

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JANUARY 31, 2009

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JANUARY 31, 2009

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We have compiled the accompanying statement of assets, liabilities and members' equity of Alabama Insurance Underwriting Association as of January 31, 2009, and the related statements of operations and members' equity for the three 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.

O'Sullivan Creel, LLP

Certified Public Accountants

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

EXHIBIT 1

Description	Ledger Assets	Assets Not Admitted	Admitted Assets
ASSETS			
Cash	23,318,727		23,318,727
Interest accrued	11,346		11,346
Furniture and equipment - net of depreciation	66,133	66,133	
Data processing equipment - net of depreciation	23,986		23,986
Programming - net of amortization	133,308	133,308	
Section 444 Deposit (I.R.S.)	341,521		341,521
Prepaid Reinsurance Premium	1,248,959		1,248,959
Intangible Pension Asset	41,882		41,882
Returned Checks	2,438	2,438	
Total Assets	<u>25,188,300</u>	<u>201,879</u>	<u>24,986,421</u>
LIABILITIES AND EQUITY			
Reserves for:			
Unpaid losses (include IBNR)			638,419
Reins. Recoverable-unpaid losses			0
Unpaid loss adjustment expenses			40,315
Reins. Recoverable-unpaid loss. exp.			0
Unearned premiums			11,897,898
Premium taxes			(7,728)
Total Reserves			<u>12,568,904</u>
Payables for:			
Operating expenses and other accounts payable			173,823
Amounts withheld for A/C of others			52,813
Accrued Pension Obligation			43,099
Distributions Payable Members			0
Premiums Refundable			0
Premiums received in advance			614,360
Ceded Reinsurance Payable			0
Total Payables			<u>884,095</u>
Members' Equity			<u>11,533,422</u>
Total Liabilities and Equity			<u>24,986,421</u>

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

EXHIBIT 2

DESCRIPTION	Quarter 11/01/2008 - 01/31/2009	Year-To-Date 11/01/2008 - 01/31/2009
UNDERWRITING INCOME:		
Premiums Earned	2,806,725	2,806,725
DEDUCTIONS:		
Losses incurred	63,682	63,682
Loss expenses incurred	(5,809)	(5,809)
Operating expenses incurred	932,155	932,155
Total deductions	990,028	990,028
Net Underwriting Gain or (Loss)	1,816,697	1,816,697
OTHER INCOME (EXPENSE):		
Net investment income	66,030	66,030
Realized Gains (Losses)	0	0
Other Income	(18)	(18)
Service fees	64,297	64,297
Total other income (expense)	130,309	130,309
Net Income or (Loss)	1,947,006	1,947,006
EQUITY ACCOUNT:		
Members' equity (prior period)	9,623,546	9,623,546
Net income or (loss)	1,947,006	1,947,006
Change in assets not admitted	(37,130)	(37,130)
Assessments or (distributions)	0	0
Net change in equity	1,909,876	1,909,876
Members' Equity (current period)	11,533,422	11,533,422

