

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2009

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2009

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March 1, 2010

Alabama Insurance Underwriting Association  
315 E. Laurel Ave., Ste. 216D  
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We have compiled the accompanying statement of assets, liabilities and members' equity of Alabama Insurance Underwriting Association as of October 31, 2009, and the related statements of operations and members' equity for the year 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.

*O'Sullivan Creel, LLP*

Certified Public Accountants

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**  
**STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY**  
As of October 31, 2009

EXHIBIT 1

Description	Ledger Assets	Assets Not Admitted	Admitted Assets
<b>ASSETS</b>			
Cash	32,964,899		32,964,899
Interest accrued	1,282		1,282
Furniture and equipment - net of depreciation	61,235	61,235	
Data processing equipment - net of depreciation	34,374		34,374
Programming - net of amortization	140,378	140,378	
Section 444 Deposit (I.R.S.)	248,135		248,135
Prepaid Reinsurance Premium	129,986		129,986
Intangible Pension Asset	31,642		31,642
Other	925	925	
Total Assets	<u>33,612,856</u>	<u>202,538</u>	<u>33,410,318</u>
<b>LIABILITIES AND EQUITY</b>			
Reserves for:			
Unpaid losses (include IBNR)			1,020,313
Reins. Recoverable-unpaid losses			0
Unpaid loss adjustment expenses			78,701
Reins. Recoverable-unpaid loss. exp.			0
Unearned premiums			16,877,210
Premium taxes			127,105
Total Reserves			<u>18,103,329</u>
Payables for:			
Operating expenses and other accounts payable			308,062
Amounts withheld for A/C of others			19,737
Accrued Pension Obligation			27,748
Distributions Payable Members			0
Premiums Refundable			0
Premiums received in advance			1,269,481
Ceded Reinsurance Payable			0
Total Payables			<u>1,625,028</u>
Members' Equity			<u>13,681,961</u>
Total Liabilities and Equity			<u>33,410,318</u>

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**  
**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY**  
Quarter Ended October 31, 2009

EXHIBIT 2

DESCRIPTION	Quarter 08/01/2009 - 10/31/2009	Year-To-Date 11/01/2008 - 10/31/2009
<b>UNDERWRITING INCOME:</b>		
Premiums Earned	1,202,189	10,392,723
<b>DEDUCTIONS:</b>		
Losses incurred	185,195	1,198,087
Loss expenses incurred	46,349	207,969
Operating expenses incurred	1,499,495	5,394,568
Total deductions	1,731,039	6,800,624
Net Underwriting Gain or (Loss)	(528,850)	3,592,099
<b>OTHER INCOME (EXPENSE):</b>		
Net investment income	7,535	110,527
Realized Gains (Losses)	0	0
Other Income	(92)	982
Service fees	101,892	392,596
Total other income (expense)	109,335	504,105
Net Income or (Loss)	(419,515)	4,096,204
<b>EQUITY ACCOUNT:</b>		
Members' equity (prior period)	14,092,755	9,623,546
Net income or (loss)	(419,515)	4,096,204
Change in assets not admitted	8,721	(37,789)
Assessments or (distributions)	0	0
Net change in equity	(410,794)	4,058,415
Members' Equity (current period)	13,681,961	13,681,961

