

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2003

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2003

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TAYLOR, LEESER & ELDER, P. C.
CERTIFIED PUBLIC ACCOUNTANTS
Post Office Drawer 1210, Foley, Alabama 36536-1210
Telephone (251) 943-8571 Mobile No. (251) 432-0226
Fax No. (251) 943-1415

Rocker T. Taylor, III
Kevin J. Leeser
Michael F. Elder, MBA

J. Anthony Dees, CPA
Michelle B. Spicer, CPA

Samuel F. Parker

Leslie T. Fleckling
1936 - 2002

February 2, 2004

Alabama Insurance Underwriting Association
315 E. Laurel Ave., Ste. 216D
Foley, AL 36535

We have compiled the accompanying statement of assets, liabilities and members' equity of Alabama Insurance Underwriting Association as of October 31, 2003, and the related statements of operations and members' equity for the three months and twelve months then ended, and the accompanying supplementary information, which is presented only for supplementary analysis purposes, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements, and supplementary information, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's financial condition. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Taylor, Leeser & Elder, P.C.
Certified Public Accountants

MEMBER:
American Institute of Certified Public Accountants
AICPA Division of CPA Firms
Alabama Society of Certified Public Accountants

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY
As of October 31, 2003

EXHIBIT 1

Description	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Admitted Assets
ASSETS				
Investments	14,958,058			14,958,058
Cash	1,285,634			1,285,634
Interest accrued	29,134			29,134
Furniture and equipment - net of depreciation	33,620		33,620	
Data processing equipment - net of depreciation	8,580			8,580
Programming - net of amortization	40,483		40,483	
Section 444 Deposit (I.R.S.)	193,037			193,037
Prepaid Reinsurance Premium	160,425			160,425
Total Assets	16,718,851	0	74,103	16,644,848
LIABILITIES AND EQUITY				
Reserves for:				
Unpaid losses (Include IBNR)				117,329
Reins. Recoverable-unpaid losses				0
Unpaid loss adjustment expenses				13,258
Reins. Recoverable-unpaid loss. exp.				0
Unearned premiums				3,001,637
Premium taxes				22,938
Total Reserves				3,155,162
Payables for:				
Accounts payable				2,251
Amounts withheld for A/C of others				3,488
Accrued Pension Obligation				16,582
Premiums received in advance				162,878
Total Payables				185,177
Members' Equity				13,304,509
Total Liabilities and Equity				16,644,848

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
Quarter Ended October 31, 2003

EXHIBIT 2

DESCRIPTION	Quarter 08/01/2003 - 10/31/2003	Year-To-Date 11/01/2002 - 10/31/2003
UNDERWRITING INCOME:		
Premiums Earned	653,288	4,439,818
DEDUCTIONS:		
Losses Incurred	(2,737)	82,413
Loss expenses incurred	3,692	6,371
Operating expenses incurred	305,948	1,203,158
Total deductions	306,909	1,301,942
Net Underwriting Gain or (Loss)	346,385	3,137,874
OTHER INCOME (EXPENSE):		
Net Investment Income	38,869	181,544
Realized Gains	11,802	11,802
Other Income	1	2
Service fees	3,625	11,820
Gain on sale of non admitted asset	(2,178)	2,259
Total other income (expense)	51,921	207,221
Net Income or (Loss)	398,306	3,344,895
EQUITY ACCOUNT:		
Members' equity (prior period)	12,899,398	15,088,198
Net income or (loss)	398,306	3,344,895
Change in assets not admitted	6,607	(32,594)
Assessments or (distributions)	0	(5,085,990)
Net change in equity	405,113	(1,783,689)
Members' Equity (current period)	13,304,509	13,304,509

