

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JULY 31, 2009

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JULY 31, 2009

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

EXHIBIT 1

Description	Ledger Assets	Assets Not Admitted	Admitted Assets
ASSETS			
Cash	30,913,583		30,913,583
Interest accrued	2,682		2,682
Furniture and equipment - net of depreciation	66,128	66,128	
Data processing equipment - net of depreciation	30,403		30,403
Programming - net of amortization	142,635	142,635	
Section 444 Deposit (I.R.S.)	248,135		248,135
Prepaid Reinsurance Premium	1,248,959		1,248,959
Intangible Pension Asset	41,882		41,882
Returned Checks	2,496	2,496	
Total Assets	<u>32,696,903</u>	<u>211,259</u>	<u>32,485,644</u>
LIABILITIES AND EQUITY			
Reserves for:			
Unpaid losses (include IBNR)			883,411
Reins. Recoverable-unpaid losses			0
Unpaid loss adjustment expenses			66,256
Reins. Recoverable-unpaid loss. exp.			0
Unearned premiums			15,315,640
Premium taxes			446,360
Total Reserves			<u>16,711,667</u>
Payables for:			
Operating expenses and other accounts payable			449,157
Amounts withheld for A/C of others			56,033
Accrued Pension Obligation			40,116
Distributions Payable Members			0
Premiums Refundable			0
Premiums received in advance			1,135,916
Ceded Reinsurance Payable			0
Total Payables			<u>1,681,222</u>
Members' Equity			<u>14,092,755</u>
Total Liabilities and Equity			<u>32,485,644</u>

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

EXHIBIT 2

DESCRIPTION	Quarter 05/01/2009 - 07/31/2009	Year-To-Date 11/01/2008 - 07/31/2009
UNDERWRITING INCOME:		
Premiums Earned	3,682,906	9,190,534
DEDUCTIONS:		
Losses incurred	464,365	1,012,892
Loss expenses incurred	94,883	161,620
Operating expenses incurred	1,763,803	3,895,073
Total deductions	<u>2,323,051</u>	<u>5,069,585</u>
Net Underwriting Gain or (Loss)	<u>1,359,855</u>	<u>4,120,948</u>
OTHER INCOME (EXPENSE):		
Net investment income	12,405	102,992
Realized Gains (Losses)	0	0
Other Income	(55)	1,074
Service fees	140,567	290,705
Total other income (expense)	<u>152,917</u>	<u>394,771</u>
Net Income or (Loss)	<u>1,512,772</u>	<u>4,515,719</u>
EQUITY ACCOUNT:		
Members' equity (prior period)	12,591,156	9,623,546
Net income or (loss)	1,512,772	4,515,719
Change in assets not admitted	(11,173)	(46,510)
Assessments or (distributions)	0	0
Net change in equity	<u>1,501,599</u>	<u>4,469,209</u>
Members' Equity (current period)	<u>14,092,755</u>	<u>14,092,755</u>

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY
Quarter Ended July 31, 2009