## **SUPPLEMENTARY INFORMATION**

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**

MEMBERS' EQUITY

Quarter Ended October 31, 2009

EXHIBIT 3A

Description	8/01/2009 - 10/31/2009						Year-to-Date 11/01/2008 - 10/31/2009							
	2009	2008	2007	2006	2005	2004	Total	2009	2008	2007	2006	2005	2004	Total
<b>INCOME RECEIVED:</b>														
Premiums Written	7,651,299	(21,692)	0	0	0	0	7,629,607	29,736,474	(290,020)	0	0	0	0	29,446,454
Reinsurance Premium Ceded	(4,865,848)	0	0	0	0	0	(4,865,848)	(16,106,473)	0	0	0	0	0	(16,106,473)
Net Premiums Written	2,785,451	(21,692)	0	0	0	0	2,763,759	13,630,001	(290,020)	0	0	0	0	13,339,981
Interest Received	8,936	0	0	0	0	0	8,936	109,245	33,900	0	0	0	0	143,145
Realized Gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	(92)	0	0	0	0	0	(92)	982	0	0	0	0	0	982
Service Fees	101,892	0	0	0	0	0	101,892	392,596	0	0	0	0	0	392,596
Gain on sale of non admitted asset	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	2,896,187	(21,692)	0	0	0	0	2,874,495	14,132,824	(256,120)	0	0	0	0	13,876,704
<b>EXPENSES PAID:</b>														
Losses	37,441	10,852	0	0	0	0	48,293	51,757	722,765	123,820	0	(21,802)	0	876,540
Loss Adjustment Expenses	10,560	1,269	0	0	2,117	19,958	33,904	11,841	10,201	2,167	0	91,474	65,992	181,675
Commissions	855,557	(1,735)	0	0	0	0	853,822	2,201,224	(15,564)	0	0	0	0	2,185,660
Operating Expenses	553,529	0	0	0	0	0	553,529	1,859,967	119,634	0	0	0	0	1,979,601
Premium Taxes	588,789	0	0	0	0	0	588,789	901,672	115,357	0	0	0	0	1,017,029
Total Expenses Paid	2,045,876	10,386	0	0	2,117	19,958	2,078,337	5,026,461	952,393	125,987	0	69,672	65,992	6,240,505
Net Cash Change	850,311	(32,078)	0	0	(2,117)	(19,958)	796,158	9,106,363	(1,208,513)	(125,987)	0	(69,672)	(65,992)	7,636,199
<b>REINSURANCE RECOVERABLE:</b>														
<i>DEDUCT (PRIOR PERIOD)</i>														
Reins. Recoverable-Losses Paid	0	0	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	0	0
<i>ADD (CURRENT PERIOD)</i>														
Reins. Recoverable-Losses Paid	0	0	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	0	0
Net Change	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>RESERVES:</b>														
<i>DEDUCT (CURRENT PERIOD)</i>														
Unpaid Losses (include IBNR)	605,313	145,000	0	0	45,000	225,000	1,020,313	605,313	145,000	0	0	45,000	225,000	1,020,313
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	45,399	10,875	0	0	5,552	16,875	78,701	45,399	10,875	0	0	5,552	16,875	78,701
Operating Expenses	327,801	0	0	0	0	0	327,801	327,801	0	0	0	0	0	327,801
Unearned Premiums	16,877,210	0	0	0	0	0	16,877,210	16,877,210	0	0	0	0	0	16,877,210
Premium Taxes	127,105	0	0	0	0	0	127,105	127,105	0	0	0	0	0	127,105
<i>ADD (PRIOR PERIOD)</i>														
Unpaid Losses (include IBNR)	464,260	314,151	0	0	95,000	10,000	883,411	0	512,275	66,490	0	110,000	10,000	698,765
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	34,819	23,562	0	0	7,125	750	66,256	0	39,357	4,050	0	8,250	750	52,407
Operating Expenses	505,190	0	0	0	0	0	505,190	0	127,272	0	0	0	0	127,272
Unearned Premiums	14,531,355	784,285	0	0	0	0	15,315,640	0	13,929,952	0	0	0	0	13,929,952
Premium Taxes	446,360	0	0	0	0	0	446,360	0	115,357	0	0	0	0	115,357
Net Reserve Change	(2,000,844)	966,123	0	0	51,573	(231,125)	(1,214,273)	(17,982,828)	14,568,338	70,540	0	67,698	(231,125)	(3,507,377)
<b>OTHER CHANGES:</b>														
<i>DEDUCT (PRIOR PERIOD)</i>														
Interest Accrued	2,682	0	0	0	0	0	2,682	0	33,900	0	0	0	0	33,900
Assets Not Admitted	(211,259)	0	0	0	0	0	(211,259)	0	(164,749)	0	0	0	0	(164,749)
<i>ADD (CURRENT PERIOD)</i>														
Interest Accrued	1,282	0	0	0	0	0	1,282	1,282	0	0	0	0	0	1,282
Assets Not Admitted	(202,538)	0	0	0	0	0	(202,538)	(202,538)	0	0	0	0	0	(202,538)
Net Other Changes	7,321	0	0	0	0	0	7,321	(201,256)	130,849	0	0	0	0	(70,407)
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Members' Equity	(1,143,212)	934,045	0	0	49,456	(251,083)	(410,794)	(9,077,721)	13,490,674	(55,447)	0	(1,974)	(297,117)	4,058,415