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY

Quarter Ended October 31, 2003

EXHIBIT 3A

Quarter 06/01/2003 - 10/31/2003

Year-to-Date 11/01/2002 - 10/31/2003

Description	Quarter 06/01/2003 - 10/31/2003					Year-to-Date 11/01/2002 - 10/31/2003						
	2003	2002	2001	2000	1999	Total	2003	2002	2001	2000	1999	Total
INCOME RECEIVED:												
Premiums Written	1,233,870	(7,413)	0	0	0	1,226,457	5,572,595	(81,137)	0	0	0	5,491,458
Reinsurance Premium Ceded	(421,245)	0	0	0	0	(421,245)	(1,357,565)	0	0	0	0	(1,357,565)
Net Premiums Written	812,625	(7,413)	0	0	0	805,212	4,215,030	(81,137)	0	0	0	4,133,893
Interest Received	28,901	0	0	0	0	28,901	152,401	47,082	0	0	0	199,483
Realized Gains	11,602	0	0	0	0	11,602	11,602	0	0	0	0	11,602
Other Income	1	0	0	0	0	1	8	0	0	0	(6)	2
Service Fees	3,625	0	0	0	0	3,625	11,820	0	0	0	0	11,820
Gain on sale of non admitted asset	(2,178)	0	0	0	0	(2,178)	2,253	0	0	0	0	2,253
Total Income	854,578	(7,413)	0	0	0	847,165	4,393,114	(34,055)	0	0	(6)	4,359,063
EXPENSES PAID:												
Losses	6,453	6,916	0	0	0	13,369	28,685	235,427	16,263	0	45,000	324,385
Reins. Recovered-Losses Paid	0	0	0	0	0	0	0	0	0	0	0	0
Loss Adjustment Expenses	0	0	0	0	0	0	775	30,906	5,543	0	27,118	64,340
Reins. Recovered-Loss Exp. Paid	0	0	0	0	0	0	0	0	0	0	0	0
Commissions	123,551	(741)	0	0	0	122,810	556,954	(9,112)	0	0	0	548,842
Operating Expenses	162,543	0	0	0	0	162,543	567,079	19,440	0	0	0	586,519
Premium Taxes	101,540	0	0	0	0	101,540	165,488	(4,352)	0	0	0	161,116
Total Expenses Paid	394,087	6,175	0	0	0	400,262	1,318,971	273,309	20,806	0	72,118	1,685,202
Net Cash Change	460,491	(13,588)	0	0	0	446,903	3,074,143	(307,364)	(20,806)	0	(72,122)	2,673,851
REINSURANCE RECOVERABLE:												
<i>DEDUCT (PRIOR PERIOD)</i>												
Reins. Recoverable-Losses Paid	0	0	0	0	0	0	0	0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	0	0	0	0	0	0	0	0
<i>ADD (CURRENT PERIOD)</i>												
Reins. Recoverable-Losses Paid	0	0	0	0	0	0	0	0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	0	0	0	0	0	0	0	0
Net Change	0	0	0	0	0	0	0	0	0	0	0	0
RESERVES:												
<i>DEDUCT (CURRENT PERIOD)</i>												
Unpaid Losses (Include IBNR)	115,329	2,000	0	0	0	117,329	115,329	2,000	0	0	0	117,329
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	7,189	300	5,769	0	0	13,258	7,189	300	5,769	0	0	13,258
Pension Benefit Obligation	16,582	0	0	0	0	16,582	16,582	0	0	0	0	16,582
Operating Expenses	5,737	0	0	0	0	5,737	5,737	0	0	0	0	5,737
Unearned Premiums	3,001,637	0	0	0	0	3,001,637	3,001,637	0	0	0	0	3,001,637
Premium Taxes	22,938	0	0	0	0	22,938	22,938	0	0	0	0	22,938
<i>ADD (PRIOR PERIOD)</i>												
Unpaid Losses (Include IBNR)	92,800	40,635	0	0	0	133,435	0	280,411	23,890	0	45,000	349,301
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	6,618	2,948	0	0	0	9,566	0	41,796	4,800	0	24,631	71,227
Pension Benefit Obligation	44,011	0	0	0	0	44,011	44,011	0	0	0	0	44,011
Operating Expenses	660	0	0	0	0	660	0	16,204	0	0	0	16,204
Unearned Premiums	2,656,328	193,385	0	0	0	2,849,713	0	3,307,360	0	0	0	3,307,360
Premium Taxes	81,510	0	0	0	0	81,510	0	78,350	0	0	0	78,350
Net Reserve Change	(287,485)	234,968	(5,769)	0	0	(58,286)	(3,125,361)	3,721,821	22,821	0	69,631	688,992
OTHER CHANGES:												
<i>DEDUCT (PRIOR PERIOD)</i>												
Interest Accrued	19,165	0	0	0	0	19,165	0	47,082	0	0	0	47,082
Assets Not Admitted	(80,910)	0	0	0	0	(80,910)	0	(41,509)	0	0	0	(41,509)
<i>ADD (CURRENT PERIOD)</i>												
Interest Accrued	29,134	0	0	0	0	29,134	29,134	0	0	0	0	29,134
Assets Not Admitted	(74,103)	0	0	0	0	(74,103)	(74,103)	0	0	0	0	(74,103)
Net Other Changes	16,776	0	0	0	0	16,776	(44,969)	(5,573)	0	0	0	(60,542)
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	0	0	(5,085,990)
Change in Members' Equity	169,802	221,080	(5,769)	0	0	405,113	(98,207)	3,408,884	2,115	0	(5,085,990)	(1,783,689)

