

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2008

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2008

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March 16, 2008

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 October 31, 2008, 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, 2008

EXHIBIT 1

<u>Description</u>	<u>Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Admitted Assets</u>
ASSETS			
Cash	23,857,819		23,857,819
Interest accrued	33,900		33,900
Furniture and equipment - net of depreciation	46,856	46,856	
Data processing equipment - net of depreciation	23,665		23,665
Programming - net of amortization	117,893	117,893	
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
Total Assets	25,712,495	164,749	25,547,746
LIABILITIES AND EQUITY			
Reserves for:			
Unpaid losses (include IBNR)			698,765
Reins. Recoverable-unpaid losses			0
Unpaid loss adjustment expenses			52,407
Reins. Recoverable-unpaid loss. exp.			0
Unearned premiums			13,929,952
Premium taxes			115,357
Total Reserves			14,796,481
Payables for:			
Operating expenses and other accounts payable			82,101
Amounts withheld for A/C of others			45,171
Accrued Pension Obligation			43,099
Distributions Payable Members			0
Premiums Refundable			0
Premiums received in advance			957,348
Ceded Reinsurance Payable			0
Total Payables			1,127,719
Members' Equity			9,623,546
Total Liabilities and Equity			25,547,746

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
Quarter Ended October 31, 2008

EXHIBIT 2

DESCRIPTION	Quarter 8/01/2008 - 10/31/2008	Year-To-Date 11/01/2007 - 10/31/2008
UNDERWRITING INCOME:		
Premiums Earned	1,820,851	8,659,580
DEDUCTIONS:		
Losses incurred	(239,868)	625,575
Loss expenses incurred	5,152	99,969
Operating expenses incurred	1,309,291	4,557,845
Total deductions	1,074,575	5,283,389
Net Underwriting Gain or (Loss)	746,276	3,376,191
OTHER INCOME (EXPENSE):		
Net investment income	104,102	486,548
Realized Gains (Losses)	0	100
Other Income	(13)	3,391
Service fees	67,923	269,337
Total other income (expense)	172,012	759,376
Net Income or (Loss)	918,288	4,135,567
EQUITY ACCOUNT:		
Members' equity (prior period)	8,789,525	5,586,008
Net income or (loss)	918,288	4,135,567
Change in assets not admitted	(84,267)	(98,029)
Assessments or (distributions)	0	0
Net change in equity	834,021	4,037,538
Members' Equity (current period)	9,623,546	9,623,546

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY
Quarter Ended October 31, 2008