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**

**MEMBERS' EQUITY FOR UNSETTLED YEARS**

Inception to Quarter Ended October 31, 2009

Exhibit 3B

Description	Policy Year						Total
	2009	2008	2007	2006	2005	2004	
<b>INCOME RECEIVED:</b>							
Premiums Written	29,736,474	24,452,221	23,456,599	17,328,303	6,309,269	5,411,236	106,694,102
Reinsurance Premiums Ceded	(16,106,473)	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,030,922)	(50,313,997)
Net Premiums Written	13,630,001	9,457,429	12,657,315	12,828,073	4,426,973	3,380,314	56,380,105
Interest Received	109,245	486,548	677,305	307,607	212,181	223,321	2,016,207
Realized Gains	0	0	0	0	(86)	(31,218)	(31,304)
Other Income	982	3,391	3,670	40	4,403	78	12,564
Service Fees	392,596	269,337	187,836	175,703	29,034	13,920	1,068,426
Gain on sale of non admitted asset	0	100	623	(203)	0	0	520
Total Income	14,132,824	10,216,805	13,526,749	13,311,220	4,672,505	3,586,415	59,446,518
<b>EXPENSES PAID:</b>							
Losses	51,757	818,712	512,315	930,913	12,109,950	18,685,847	33,109,494
Loss Adjustment Expenses	11,841	21,099	14,945	17,029	1,288,381	1,532,066	2,885,361
Commissions	2,201,224	1,961,534	2,235,084	1,744,247	630,929	540,534	9,313,552
Operating Expenses	1,859,967	1,753,057	1,450,948	1,036,093	998,911	642,359	7,741,335
Premium Taxes	901,672	855,726	848,275	624,158	176,320	199,338	3,605,489
Total Expenses Paid	5,026,461	5,410,128	5,061,567	4,352,440	15,204,491	21,600,144	56,655,231
Net Cash Change	9,106,363	4,806,677	8,465,182	8,958,780	(10,531,986)	(18,013,729)	2,791,287
<b>REINSURANCE RECOVERABLE:</b>							
ADD (Current Period)							
Reins. Recoverable-Losses Paid	0	0	0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	0	0	0
Net Change	0	0	0	0	0	0	0
<b>RESERVES:</b>							
DEDUCT (CURRENT PERIOD)							
Unpaid Losses (include IBNR)	605,313	145,000	0	0	45,000	225,000	1,020,313
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	45,399	10,875	0	0	5,552	16,875	78,701
Operating Expenses	327,801	0	0	0	0	0	327,801
Unearned Premiums	16,877,210	0	0	0	0	0	16,877,210
Premium Taxes	127,105	0	0	0	0	0	127,105
Total Reserves	17,982,828	155,875	0	0	50,552	241,875	18,431,130
<b>OTHER CHANGES:</b>							
ADD							
Interest Accrued	1,282	0	0	0	0	0	1,282
Assets Not Admitted	(202,538)	0	0	0	0	0	(202,538)
Total Other Changes	(201,256)	0	0	0	0	0	(201,256)
Assessments or (Distributions)	0	0	0	0	10,000,000	19,523,060	29,523,060
Net Members' Equity	(9,077,721)	4,650,802	8,465,182	8,958,780	(582,538)	1,267,456	13,681,961



**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**  
**STATISTICAL REPORT OF PREMIUMS**  
**Quarter Ended October 31, 2009**

