at the original cost with various states were $36,992,979, $44,435,212 and $73,947,287 at December 31, 2004, December 31, 2003 and June 11, 2003, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

During the period from June 11, 2003 to December 31, 2004, three states have withdrawn such deposits at market value of $35,951,299 and par value of $34,529,110, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations. In 2004, the Liquidating Company received $2,070,071 of securities previously on deposit with various states.

The Liquidating Company has pledged certificates of deposit in the amount of $4,970,397 and $9,667,322 at December 31, 2004 and 2003, respectively, as collateral for letters of credit. As the certificates of deposit are pledged as collateral, the Liquidating Company does not record them as assets.

4. Class I Liabilities: Incurred But Unpaid Administrative Expenses, Loss Adjustment Expenses and Investment Expenses

Class I liabilities represent accrued administrative expenses, loss adjustment expenses and investment expenses incurred in the normal course of the Liquidating Company and consist of the following accruals at December 31, 2004 and 2003:

	December 31	
	2004	**2003**
Human resources costs	**$ 3,149,946**	$ 16,391
Loss adjustment expenses	–	134,585
Consultant and outside service fees – Risk Enterprise Management (REM)	–	160,405
Consultant and outside service fees	**981,740**	236,061
Computers and equipment costs	**730,989**	41,590
Accrued investment expenses	**253,669**	–
Other administration costs	**205,486**	1,186
Legal and professional fees	**195,136**	115,686
General office and rent expense	**67,819**	37,641
Temporary services	**23,280**	5,067
	$ 5,608,065	$ 748,612

5. Restricted Funds Applied to Reinsurance Recoveries

The Liquidator has drawn down on letters of credit (LOC) posted by insurance companies that have assumed risks from the Liquidating Company. The LOCs have been drawn down upon receiving notices of cancellation or notices of nonrenewal of the LOC from the issuing bank. Such LOC drawdowns relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled with the beneficial owner. Since the inception of the liquidation, restricted funds applied to reinsurance recoveries total $848,689 and $825,673 at December 31, 2004 and 2003.

The Liquidating Company received proceeds in 2004 from commutations, which are restricted pending certain future contingencies. Bonds with par value of $53,800,000 were purchased with such restricted funds.

6. Commitments

The Liquidating Company leases office space and equipment under operating leases expiring in various years through December 31, 2008.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year are:

Year ending December 31,	
2005	$ 1,919,065
2006	1,908,919
2007	1,694,035
2008	1,476,895
	$ 6,998,914

Rent expense incurred was $1,696,074 and $1,559,270 for the periods ended December 31, 2004 and 2003, respectively.

7. Asset Transfer Agreement

In connection with an Asset Transfer Agreement approved by the Liquidation Court on August 6, 2003, the Liquidating Company paid Risk Enterprise Management (REM) $7,500,000 for the right, title and interest to certain tangible and intangible technology, including computer systems and software and related applications. Included in the technology assets was an amount for an assumed reinsurance system, of which $2,898,000 of this cost was allocated to USI Re. The amount receivable from USI Re related to the Asset Transfer Agreement is reflected on the Statement of Net Assets net of payments received of $1,782,087.

8. Real Estate Tax Refund

In the year ended December 31, 2004, the Liquidator collected $16,455,195 in a tax settlement with New York City concerning the previously owned property at 59 Maiden Lane, New York, New York ("59 Maiden Lane"). The tax settlement results in a refund of real estate tax for the years' 1991/92 through 1995/96. In connection with this settlement, $1,210,082 was paid as a legal contingency fee and a reserve of $5,245,113 was established for amounts that may be payable to other tenants of 59 Maiden Lane. The ultimate amount to be paid to other tenants is subject to final calculations and may be different than the amount of the reserve at December 31, 2004.

9. Early Access Distribution

On October 15, 2004, the Liquidation Court approved an early access distribution to insurance guaranty associations based on reported guaranty association payments less recoveries through June 30, 2004, contingent on various matters occurring subsequent to December 31, 2004. The amount approved for distribution through payments or offsets was $40,900,000. Payment of this amount is expected in 2005.

10. Income Taxes

The Liquidating Company reported a net operating loss carryforward of $1,191,724,905 as of December 31, 2003. These operating loss carryforwards expire in various amounts from 2018 to 2023. The 2004 income tax return has not been filed but is expected to reflect additional tax losses.