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY

Quarter Ended January 31, 2009

EXHIBIT 3A

Description	1/01/2008 - 01/31/2009							Year-to-Date 11/01/2008 - 01/31/2009										
	2009	2008	2007	Policy Year		2006	2005	2004	Total	2009	2008	2007	Policy Year		2006	2005	2004	Total
INCOME RECEIVED:																		
Premiums Written	4,620,404	(98,858)	0	0	0	0	0	4,521,546	4,620,404	(98,858)	0	0	0	0	0	0	0	4,521,546
Reinsurance Premium Ceded	(3,746,875)	0	0	0	0	0	0	(3,746,875)	(3,746,875)	0	0	0	0	0	0	0	0	(3,746,875)
Net Premiums Written	873,529	(98,858)	0	0	0	0	0	774,671	873,529	(98,858)	0	0	0	0	0	0	0	774,671
Interest Received	54,684	33,900	0	0	0	0	0	88,584	54,684	33,900	0	0	0	0	0	0	0	88,584
Realized Gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	(18)	0	0	0	0	0	0	(18)	(18)	0	0	0	0	0	0	0	0	(18)
Service Fees	64,297	0	0	0	0	0	0	64,297	64,297	0	0	0	0	0	0	0	0	64,297
Gain on sale of non admitted asset	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	992,492	(64,958)	0	0	0	0	0	927,534	992,492	(64,958)	0	0	0	0	0	0	0	927,534
EXPENSES PAID:																		
Losses	0	11,156	112,873	0	0	0	0	124,029	0	11,156	112,873	0	0	0	0	0	0	124,029
Loss Adjustment Expenses	0	0	0	0	6,283	0	0	6,283	0	0	0	0	0	6,283	0	0	0	6,283
Commissions	233,316	(271)	0	0	0	0	0	233,045	233,316	(271)	0	0	0	0	0	0	0	233,045
Operating Expenses	335,202	119,634	0	0	0	0	0	454,836	335,202	119,634	0	0	0	0	0	0	0	454,836
Premium Taxes	152,637	115,357	0	0	0	0	0	267,994	152,637	115,357	0	0	0	0	0	0	0	267,994
Total Expenses Paid	721,155	245,876	112,873	0	6,283	0	0	1,086,187	721,155	245,876	112,873	0	0	6,283	0	0	0	1,086,187
Net Cash Change	271,337	(310,834)	(112,873)	0	(6,283)	0	0	(158,653)	271,337	(310,834)	(112,873)	0	0	(6,283)	0	0	0	(158,653)
REINSURANCE RECOVERABLE:																		
<i>DEDUCT (PRIOR PERIOD)</i>																		
Reins. Recoverable-Losses Paid	0	0	0	0	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	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	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	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	0	0	0	0
RESERVES:																		
<i>DEDUCT (CURRENT PERIOD)</i>																		
Unpaid Losses (include IBNR)	85,429	427,990	20,000	0	85,000	20,000	638,419	85,429	427,990	20,000	0	85,000	20,000	638,419				
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Unpaid Loss Adj. Expenses	5,126	25,814	1,500	0	6,375	1,500	40,315	5,126	25,814	1,500	0	6,375	1,500	40,315				
Operating Expenses	226,636	0	0	0	0	0	226,636	226,636	0	0	0	0	0	226,636				
Unearned Premiums	3,685,430	8,212,468	0	0	0	0	11,897,898	3,685,430	8,212,468	0	0	0	0	11,897,898				
Premium Taxes	(7,728)	0	0	0	0	0	(7,728)	(7,728)	0	0	0	0	0	(7,728)				
<i>ADD (PRIOR PERIOD)</i>																		
Unpaid Losses (include IBNR)	0	512,275	66,490	0	110,000	10,000	698,765	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	0	39,357	4,050	0	8,250	750	52,407	0	39,357	4,050	0	8,250	750	52,407				
Operating Expenses	0	127,272	0	0	0	0	127,272	0	127,272	0	0	0	0	127,272				
Unearned Premiums	0	13,929,952	0	0	0	0	13,929,952	0	13,929,952	0	0	0	0	13,929,952				
Premium Taxes	0	115,357	0	0	0	0	115,357	0	115,357	0	0	0	0	115,357				
Net Reserve Change	(3,994,893)	6,057,941	49,040	0	26,875	(10,750)	2,128,213	(3,994,893)	6,057,941	49,040	0	26,875	(10,750)	2,128,213				
OTHER CHANGES:																		
<i>DEDUCT (PRIOR PERIOD)</i>																		
Interest Accrued	0	33,900	0	0	0	0	33,900	0	33,900	0	0	0	0	33,900				
Assets Not Admitted	0	(164,749)	0	0	0	0	(164,749)	0	(164,749)	0	0	0	0	(164,749)				
<i>ADD (CURRENT PERIOD)</i>																		
Interest Accrued	11,346	0	0	0	0	0	11,346	11,346	0	0	0	0	0	11,346				
Assets Not Admitted	(201,879)	0	0	0	0	0	(201,879)	(201,879)	0	0	0	0	0	(201,879)				
Net Other Changes	(190,533)	130,849	0	0	0	0	(59,684)	(190,533)	130,849	0	0	0	0	(59,684)				
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Change in Members' Equity	(3,914,089)	5,877,956	(63,833)	0	20,592	(10,750)	1,909,876	(3,914,089)	5,877,956	(63,833)	0	20,592	(10,750)	1,909,876				

