ALABAMA INSURANCE UNDERWRITING ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

APRIL 30, 2016

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Alabama Insurance Underwriting Association

Management is responsible for the accompanying financial statements of Alabama Insurance Underwriting Association, which comprise the statutory statement of admitted assets, liabilities and surplus as of April 30, 2016, and the related statutory statement of operations and changes in surplus for the six months then ended in accordance with statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners and the Insurance Department of the State of Alabama. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The supplementary information referred to in the foregoing contents is presented for purposes of additional analysis. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Other Matters

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with statutory accounting practices. If the omitted disclosures and statements of cash flows were included in the financial statements, they might influence the user’s conclusions about the admitted assets, liabilities, surplus, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying financial statements do not include a provision or liability for federal income taxes because the members are taxed individually on their share of Association earnings.

We are not independent with respect to Alabama Insurance Underwriting Association because we performed certain accounting services that impaired our independence.

Foley, Alabama
June 14, 2016

Warren Averett, LLC
## ALABAMA INSURANCE UNDERWRITING ASSOCIATION
### STATUTORY STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
#### As of April 30, 2016

### EXHIBIT 1

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<th>Assets Not Admitted</th>
<th>Admitted Assets</th>
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<td>$ 75,787,007</td>
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<td>Amounts recoverable from reinsurers</td>
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<td>823,382</td>
<td>107,929,250</td>
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### LIABILITIES AND SURPLUS

| Reserves - net of ceded                     | 1,349,013    |                     |                 |
| Unpaid losses (include IBNR)               | 134,901      |                     |                 |
| Unearned premiums                          | 16,418,944   |                     |                 |
| **Total Reserves**                         | 17,902,858   |                     |                 |

| Payables for:                              |              |                     |                 |
| Premium taxes                              | 334,144      |                     |                 |
| Operating expenses and other accounts payable | 1,468,137   |                     |                 |
| Ceded reinsurance premiums payable - net of ceding commissions | 234,692 | | |
| Amounts withheld for accounts of others    | 96,354       |                     |                 |
| Accrued Pension Obligation                 | 385,012      |                     |                 |
| Premiums received in advance               | 1,735,708    |                     |                 |
| **Total Payables**                         | 4,254,047    |                     |                 |
| **Total Liabilities**                      | 22,156,905   |                     |                 |

| Members' Surplus                          | 80,975,984   |                     |                 |
| Retained Surplus                          | 4,796,361    |                     |                 |
| **Total Surplus**                         | 85,772,345   |                     |                 |

| Total Liabilities and Surplus             | $ 107,929,250 |                     |                 |

See Accountant's Compilation Report
<table>
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<tr>
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<th>Quarter 02/01/2016 - 04/30/2016</th>
<th>Year-To-Date 11/1/2015 - 04/30/2016</th>
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*See Accountant's Compilation Report*
SUPPLEMENTARY INFORMATION
### ALABAMA INSURANCE UNDERWRITING ASSOCIATION

**Quarterly 02/01/2016 - 04/30/2016**

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<tr>
<td>Service &amp; Agency Fees</td>
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See Accountant's Compilation Report
### ALABAMA INSURANCE UNDERWRITING ASSOCIATION
QUARTER ENDED APRIL 30, 2016

**EXHIBIT 3A - YEAR-TO-DATE**

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See Accountant's Compilation Report
## ALABAMA INSURANCE UNDERWRITING ASSOCIATION

**MEMBERS’ SURPLUS FOR UNSETTLED YEARS**

Inception to Quarter Ended April 30, 2016

### Exhibit 3B

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<tr>
<td>Unpaid Losses (include IBNR)</td>
<td>$313,675</td>
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<td>$11,250,453</td>
<td>$5,168,491</td>
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<td>$16,418,944</td>
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<td>Premium Taxes</td>
<td>$334,144</td>
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<td>$-</td>
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<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
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<td>$-</td>
<td>$334,144</td>
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<tr>
<td><strong>Total Reserves:</strong></td>
<td>$12,494,131</td>
<td>$6,284,262</td>
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<td>$1,100</td>
<td>$1,100</td>
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<td>$1,100</td>
<td>$1,100</td>
<td>$1,100</td>
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<td>$(127,279)</td>
<td>$(36,991)</td>
<td>$27,748</td>
<td>$(53,339)</td>
<td>$46,800</td>
<td>$(21,831)</td>
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<td>Interest Accrued</td>
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<td>$-</td>
<td>$158,115</td>
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<tr>
<td>Assets Not Admitted</td>
<td>$(823,382)</td>
<td>$(288,215)</td>
<td>$(319,649)</td>
<td>$(284,009)</td>
<td>$(17,189)</td>
<td>$(10,477)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$(823,382)</td>
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<tr>
<td>Retained Surplus</td>
<td>$(160,265)</td>
<td>$(288,215)</td>
<td>$(319,649)</td>
<td>$(284,009)</td>
<td>$(17,189)</td>
<td>$(10,477)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$(1,079,804)</td>
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<tr>
<td><strong>Total Other Changes:</strong></td>
<td>$(825,532)</td>
<td>$(273,880)</td>
<td>$(619,156)</td>
<td>$(168,543)</td>
<td>$(144,468)</td>
<td>$(47,468)</td>
<td>$27,748</td>
<td>$(53,339)</td>
<td>$46,800</td>
<td>$(21,831)</td>
<td>$(2,079,669)</td>
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<td><strong>Members’ Surplus (Deficit):</strong></td>
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<td>$450,366</td>
<td>$10,613,663</td>
<td>$13,436,763</td>
<td>$15,675,507</td>
<td>$18,420,823</td>
<td>$12,558,539</td>
<td>$4,749,205</td>
<td>$8,465,182</td>
<td>$8,958,780</td>
<td>$80,975,984</td>
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See Accountant’s Compilation Report
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<td>$ 288,215</td>
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### ALABAMA INSURANCE UNDERWRITING ASSOCIATION