EXHIBIT 4A

Description	Quarter 08/01/2009 - 10/31/2009							Year-to-Date 11/01/2008 - 10/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
	2006	2005	2004				2006	2005	2004					
<b>PREMIUMS WRITTEN:</b>														
Fire	445,903	(2,000)	0	0	0	0	443,903	1,746,677	(21,961)	0	0	0	0	1,724,716
E.C. & VMM	7,205,396	(19,692)	0	0	0	0	7,185,704	27,989,797	(268,059)	0	0	0	0	27,721,738
Reinsurance Premium Ceded E.C.	(4,865,848)	0	0	0	0	0	(4,865,848)	(16,106,473)	0	0	0	0	(16,106,473)	
Total	2,785,451	(21,692)	0	0	0	0	2,763,759	13,630,001	(290,020)	0	0	0	0	13,339,981
<b>UNEARNED PREMIUMS:</b>														
<b>(PRIOR PERIOD)</b>														
Fire	833,404	52,371	0	0	0	0	885,775	0	938,896	0	0	0	0	938,896
E.C. & VMM	13,697,951	731,914	0	0	0	0	14,429,865	0	12,991,056	0	0	0	0	12,991,056
Reinsurance Unearned Ceded E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	14,531,355	784,285	0	0	0	0	15,315,640	0	13,929,952	0	0	0	0	13,929,952
<b>UNEARNED PREMIUMS:</b>														
<b>(CURRENT PERIOD)</b>														
Fire	970,720	0	0	0	0	0	970,720	970,720	0	0	0	0	0	970,720
E.C. & VMM	15,906,490	0	0	0	0	0	15,906,490	15,906,490	0	0	0	0	0	15,906,490
Reinsurance Unearned Ceded E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	16,877,210	0	0	0	0	0	16,877,210	16,877,210	0	0	0	0	0	16,877,210
<b>EARNED PREMIUMS:</b>														
Fire	308,587	50,371	0	0	0	0	358,958	775,957	916,935	0	0	0	0	1,692,892
E.C. & VMM	4,996,857	712,222	0	0	0	0	5,709,079	12,083,307	12,722,997	0	0	0	0	24,806,304
Reinsurance Earned Ceded E.C.	(4,865,848)	0	0	0	0	0	(4,865,848)	(16,106,473)	0	0	0	0	0	(16,106,473)
Total	439,596	762,593	0	0	0	0	1,202,189	(3,247,209)	13,639,932	0	0	0	0	10,392,723

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**  
**STATISTICAL REPORT OF LOSSES**  
Quarter Ended October 31, 2009

EXHIBIT 4B

Description	Quarter 08/01/2009 - 10/31/2009							Year-to-Date 11/01/2008 - 10/31/2009						
	2009	2008	2007	Policy Year 2006	2005	2004	Total	2009	2008	2007	Policy Year 2006	2005	2004	Total
<b>PAID LOSSES:</b>														
Fire	23,975	1,155	0	0	0	0	25,130	25,693	663,320	95,432	0	0	0	784,445
E.C. & VMM	13,466	9,697	0	0	0	0	23,163	26,064	59,445	28,387	0	(21,802)	0	92,094
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	37,441	10,852	0	0	0	0	48,293	51,757	722,765	123,820	0	(21,802)	0	876,540
<b>OUTSTANDING LOSSES (CURRENT PERIOD)*</b>														
Fire	40,499	145,000	0	0	0	0	185,499	40,499	145,000	0	0	0	0	185,499
E.C. & VMM	564,814	0	0	0	45,000	225,000	834,814	564,814	0	0	0	45,000	225,000	834,814
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	605,313	145,000	0	0	45,000	225,000	1,020,313	605,313	145,000	0	0	45,000	225,000	1,020,313
<b>OUTSTANDING LOSSES (PRIOR PERIOD)*</b>														
Fire	41,537	154,593	0	0	0	0	196,130	0	48,885	33,000	0	0	0	81,885
E.C. & VMM	422,723	159,558	0	0	95,000	10,000	687,281	0	463,390	33,490	0	110,000	10,000	616,880
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	464,260	314,151	0	0	95,000	10,000	883,411	0	512,275	66,490	0	110,000	10,000	698,765
<b>INCURRED LOSSES:</b>														
Fire	22,937	(8,438)	0	0	0	0	14,499	66,192	759,435	62,432	0	0	0	888,059
E.C. & VMM	155,557	(149,861)	0	0	(50,000)	215,000	170,696	590,878	(403,945)	(5,103)	0	(86,802)	215,000	310,028
Total	178,494	(158,299)	0	0	(50,000)	215,000	185,195	657,070	355,490	57,329	0	(86,802)	215,000	1,198,087
<b>IBNR (CURRENT PERIOD)</b>														
Fire	34,999	0	0	0	0	0	34,999	34,999	0	0	0	0	0	34,999
E.C. & VMM	564,814	0	0	0	0	0	564,814	564,814	0	0	0	0	0	564,814
Total	599,813	0	0	0	0	0	599,813	599,813	0	0	0	0	0	599,813
<b>IBNR (PRIOR PERIOD)</b>														
Fire	24,537	9,593	0	0	0	0	34,130	0	34,170	0	0	0	0	34,170
E.C. & VMM	396,003	137,058	0	0	0	0	533,061	0	463,390	0	0	0	0	463,390
Total	420,540	146,651	0	0	0	0	567,191	0	497,560	0	0	0	0	497,560