EXHIBIT 3A

Year-to-Date 11/01/2007 - 10/31/2008

Quarter 08/01/2008 - 10/31/2008

Policy Year

Policy Year

Description	2008	2007	2006	2005	2004	Total	2008	2007	2006	2005	2004	Total
INCOME RECEIVED:												
Premiums Written	6,831,254	(18,965)	0	0	0	6,812,289	24,742,241	(448,317)	0	0	0	24,293,924
Reinsurance Premium Ceded	(3,746,875)	0	0	0	0	(3,746,875)	(14,994,792)	0	0	0	0	(14,994,792)
Net Premiums Written	3,084,379	(18,965)	0	0	0	3,065,414	9,747,449	(448,317)	0	0	0	9,299,132
Interest Received	95,897	0	0	0	0	95,897	452,648	0	0	0	0	452,648
Realized Gains	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	(13)	0	0	0	0	(13)	3,391	0	0	0	0	3,391
Service Fees	67,923	0	0	0	0	67,923	269,337	0	0	0	0	269,337
Gain on sale of non admitted asset	0	0	0	0	0	0	100	0	0	0	0	100
Total Income	3,248,186	(18,965)	0	0	0	3,229,221	10,472,925	(448,317)	0	0	0	10,024,608
EXPENSES PAID:												
Losses	83,216	19,765	0	(20,168)	0	82,813	95,947	369,726	0	49,696	15,190	530,559
Loss Adjustment Expenses	7,957	3,644	0	10,569	0	22,170	10,898	12,778	0	53,195	8,850	85,721
Commissions	547,795	(1,542)	0	0	0	546,253	1,977,098	(35,673)	0	0	0	1,941,425
Operating Expenses	484,233	0	0	0	0	484,233	1,633,422	106,863	0	0	0	1,740,285
Premium Taxes	488,478	0	0	0	0	488,478	740,369	85,200	0	0	0	825,569
Total Expenses Paid	1,611,679	21,867	0	(9,599)	0	1,623,947	4,457,734	538,894	0	102,891	24,040	5,123,559
Net Cash Change	1,636,507	(40,832)	0	9,599	0	1,605,274	6,015,191	(987,211)	0	(102,891)	(24,040)	4,901,049
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)	512,275	66,490	0	110,000	10,000	698,765	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
Unpaid Loss Adj. Expenses	39,357	4,050	0	8,250	750	52,407	39,357	4,050	0	8,250	750	52,407
Operating Expenses	127,272	0	0	0	0	127,272	127,272	0	0	0	0	127,272
Unearned Premiums	13,929,952	0	0	0	0	13,929,952	13,929,952	0	0	0	0	13,929,952
Premium Taxes	115,357	0	0	0	0	115,357	115,357	0	0	0	0	115,357
<i>ADD (PRIOR PERIOD)</i>												
Unpaid Losses (include IBNR)	454,226	424,720	0	116,500	26,000	1,021,446	0	488,356	0	107,068	8,325	603,749
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	28,812	29,926	0	8,737	1,950	69,425	0	29,505	0	8,030	624	38,159
Operating Expenses	89,052	0	0	0	0	89,052	0	106,863	0	0	0	106,863
Unearned Premiums	12,021,583	663,806	0	0	0	12,685,389	0	13,290,400	0	0	0	13,290,400
Premium Taxes	363,250	0	0	0	0	363,250	0	85,200	0	0	0	85,200
Net Reserve Change	(1,767,290)	1,047,912	0	6,987	17,200	(695,191)	(14,724,213)	13,929,784	0	(3,152)	(1,801)	(799,382)
OTHER CHANGES:												
<i>DEDUCT (PRIOR PERIOD)</i>												
Interest Accrued	25,695	0	0	0	0	25,695	0	0	0	0	0	0
Assets Not Admitted	(80,482)	0	0	0	0	(80,482)	0	(66,720)	0	0	0	(66,720)
<i>ADD (CURRENT PERIOD)</i>												
Interest Accrued	33,900	0	0	0	0	33,900	33,900	0	0	0	0	33,900
Assets Not Admitted	(164,749)	0	0	0	0	(164,749)	(164,749)	0	0	0	0	(164,749)
Net Other Changes	(76,062)	0	0	0	0	(76,062)	(130,849)	66,720	0	0	0	(64,129)
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	0	0	0
Change in Members' Equity	(206,845)	1,007,080	0	16,586	17,200	834,021	(8,839,871)	13,009,293	0	(106,043)	(25,841)	4,037,538