EXHIBIT 3A

Description	5/01/2009 - 07/31/2009							Year-to-Date 11/01/2008 - 07/31/2009						
	2009	2008	2007	2006	2005	2004	Total	2009	2008	2007	2006	2005	2004	Total
INCOME RECEIVED:														
Premiums Written	10,734,239	(67,857)	0	0	0	0	10,666,382	22,085,175	(268,328)	0	0	0	0	21,816,847
Reinsurance Premium Ceded	(3,746,875)	0	0	0	0	0	(3,746,875)	(11,240,625)	0	0	0	0	0	(11,240,625)
Net Premiums Written	6,987,364	(67,857)	0	0	0	0	6,919,507	10,844,550	(268,328)	0	0	0	0	10,576,222
Interest Received	12,663	0	0	0	0	0	12,663	100,309	33,900	0	0	0	0	134,209
Realized Gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	(55)	0	0	0	0	0	(55)	1,074	0	0	0	0	0	1,074
Service Fees	140,567	0	0	0	0	0	140,567	290,704	0	0	0	0	0	290,704
Gain on sale of non admitted asset	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	7,140,539	(67,857)	0	0	0	0	7,072,682	11,236,637	(234,428)	0	0	0	0	11,002,209
EXPENSES PAID:														
Losses	8,836	193,282	0	0	48,062	0	250,180	14,316	711,913	123,820	0	(21,802)	0	828,247
Loss Adjustment Expenses	1,281	4,377	0	0	28,741	36,502	70,901	1,281	8,932	2,167	0	89,357	46,034	147,771
Commissions	644,551	(5,429)	0	0	0	0	639,122	1,345,667	(13,829)	0	0	0	0	1,331,838
Operating Expenses	521,643	0	0	0	0	0	521,643	1,306,438	119,634	0	0	0	0	1,426,072
Premium Taxes	160,246	0	0	0	0	0	160,246	312,883	115,357	0	0	0	0	428,240
Total Expenses Paid	1,336,557	192,230	0	0	76,803	36,502	1,642,092	2,980,585	942,007	125,987	0	67,555	46,034	4,162,168
Net Cash Change	5,803,982	(260,087)	0	0	(76,803)	(36,502)	5,430,590	8,256,052	(1,176,435)	(125,987)	0	(67,555)	(46,034)	6,840,041
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
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
RESERVES:														
<i>DEDUCT (CURRENT PERIOD)</i>														
Unpaid Losses (include IBNR)	464,260	314,151	0	0	95,000	10,000	883,411	464,260	314,151	0	0	95,000	10,000	883,411
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	34,819	23,562	0	0	7,125	750	66,256
Operating Expenses	505,190	0	0	0	0	0	505,190	505,190	0	0	0	0	0	505,190
Unearned Premiums	14,531,355	784,285	0	0	0	0	15,315,640	14,531,355	784,285	0	0	0	0	15,315,640
Premium Taxes	446,360	0	0	0	0	0	446,360	446,360	0	0	0	0	0	446,360
<i>ADD (PRIOR PERIOD)</i>														
Unpaid Losses (include IBNR)	223,012	336,214	5,000	0	85,000	20,000	669,226	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	13,464	20,560	375	0	6,375	1,500	42,274	0	39,357	4,050	0	8,250	750	52,407
Operating Expenses	280,672	0	0	0	0	0	280,672	0	127,272	0	0	0	0	127,272
Unearned Premiums	8,416,987	3,662,052	0	0	0	0	12,079,039	0	13,929,952	0	0	0	0	13,929,952
Premium Taxes	228,086	0	0	0	0	0	228,086	0	115,357	0	0	0	0	115,357
Net Reserve Change	(6,819,763)	2,896,828	5,375	0	(10,750)	10,750	(3,917,560)	(15,981,984)	13,602,215	70,540	0	16,125	0	(2,293,104)
OTHER CHANGES:														
<i>DEDUCT (PRIOR PERIOD)</i>														
Interest Accrued	2,940	0	0	0	0	0	2,940	0	33,900	0	0	0	0	33,900
Assets Not Admitted	(200,086)	0	0	0	0	0	(200,086)	0	(164,749)	0	0	0	0	(164,749)
<i>ADD (CURRENT PERIOD)</i>														
Interest Accrued	2,682	0	0	0	0	0	2,682	2,682	0	0	0	0	0	2,682
Assets Not Admitted	(211,259)	0	0	0	0	0	(211,259)	(211,259)	0	0	0	0	0	(211,259)
Net Other Changes	(11,431)	0	0	0	0	0	(11,431)	(208,577)	130,849	0	0	0	0	(77,728)
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Members' Equity	(1,027,212)	2,636,741	5,375	0	(87,553)	(25,752)	1,501,599	(7,934,509)	12,556,629	(55,447)	0	(51,430)	(46,034)	4,469,209

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
MEMBERS' EQUITY FOR UNSETTLED YEARS
Inception to Quarter Ended July 31, 2009