**STATISTICAL REPORT OF PREMIUMS**

Quarter Ended April 30, 2016

**EXHIBIT 4A - Quarterly**

#### Premiums Written:

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<td>Fire</td>
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<td>7,974,958</td>
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#### Unearned Premiums:

**Prior Period**

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<td>Fire</td>
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**Current Period**

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<td>(272,026)</td>
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#### Earned Premiums:

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<td>(5,675,678)</td>
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See Accountant’s Compilation Report
## ALABAMA INSURANCE UNDERWRITING ASSOCIATION

### STATISTICAL REPORT OF PREMIUMS

Quarter Ended April 30, 2016

EXHIBIT 4A - Year-to-Date

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<th>Policy Year</th>
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<td>(11,831,107)</td>
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<td><strong>UNEARNED PREMIUMS:</strong></td>
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<td>(PRIOR PERIOD)</td>
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<td>Fire</td>
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<tr>
<td>E.C. &amp; VMM</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance Unearned Ceded</td>
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<tr>
<td>Total</td>
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<td>(CURRENT PERIOD)</td>
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<td>Fire</td>
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<td><strong>EARNED PREMIUMS:</strong></td>
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See Accountant’s Compilation Report
## ALABAMA INSURANCE UNDERWRITING ASSOCIATION

### STATISTICAL REPORT OF LOSSES

**Quarter Ended April 30, 2016**

### EXHIBIT 4B - Quarterly

#### Quarterly 02/01/2016 - 04/30/2016

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<tr>
<td>Fire</td>
<td>438,225 $</td>
<td>156,717 $</td>
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#### OUTSTANDING LOSSES (CURRENT PERIOD)*

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<td>584,908</td>
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#### OUTSTANDING LOSSES (PRIOR PERIOD)*

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#### INCURRED LOSSES:

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#### IBNR (CURRENT PERIOD)

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#### IBNR (PRIOR PERIOD)

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*Includes IBNR

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See Accountant's Compilation Report
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*Includes IBNR

See Accountant's Compilation Report
## ALABAMA INSURANCE UNDERWRITING ASSOCIATION

### STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES

**Quarter Ended April 30, 2016**

**EXHIBIT 4C - Quarterly**


#### LOSS EXPENSES PAID:

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#### UNPAID LOSS EXPENSES

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*Includes IBNR

See Accountant's Compilation Report
EXHIBIT 4C - Year-to-Date

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<td>-</td>
<td>-</td>
<td>-</td>
<td>271,351</td>
</tr>
<tr>
<td>Reinsurance Loss Expenses Ceded</td>
<td>(2,406)</td>
<td>(11,720)</td>
<td>(323)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(14,449)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45,729</td>
<td>225,353</td>
<td>25,814</td>
<td>5,524</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>302,420</td>
</tr>
</tbody>
</table>

| **UNPAID LOSS EXPENSES**        |       |         |      |      |      |      |      |      |      |      |       |
| (CURRENT PERIOD)*               |       |         |      |      |      |      |      |      |      |      |       |
| Fire                            | 1,909 | 58,491  | 2,000 | 100  | -    | -    | -    | -    | -    | -    | 62,500 |
| E.C. & VMM                      | 31,110 | 47,852  | -    | -    | -    | -    | -    | -    | -    | -    | 78,962 |
| Reinsurance Loss Expenses Ceded | (1,651) | (4,910) | -    | -    | -    | -    | -    | -    | -    | -    | (6,561) |
| **Total**                       | 31,368 | 101,433 | 2,000 | 100  | -    | -    | -    | -    | -    | -    | 134,901 |

| **UNPAID LOSS EXPENSES**        |       |         |      |      |      |      |      |      |      |      |       |
| (PRIOR PERIOD)*                 |       |         |      |      |      |      |      |      |      |      |       |
| Fire                            | -     | 14,292  | 2,279 | -    | -    | -    | -    | -    | -    | -    | 16,571 |
| E.C. & VMM                      | -     | 89,469  | 2,940 | -    | -    | -    | -    | -    | -    | -    | 92,409 |
| Reinsurance Loss Expenses Ceded | -     | (2,954) | (106) | -    | -    | -    | -    | -    | -    | -    | (3,060) |
| **Total**                       | -     | 100,807 | 5,113 | -    | -    | -    | -    | -    | -    | -    | 105,920 |

| **INCURRED LOSS EXPENSES:**     |       |         |      |      |      |      |      |      |      |      |       |
| Fire                            | 16,076 | 75,063  | 208  | 100  | -    | -    | -    | -    | -    | -    | 91,447 |
| E.C. & VMM                      | 65,078 | 164,592 | 22,710 | 5,524 | -    | -    | -    | -    | -    | -    | 257,904 |
| Reinsurance Loss Expenses Ceded | (4,057) | (13,676) | (217) | -    | -    | -    | -    | -    | -    | -    | (17,950) |
| **Total**                       | $77,097 | $225,979 | $22,701 | $5,624 | -    | -    | -    | -    | -    | -    | $331,401 |

*Includes IBNR

See Accountant's Compilation Report