\*Includes IBNR

**ALABAMA INSURANCE UNDERWRITING ASSOCIATION**  
**STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES**  
Quarter Ended October 31, 2009

EXHIBIT 4C

Description	Quarter 08/01/2009 - 10/31/2009							Year-to-Date 11/01/2008 - 10/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
				2006	2005	2004					2006	2005	2004	
<b>LOSS EXPENSES PAID:</b>														
Fire	4,135	0	0	0	0	0	4,135	4,135	6,236	0	0	0	0	10,371
E.C. & VMM	6,425	1,269	0	0	2,117	19,958	29,769	7,706	3,965	2,167	0	91,474	65,992	171,304
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>10,560</b>	<b>1,269</b>	<b>0</b>	<b>0</b>	<b>2,117</b>	<b>19,958</b>	<b>33,904</b>	<b>11,841</b>	<b>10,201</b>	<b>2,167</b>	<b>0</b>	<b>91,474</b>	<b>65,992</b>	<b>181,675</b>
<b>UNPAID LOSS EXPENSES (CURRENT PERIOD)*</b>														
Fire	3,038	10,875	0	0	0	0	13,913	3,038	10,875	0	0	0	0	13,913
E.C. & VMM	42,361	0	0	0	5,552	16,875	64,788	42,361	0	0	0	5,552	16,875	64,788
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>45,399</b>	<b>10,875</b>	<b>0</b>	<b>0</b>	<b>5,552</b>	<b>16,875</b>	<b>78,701</b>	<b>45,399</b>	<b>10,875</b>	<b>0</b>	<b>0</b>	<b>5,552</b>	<b>16,875</b>	<b>78,701</b>
<b>UNPAID LOSS EXPENSES (PRIOR PERIOD)*</b>														
Fire	3,115	11,595	0	0	0	0	14,710	0	3,666	2,475	0	0	0	6,141
E.C. & VMM	31,704	11,967	0	0	7,125	750	51,546	0	35,691	1,575	0	8,250	750	46,266
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>34,819</b>	<b>23,562</b>	<b>0</b>	<b>0</b>	<b>7,125</b>	<b>750</b>	<b>66,256</b>	<b>0</b>	<b>39,357</b>	<b>4,050</b>	<b>0</b>	<b>8,250</b>	<b>750</b>	<b>52,407</b>
<b>INCURRED LOSS EXPENSES:</b>														
Fire	4,058	(720)	0	0	0	0	3,338	7,173	13,445	(2,475)	0	0	0	18,143
E.C. & VMM	17,082	(10,698)	0	0	544	36,083	43,011	50,067	(31,726)	592	0	88,776	82,117	189,826
<b>Total</b>	<b>21,140</b>	<b>(11,418)</b>	<b>0</b>	<b>0</b>	<b>544</b>	<b>36,083</b>	<b>46,349</b>	<b>57,240</b>	<b>(18,281)</b>	<b>(1,883)</b>	<b>0</b>	<b>88,776</b>	<b>82,117</b>	<b>207,969</b>

\*Includes IBNR