Exhibit 3B

Description	Policy Year						Total
	2009	2008	2007	2006	2005	2004	
INCOME RECEIVED:							
Premiums Written	22,085,175	24,473,913	23,456,599	17,328,303	6,309,269	5,411,236	99,064,495
Reinsurance Premiums Ceded	(11,240,625)	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,030,922)	(45,448,149)
Net Premiums Written	10,844,550	9,479,121	12,657,315	12,828,073	4,426,973	3,380,314	53,616,346
Interest Received	100,309	486,548	677,305	307,607	212,181	223,321	2,007,271
Realized Gains	0	0	0	0	(86)	(31,218)	(31,304)
Other Income	1,074	3,391	3,670	40	4,403	78	12,656
Service Fees	290,704	269,337	187,836	175,703	29,034	13,920	966,534
Gain on sale of non admitted asset	0	100	623	(203)	0	0	520
Total Income	11,236,637	10,238,497	13,526,749	13,311,220	4,672,505	3,586,415	56,572,023
EXPENSES PAID:							
Losses	14,316	807,860	512,315	930,913	12,109,950	18,685,847	33,061,201
Loss Adjustment Expenses	1,281	19,830	14,945	17,029	1,286,264	1,512,108	2,851,457
Commissions	1,345,667	1,963,269	2,235,084	1,744,247	630,929	540,534	8,459,730
Operating Expenses	1,306,438	1,753,057	1,450,948	1,036,093	998,911	642,359	7,187,806
Premium Taxes	312,883	855,726	848,275	624,158	176,320	199,338	3,016,700
Total Expenses Paid	2,980,585	5,399,742	5,061,567	4,352,440	15,202,374	21,580,186	54,576,894
Net Cash Change	8,256,052	4,838,755	8,465,182	8,958,780	(10,529,869)	(17,993,771)	1,995,129
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)	464,260	314,151	0	0	95,000	10,000	883,411
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	34,819	23,562	0	0	7,125	750	66,256
Operating Expenses	505,190	0	0	0	0	0	505,190
Unearned Premiums	14,531,355	784,285	0	0	0	0	15,315,640
Premium Taxes	446,360	0	0	0	0	0	446,360
Total Reserves	15,981,984	1,121,998	0	0	102,125	10,750	17,216,857
OTHER CHANGES:							
ADD							
Interest Accrued	2,682	0	0	0	0	0	2,682
Assets Not Admitted	(211,259)	0	0	0	0	0	(211,259)
Total Other Changes	(208,577)	0	0	0	0	0	(208,577)
Assessments or (Distributions)	0	0	0	0	10,000,000	19,523,060	29,523,060
Net Members' Equity	(7,934,509)	3,716,757	8,465,182	8,958,780	(631,994)	1,518,539	14,092,755

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

EXHIBIT 4A

Description	Quarter 05/01/2009 - 07/31/2009							Year-to-Date 11/01/2008 - 07/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
	2009	2008	2007	2006	2005	2004		2009	2008	2007	2006	2005	2004	
PREMIUMS WRITTEN:														
Fire	614,021	(5,278)	0	0	0	0	608,743	1,300,774	(19,961)	0	0	0	0	1,280,813
E.C. & VMM	10,120,218	(62,579)	0	0	0	0	10,057,639	20,784,401	(248,367)	0	0	0	0	20,536,034
Reinsurance Premium Ceded E.C.	(3,746,875)	0	0	0	0	0	(3,746,875)	(11,240,625)	0	0	0	0	0	(11,240,625)
Total	6,987,364	(67,857)	0	0	0	0	6,919,507	10,844,550	(268,328)	0	0	0	0	10,576,222
UNEARNED PREMIUMS:														
(PRIOR PERIOD)														
Fire	502,641	242,800	0	0	0	0	745,441	0	938,896	0	0	0	0	938,896
E.C. & VMM	7,914,346	3,419,252	0	0	0	0	11,333,598	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	8,416,987	3,662,052	0	0	0	0	12,079,039	0	13,929,952	0	0	0	0	13,929,952
UNEARNED PREMIUMS:														
(CURRENT PERIOD)														
Fire	833,404	52,371	0	0	0	0	885,775	833,404	52,371	0	0	0	0	885,775
E.C. & VMM	13,697,951	731,914	0	0	0	0	14,429,865	13,697,951	731,914	0	0	0	0	14,429,865
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	14,531,355	784,285	0	0	0	0	15,315,640
EARNED PREMIUMS:														
Fire	283,258	185,151	0	0	0	0	468,409	467,370	866,564	0	0	0	0	1,333,934
E.C. & VMM	4,336,613	2,624,759	0	0	0	0	6,961,372	7,086,450	12,010,775	0	0	0	0	19,097,225
Reinsurance Earned Ceded E.C.	(3,746,875)	0	0	0	0	0	(3,746,875)	(11,240,625)	0	0	0	0	0	(11,240,625)
Total	872,996	2,809,910	0	0	0	0	3,682,906	(3,686,805)	12,877,339	0	0	0	0	9,190,534