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY FOR UNSETTLED YEARS

Inception to Quarter Ended October 31, 2001

Exhibit 3B

Description	Policy Year					Total
	2003	2002	2001	2000	1999	
INCOME RECEIVED:						
Premiums Written	5,572,595	5,857,576	5,781,115	6,079,094	6,316,602	29,606,982
Reinsurance Premiums Ceded	(1,357,569)	(1,123,700)	0	0	0	(2,481,269)
Net Premiums Written	4,215,030	4,733,876	5,781,115	6,079,094	6,316,602	27,125,717
Interest Received	152,401	222,538	611,181	648,437	554,912	2,187,469
Realized Gains	11,802	0	0	0	0	11,802
Other Income	8	(173)	1,870	0	(8)	1,489
Service Fees	11,820	10,735	5,225	5,850	11,800	45,430
Gain on sale of non admitted asset	2,253	0	0	0	0	2,253
Total Income	4,393,114	4,968,978	6,399,191	6,731,361	6,883,308	29,373,970
EXPENSES PAID:						
Losses	28,895	430,049	140,750	88,941	216,991	905,428
Reins. Recovered-Losses Paid	0	0	0	0	0	0
Loss Adjustment Expenses	775	83,458	43,023	50,551	243,024	420,831
Reins. Recovered-Loss Exp. Paid	0	0	0	0	0	0
Commissions	558,954	582,008	574,865	604,872	628,112	2,948,611
Operating Expenses	567,079	542,747	548,878	442,471	472,200	2,573,373
Premium Taxes	185,488	130,161	208,021	218,418	228,991	949,059
Total Expenses Paid	1,318,971	1,768,423	1,515,535	1,409,053	1,787,318	7,795,300
Net Cash Change	3,074,143	3,198,553	4,883,656	5,329,328	5,095,990	21,578,670
REINSURANCE RECOVERABLE:						
ADD (Current Period)						
Reins. Recoverable-Losses Paid	0	0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	0	0
Net Change	0	0	0	0	0	0
RESERVES:						
DEDUCT (CURRENT PERIOD)						
Unpaid Losses (Include IBNR)	115,329	2,000	0	0	0	117,329
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	7,189	300	5,769	0	0	13,258
Accrued Pension Obligation Change	(27,448)	0	0	0	0	(27,448)
Operating Expenses	5,737	0	0	0	0	5,737
Unearned Premiums	3,001,637	0	0	0	0	3,001,637
Premium Taxes	22,838	0	0	0	0	22,838
Total Reserves	3,125,381	2,300	5,769	0	0	3,133,450
OTHER CHANGES:						
ADD						
Interest Accrued	29,134	0	0	0	0	29,134
Assets Not Admitted	(74,103)	248	0	0	0	(73,855)
Total Other Changes	(44,969)	248	0	0	0	(44,721)
Assessments or (Distributions)	0	0	0	0	(5,095,990)	(5,095,990)
Net Members' Equity	(98,207)	3,199,501	4,877,887	5,329,328	0	13,304,509

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF PREMIUMS
 Quarter Ended October 31, 2003

EXHIBIT 4A

Description	Quarter 03/01/2003 - 10/31/2003					Year-to-Date 11/01/2002 - 10/31/2003					Total	
	2003	2002	2001	2000	1999	Total	2003	2002	2001	2000		1999
PREMIUMS WRITTEN:												
Fire	166,977	(44)	0	0	0	166,933	749,138	(12,975)	0	0	0	736,163
E.C. & VMM	1,068,893	(7,389)	0	0	0	1,059,524	4,823,457	(68,182)	0	0	0	4,755,295
Reinsurance Premium Ceded	(421,245)	0	0	0	0	(421,245)	(1,357,585)	0	0	0	0	(1,357,585)
Total	812,625	(7,413)	0	0	0	805,212	4,216,030	(81,137)	0	0	0	4,133,893
UNEARNED PREMIUMS:												
(PRIOR PERIOD)												
Fire	385,538	32,229	0	0	0	417,767	0	658,001	0	0	0	858,001
E.C. & VMM	2,504,870	161,156	0	0	0	2,666,026	0	2,749,359	0	0	0	2,749,359
Reinsurance Unearned Ceded	(234,080)	0	0	0	0	(234,080)	0	0	0	0	0	0
Total	2,656,328	193,385	0	0	0	2,849,713	0	3,307,360	0	0	0	3,307,360
UNEARNED PREMIUMS:												
(CURRENT PERIOD)												
Fire	403,432	0	0	0	0	403,432	403,432	0	0	0	0	403,432
E.C. & VMM	2,598,205	0	0	0	0	2,598,205	2,598,205	0	0	0	0	2,598,205
Reinsurance Unearned Ceded	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,001,637	0	0	0	0	3,001,637	3,001,637	0	0	0	0	3,001,637
EARNED PREMIUMS:												
Fire	149,083	32,185	0	0	0	181,268	345,706	545,026	0	0	0	890,732
E.C. & VMM	973,558	153,787	0	0	0	1,127,345	2,225,252	2,661,197	0	0	0	4,906,449
Reinsurance Earned Ceded	(655,325)	0	0	0	0	(655,325)	(1,357,585)	0	0	0	0	(1,357,585)
Total	467,316	185,972	0	0	0	653,288	1,213,393	3,226,223	0	0	0	4,439,616