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY FOR UNSETTLED YEARS

Inception to Quarter Ended January 31, 2009

Exhibit 3B

Description	Policy Year						Total
	2009	2008	2007	2006	2005	2004	
INCOME RECEIVED:							
Premiums Written	4,620,404	24,643,383	23,456,599	17,328,303	6,309,269	5,411,236	81,769,194
Reinsurance Premiums Ceded	(3,746,875)	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,030,922)	(37,954,399)
Net Premiums Written	873,529	9,648,591	12,657,315	12,828,073	4,426,973	3,380,314	43,814,795
Interest Received	54,684	486,548	677,305	307,607	212,181	223,321	1,961,646
Realized Gains	0	0	0	0	(86)	(31,218)	(31,304)
Other Income	(18)	3,391	3,670	40	4,403	78	11,564
Service Fees	64,297	269,337	187,836	175,703	29,034	13,920	740,127
Gain on sale of non admitted asset	0	100	623	(203)	0	0	520
Total Income	992,492	10,407,967	13,526,749	13,311,220	4,672,505	3,586,415	46,497,348
EXPENSES PAID:							
Losses	0	107,103	501,368	930,913	12,131,752	18,685,847	32,356,983
Loss Adjustment Expenses	0	10,898	12,778	17,029	1,203,190	1,466,074	2,709,969
Commissions	233,316	1,976,827	2,235,084	1,744,247	630,929	540,534	7,360,937
Operating Expenses	335,202	1,753,057	1,450,948	1,036,093	998,911	642,359	6,216,570
Premium Taxes	152,637	855,726	848,275	624,158	176,320	199,338	2,856,454
Total Expenses Paid	721,155	4,703,611	5,048,453	4,352,440	15,141,102	21,534,152	51,500,913
Net Cash Change	271,337	5,704,356	8,478,296	8,958,780	(10,468,597)	(17,947,737)	(5,003,565)
REINSURANCE RECOVERABLE:							
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
RESERVES:							
DEDUCT (CURRENT PERIOD)							
Unpaid Losses (include IBNR)	85,429	427,990	20,000	0	85,000	20,000	638,419
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	5,126	25,814	1,500	0	6,375	1,500	40,315
Operating Expenses	226,636	0	0	0	0	0	226,636
Unearned Premiums	3,685,430	8,212,468	0	0	0	0	11,897,898
Premium Taxes	(7,728)	0	0	0	0	0	(7,728)
Total Reserves	3,994,893	8,666,272	21,500	0	91,375	21,500	12,795,540
OTHER CHANGES:							
ADD							
Interest Accrued	11,346	0	0	0	0	0	11,346
Assets Not Admitted	(201,879)	0	0	0	0	0	(201,879)
Total Other Changes	(190,533)	0	0	0	0	0	(190,533)
Assessments or (Distributions)	0	0	0	0	10,000,000	19,523,060	29,523,060
Net Members' Equity	(3,914,089)	(2,961,916)	8,456,796	8,958,780	(559,972)	1,553,823	11,533,422

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

EXHIBIT 4A

Description	Quarter 11/01/2008 - 01/31/2009							Year-to-Date 11/01/2008 - 01/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
	2006	2005	2004				2006	2005	2004					
PREMIUMS WRITTEN:														
Fire	308,758	(7,260)	0	0	0	0	301,498	308,758	(7,260)	0	0	0	0	301,498
E.C. & VMM	4,311,646	(91,598)	0	0	0	0	4,220,048	4,311,646	(91,598)	0	0	0	0	4,220,048
Reinsurance Premium Ceded E.C.	(3,746,875)	0	0	0	0	0	(3,746,875)	(3,746,875)	0	0	0	0	0	(3,746,875)
Total	873,529	(98,858)	0	0	0	0	774,671	873,529	(98,858)	0	0	0	0	774,671
UNEARNED PREMIUMS:														
(PRIOR PERIOD)														
Fire	0	938,896	0	0	0	0	938,896	0	938,896	0	0	0	0	938,896
E.C. & VMM	0	12,991,056	0	0	0	0	12,991,056	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	0	13,929,952	0	0	0	0	13,929,952	0	13,929,952	0	0	0	0	13,929,952
UNEARNED PREMIUMS:														
(CURRENT PERIOD)														
Fire	240,603	549,222	0	0	0	0	789,825	240,603	549,222	0	0	0	0	789,825
E.C. & VMM	3,444,827	7,663,246	0	0	0	0	11,108,073	3,444,827	7,663,246	0	0	0	0	11,108,073
Reinsurance Unearned Ceded E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3,685,430	8,212,468	0	0	0	0	11,897,898	3,685,430	8,212,468	0	0	0	0	11,897,898
EARNED PREMIUMS:														
Fire	68,155	382,414	0	0	0	0	450,569	68,155	382,414	0	0	0	0	450,569
E.C. & VMM	866,819	5,236,212	0	0	0	0	6,103,031	866,819	5,236,212	0	0	0	0	6,103,031
Reinsurance Earned Ceded E.C.	(3,746,875)	0	0	0	0	0	(3,746,875)	(3,746,875)	0	0	0	0	0	(3,746,875)
Total	(2,811,901)	5,618,626	0	0	0	0	2,806,725	(2,811,901)	5,618,626	0	0	0	0	2,806,725