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY FOR UNSETTLED YEARS

Inception to Quarter Ended October 31, 2008

Exhibit 3B

Description	2008	2007	2006	Policy Year 2005	2004	Total
INCOME RECEIVED:						
Premiums Written	24,742,241	23,456,599	17,328,303	6,309,269	5,411,236	77,247,648
Reinsurance Premiums Ceded	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,030,922)	(34,207,524)
Net Premiums Written	9,747,449	12,657,315	12,828,073	4,426,973	3,380,314	43,040,124
Interest Received	452,648	677,305	307,607	212,181	223,321	1,873,062
Realized Gains	0	0	0	(86)	(31,218)	(31,304)
Other Income	3,391	3,670	40	4,403	78	11,582
Service Fees	269,337	187,836	175,703	29,034	13,920	675,830
Gain on sale of non admitted asset	100	623	(203)	0	0	520
Total Income	10,472,925	13,526,749	13,311,220	4,672,505	3,586,415	45,569,814
EXPENSES PAID:						
Losses	95,947	388,495	930,913	12,131,752	18,685,847	32,232,954
Loss Adjustment Expenses	10,898	12,778	17,029	1,196,907	1,466,074	2,703,686
Commissions	1,977,098	2,235,084	1,744,247	630,929	540,534	7,127,892
Operating Expenses	1,633,423	1,450,948	1,036,093	998,911	642,359	5,761,734
Premium Taxes	740,369	848,275	624,158	176,320	199,338	2,588,460
Total Expenses Paid	4,457,735	4,935,580	4,352,440	15,134,819	21,534,152	50,414,726
Net Cash Change	6,015,190	8,591,169	8,958,780	(10,462,314)	(17,947,737)	(4,844,912)
REINSURANCE RECOVERABLE:						
ADD (Current Period)						
Reins. Recoverable-Losses Paid		0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid		0	0	0	0	0
Net Change	0	0	0	0	0	0
RESERVES:						
DEDUCT (CURRENT PERIOD)						
Unpaid Losses (include IBNR)	512,275	66,490	0	110,000	10,000	698,765
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	39,357	4,050	0	8,250	750	52,407
Operating Expenses	127,272	0	0	0	0	127,272
Unearned Premiums	13,929,952	0	0	0	0	13,929,952
Premium Taxes	115,357	0	0	0	0	115,357
Total Reserves	14,724,213	70,540	0	118,250	10,750	14,923,753
OTHER CHANGES:						
ADD						
Interest Accrued	33,900	0	0	0	0	33,900
Assets Not Admitted	(164,749)	0	0	0	0	(164,749)
Total Other Changes	(130,849)	0	0	0	0	(130,849)
Assessments or (Distributions)	0	0	0	10,000,000	19,523,060	29,523,060
Net Members' Equity	(8,839,872)	8,520,629	8,958,780	(580,564)	1,564,573	9,623,546

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF PREMIUMS
Quarter Ended October 31, 2008

EXHIBIT 4A

Description	Quarter 08/01/2008 - 10/31/2008						Year-to-Date 11/01/2007 - 10/31/2008					
	2008	2007	2006	2005	Policy Year		2008	2007	2006	Policy Year		Total
					2004	Total				2005	2004	
PREMIUMS WRITTEN:												
Fire	452,221	(1,160)	0	0	0	451,061	1,706,005	(19,561)	0	0	0	1,686,444
E.C. & VMM	6,379,033	(17,805)	0	0	0	6,361,228	23,036,236	(428,756)	0	0	0	22,607,480
Reinsurance Premium Ceded E.C.	(3,746,875)	0	0	0	0	(3,746,875)	(14,994,792)	0	0	0	0	(14,994,792)
Total	3,084,379	(18,965)	0	0	0	3,065,414	9,747,449	(448,317)	0	0	0	9,299,132
UNEARNED PREMIUMS:												
(PRIOR PERIOD)												
Fire	835,298	52,430	0	0	0	887,728	0	951,745	0	0	0	951,745
E.C. & VMM	11,186,285	611,376	0	0	0	11,797,661	0	12,338,655	0	0	0	12,338,655
Reinsurance Unearned Ceded E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	12,021,583	663,806	0	0	0	12,685,389	0	13,290,400	0	0	0	13,290,400
UNEARNED PREMIUMS:												
(CURRENT PERIOD)												
Fire	938,896	0	0	0	0	938,896	938,896	0	0	0	0	938,896
E.C. & VMM	12,991,056	0	0	0	0	12,991,056	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
Total	13,929,952	0	0	0	0	13,929,952	13,929,952	0	0	0	0	13,929,952
EARNED PREMIUMS:												
Fire	348,623	51,270	0	0	0	399,893	767,109	932,184	0	0	0	1,699,293
E.C. & VMM	4,574,262	593,571	0	0	0	5,167,833	10,045,180	11,909,899	0	0	0	21,955,079
Reinsurance Earned Ceded E.C.	(3,746,875)	0	0	0	0	(3,746,875)	(14,994,792)	0	0	0	0	(14,994,792)
Total	1,176,010	644,841	0	0	0	1,820,851	(4,182,503)	12,842,083	0	0	0	8,659,580