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSSES
Quarter Ended October 31, 2003

EXHIBIT 4B

Description	Quarter 06/01/2003 - 10/31/2003						Year-to-Date 11/01/2002 - 10/31/2003					
	Policy Year						Policy Year					
	2003	2002	2001	2000	1999	Total	2003	2002	2001	2000	1999	Total
PAID LOSSES:												
Fire	4183	4,748	0	0	0	8,929	21,955	48,468	4,713	0	0	73,134
E.C. & VMM	2270	2,170	0	0	0	4,440	6,740	188,981	10,550	0	45,000	251,251
Total	6,453	6,918	0	0	0	13,369	28,695	235,427	15,263	0	45,000	324,385
OUTSTANDING LOSSES (CURRENT PERIOD)*												
Fire	24,171	0	0	0	0	24,171	24,171	0	0	0	0	24,171
E.C. & VMM	91,158	2,000	0	0	0	93,158	91,158	2,000	0	0	0	93,158
Total	115,329	2,000	0	0	0	117,329	115,329	2,000	0	0	0	117,329
OUTSTANDING LOSSES (PRIOR PERIOD)*												
Fire	18501	7,303	0	0	0	25,804	0	23,104	4,390	0	0	27,494
E.C. & VMM	74299	33,332	0	0	0	107,631	0	257,307	19,500	0	45,000	321,807
Total	92,800	40,635	0	0	0	133,435	0	280,411	23,890	0	45,000	348,301
INCURRED LOSSES:												
Fire	9,853	(2,557)	0	0	0	7,296	48,126	23,362	323	0	0	68,811
E.C. & VMM	19,129	(28,162)	0	0	0	(10,033)	97,868	(66,348)	(8,950)	0	0	22,602
Total	28,982	(31,719)	0	0	0	(2,737)	144,024	(42,984)	(8,627)	0	0	92,413
IBNR (CURRENT PERIOD)												
Fire	18,671	0	0	0	0	18,671	18,671	0	0	0	0	18,671
E.C. & VMM	91,158	0	0	0	0	91,158	91,158	0	0	0	0	91,158
Total	109,829	0	0	0	0	109,829	109,829	0	0	0	0	109,829
IBNR (PRIOR PERIOD)												
Fire	14501	5,803	0	0	0	20,304	0	20,104	0	0	0	20,104
E.C. & VMM	70799	28,332	0	0	0	99,131	0	88,153	0	0	0	98,153
Total	85,300	34,135	0	0	0	119,435	0	118,257	0	0	0	118,257

*Includes IBNR

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES
 Quarter Ended October 31, 2003

EXHIBIT 4C

Description	Quarter 08/01/2003 - 10/31/2003						Year-to-Date 11/01/2002 - 10/31/2003					
	Policy Year						Policy Year					
	2003	2002	2001	2000	1999	Total	2003	2002	2001	2000	1999	Total
LOSS EXPENSES PAID:												
Fire	0	0	0	0	0	0	775	0	0	0	0	775
E.C. & VMM	0	0	0	0	0	0	0	30,908	5,543	0	27,118	63,585
Total	0	0	0	0	0	0	775	30,908	5,543	0	27,118	64,340
UNPAID LOSS EXPENSES (CURRENT PERIOD)*												
Fire	1,720	0	0	0	0	1,720	1,720	0	0	0	0	1,720
E.C. & VMM	5,489	300	5,789	0	0	11,538	5,489	300	5,789	0	0	11,538
Total	7,189	300	5,789	0	0	13,258	7,189	300	5,789	0	0	13,258
UNPAID LOSS EXPENSES (PRIOR PERIOD)*												
Fire	1470	848	0	0	0	2,119	0	1,808	600	0	0	2,408
E.C. & VMM	5148	2,299	0	0	0	7,447	0	39,990	4,200	0	24,831	68,821
Total	6,618	2,948	0	0	0	9,566	0	41,798	4,800	0	24,831	71,227
INCURRED LOSS EXPENSES:												
Fire	250	(648)	0	0	0	(398)	2,485	(1,808)	(600)	0	0	89
E.C. & VMM	321	(1,998)	5,789	0	0	4,091	5,489	(8,784)	7,112	0	2,485	6,282
Total	571	(2,648)	5,789	0	0	3,692	7,984	(10,590)	6,512	0	2,485	6,371

*Includes IBNR