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

EXHIBIT 4B

Description	Quarter 11/01/2008 - 01/31/2009							Year-to-Date 11/01/2008 - 01/31/2009						
	2009	2008	2007	Policy Year 2006	2005	2004	Total	2009	2008	2007	Policy Year 2006	2005	2004	Total
PAID LOSSES:														
Fire	0	4,823	87,429	0	0	0	92,252	0	4,823	87,429	0	0	0	92,252
E.C. & VMM	0	6,333	25,443	0	0	0	31,776	0	6,333	25,443	0	0	0	31,776
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	11,156	112,873	0	0	0	124,028	0	11,156	112,873	0	0	0	124,029
OUTSTANDING LOSSES (CURRENT PERIOD)*														
Fire	5,581	28,403	15,000	0	0	0	48,984	5,581	28,403	15,000	0	0	0	48,984
E.C. & VMM	79,848	399,587	5,000	0	85,000	20,000	589,435	79,848	399,587	5,000	0	85,000	20,000	589,435
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	85,429	427,990	20,000	0	85,000	20,000	638,419	85,429	427,990	20,000	0	85,000	20,000	638,419
OUTSTANDING LOSSES (PRIOR PERIOD)*														
Fire	0	48,885	33,000	0	0	0	81,885	0	48,885	33,000	0	0	0	81,885
E.C. & VMM	0	463,390	33,490	0	110,000	10,000	616,880	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	0	512,275	66,490	0	110,000	10,000	698,765	0	512,275	66,490	0	110,000	10,000	698,765
INCURRED LOSSES:														
Fire	5,581	(15,659)	69,429	0	0	0	59,351	5,581	(15,659)	69,429	0	0	0	59,351
E.C. & VMM	79,848	(57,470)	(3,047)	0	(25,000)	10,000	4,331	79,848	(57,470)	(3,047)	0	(25,000)	10,000	4,331
Total	85,429	(73,129)	66,382	0	(25,000)	10,000	63,682	85,429	(73,129)	66,382	0	(25,000)	10,000	63,682
IBNR (CURRENT PERIOD)														
Fire	5,581	28,403	0	0	0	0	33,984	5,581	28,403	0	0	0	0	33,984
E.C. & VMM	79,848	390,587	0	0	0	0	470,435	79,848	390,587	0	0	0	0	470,435
Total	85,429	418,990	0	0	0	0	504,419	85,429	418,990	0	0	0	0	504,419
IBNR (PRIOR PERIOD)														
Fire	0	34,170	0	0	0	0	34,170	0	34,170	0	0	0	0	34,170
E.C. & VMM	0	463,390	0	0	0	0	463,390	0	463,390	0	0	0	0	463,390
Total	0	497,560	0	0	0	0	497,560	0	497,560	0	0	0	0	497,560

*Includes IBNR

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

EXHIBIT 4C

Description	Quarter 11/01/2008 - 01/31/2009							Year-to-Date 11/01/2008 - 01/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
				2006	2005	2004					2006	2005	2004	
LOSS EXPENSES PAID:														
Fire	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E.C. & VMM	0	0	0	0	6,283	0	6,283	0	0	0	0	6,283	0	6,283
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	6,283	0	6,283	0	0	0	0	6,283	0	6,283
UNPAID LOSS EXPENSES (CURRENT PERIOD)*														
Fire	335	1,704	1,125	0	0	0	3,164	335	1,704	1,125	0	0	0	3,164
E.C. & VMM	4,791	24,110	375	0	6,375	1,500	37,151	4,791	24,110	375	0	6,375	1,500	37,151
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	5,126	25,814	1,500	0	6,375	1,500	40,315	5,126	25,814	1,500	0	6,375	1,500	40,315
UNPAID LOSS EXPENSES (PRIOR PERIOD)*														
Fire	0	3,666	2,475	0	0	0	6,141	0	3,666	2,475	0	0	0	6,141
E.C. & VMM	0	35,691	1,575	0	8,250	750	46,266	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
Total	0	39,357	4,050	0	8,250	750	52,407	0	39,357	4,050	0	8,250	750	52,407
INCURRED LOSS EXPENSES:														
Fire	335	(1,962)	(1,350)	0	0	0	(2,977)	335	(1,962)	(1,350)	0	0	0	(2,977)
E.C. & VMM	4,791	(11,581)	(1,200)	0	4,408	750	(2,832)	4,791	(11,581)	(1,200)	0	4,408	750	(2,832)
Total	5,126	(13,543)	(2,550)	0	4,408	750	(5,809)	5,126	(13,543)	(2,550)	0	4,408	750	(5,809)

*Includes IBNR