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

EXHIBIT 4B

Description	Quarter 05/01/2009 - 07/31/2009							Year-to-Date 11/01/2008 - 07/31/2009						
	2009	2008	2007	Policy Year 2006	2005	2004	Total	2009	2008	2007	Policy Year 2006	2005	2004	Total
PAID LOSSES:														
Fire	548	185,039	0	0	0	0	185,587	1,718	662,165	95,432	0	0	0	759,315
E.C. & VMM	8,288	8,243	0	0	48,062	0	64,593	12,598	49,748	28,387	0	(21,802)	0	68,931
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	8,836	193,282	0	0	48,062	0	250,180	14,316	711,913	123,820	0	(21,802)	0	828,247
OUTSTANDING LOSSES (CURRENT PERIOD)*														
Fire	41,537	154,593	0	0	0	0	196,130	41,537	154,593	0	0	0	0	196,130
E.C. & VMM	422,723	159,558	0	0	95,000	10,000	687,281	422,723	159,558	0	0	95,000	10,000	687,281
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	464,260	314,151	0	0	95,000	10,000	883,411
OUTSTANDING LOSSES (PRIOR PERIOD)*														
Fire	13,135	35,838	0	0	0	0	48,973	0	48,885	33,000	0	0	0	81,885
E.C. & VMM	209,877	300,376	5,000	0	85,000	20,000	620,253	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	223,012	336,214	5,000	0	85,000	20,000	669,226	0	512,275	66,490	0	110,000	10,000	698,765
INCURRED LOSSES:														
Fire	28,950	303,794	0	0	0	0	332,744	43,255	767,873	62,432	0	0	0	873,560
E.C. & VMM	221,134	(132,575)	(5,000)	0	58,062	(10,000)	131,621	435,321	(254,084)	(5,103)	0	(36,802)	0	139,332
Total	250,084	171,219	(5,000)	0	58,062	(10,000)	464,365	478,576	513,789	57,329	0	(36,802)	0	1,012,892
IBNR (CURRENT PERIOD)														
Fire	24,537	9,593	0	0	0	0	34,130	24,537	9,593	0	0	0	0	34,130
E.C. & VMM	396,003	137,058	0	0	0	0	533,061	396,003	137,058	0	0	0	0	533,061
Total	420,540	146,651	0	0	0	0	567,191	420,540	146,651	0	0	0	0	567,191
IBNR (PRIOR PERIOD)														
Fire	13,135	20,838	0	0	0	0	33,973	0	34,170	0	0	0	0	34,170
E.C. & VMM	204,377	289,576	0	0	0	0	493,953	0	463,390	0	0	0	0	463,390
Total	217,512	310,414	0	0	0	0	527,926	0	497,560	0	0	0	0	497,560

*Includes IBNR

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

EXHIBIT 4C

Description	Quarter 05/01/2009 - 07/31/2009							Year-to-Date 11/01/2008 - 07/31/2009						
	2009	2008	2007	Policy Year			Total	2009	2008	2007	Policy Year			Total
				2006	2005	2004					2006	2005	2004	
LOSS EXPENSES PAID:														
Fire	0	2,160	0	0	0	0	2,160	0	6,236	0	0	0	0	6,236
E.C. & VMM	1,281	2,217	0	0	28,741	36,502	68,741	1,281	2,696	2,167	0	89,357	46,034	141,535
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,281	4,377	0	0	28,741	36,502	70,901	1,281	8,932	2,167	0	89,357	46,034	147,771
UNPAID LOSS EXPENSES (CURRENT PERIOD)*														
Fire	3,115	11,595	0	0	0	0	14,710	3,115	11,595	0	0	0	0	14,710
E.C. & VMM	31,704	11,967	0	0	7,125	750	51,546	31,704	11,967	0	0	7,125	750	51,546
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	34,819	23,562	0	0	7,125	750	66,256	34,819	23,562	0	0	7,125	750	66,256
UNPAID LOSS EXPENSES (PRIOR PERIOD)*														
Fire	788	2,375	0	0	0	0	3,163	0	3,666	2,475	0	0	0	6,141
E.C. & VMM	12,676	18,185	375	0	6,375	1,500	39,111	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	13,464	20,560	375	0	6,375	1,500	42,274	0	39,357	4,050	0	8,250	750	52,407
INCURRED LOSS EXPENSES:														
Fire	2,327	11,380	0	0	0	0	13,707	3,115	14,165	(2,475)	0	0	0	14,805
E.C. & VMM	20,309	(4,001)	(375)	0	29,491	35,752	81,176	32,985	(21,028)	592	0	88,232	46,034	146,815
Total	22,636	7,379	(375)	0	29,491	35,752	94,883	36,100	(6,863)	(1,883)	0	88,232	46,034	161,620

*Includes IBNR