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSSES
Quarter Ended October 31, 2008

EXHIBIT 4B

Description	Quarter 08/01/2008 - 10/31/2008						Year-to-Date 11/01/2007 - 10/31/2008					
	2008	2007	2006	2005	2004	Total	2008	2007	2006	2005	2004	Total
PAID LOSSES:												
Fire	65,759	988	0	0	0	66,747	68,694	302,748	0	0	0	371,442
E.C. & VMM	17,457	18,777	0	(20,168)	0	16,066	27,253	66,978	0	49,696	15,190	159,117
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	83,216	19,765	0	(20,168)	0	82,813	95,947	369,726	0	49,696	15,190	530,559
OUTSTANDING LOSSES (CURRENT PERIOD)*												
Fire	48,885	33,000	0	0	0	81,885	48,885	33,000	0	0	0	81,885
E.C. & VMM	463,390	33,490	0	110,000	10,000	616,880	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
Total	512,275	66,490	0	110,000	10,000	698,765	512,275	66,490	0	110,000	10,000	698,765
OUTSTANDING LOSSES (PRIOR PERIOD)*												
Fire	112,360	174,342	0	0	0	286,702	0	36,164	0	107,068	8,325	151,557
E.C. & VMM	341,866	250,378	0	116,500	26,000	734,744	0	452,192	0	0	0	452,192
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	454,226	424,720	0	116,500	26,000	1,021,446	0	488,356	0	107,068	8,325	603,749
INCURRED LOSSES:												
Fire	2,284	(140,354)	0	0	0	(138,070)	117,579	299,584	0	(107,068)	(8,325)	301,770
E.C. & VMM	138,981	(198,111)	0	(26,668)	(16,000)	(101,798)	490,643	(351,724)	0	159,696	25,190	323,805
Total	141,265	(338,465)	0	(26,668)	(16,000)	(239,868)	608,222	(52,140)	0	52,628	16,865	625,575
IBNR (CURRENT PERIOD)												
Fire	34,170	0	0	0	0	34,170	34,170	0	0	0	0	34,170
E.C. & VMM	463,390	0	0	0	0	463,390	463,390	0	0	0	0	463,390
Total	497,560	0	0	0	0	497,560	497,560	0	0	0	0	497,560
IBNR (PRIOR PERIOD)												
Fire	24,560	9,842	0	0	0	34,402	0	33,795	0	0	0	33,795
E.C. & VMM	325,766	118,738	0	0	0	444,504	0	441,034	0	0	0	441,034
Total	350,326	128,580	0	0	0	478,906	0	474,829	0	0	0	474,829

*Includes IBNR

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES
Quarter Ended October 31, 2008

EXHIBIT 4C

Description	Quarter 08/01/2008 - 10/31/2008						Year-to-Date 11/01/2007 - 10/31/2008					
	2008	2007	2006	2005	2004	Total	2008	2007	2006	2005	2004	Total
LOSS EXPENSES PAID:												
Fire	0	0	0	0	0	0	0	1,909	0	0	0	1,909
E.C. & VMM	7,957	3,644	0	10,569	0	22,170	10,898	10,869	0	53,195	8,850	83,812
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	7,957	3,644	0	10,569	0	22,170	10,898	12,778	0	53,195	8,850	85,721
UNPAID LOSS EXPENSES (CURRENT PERIOD)*												
Fire	3,666	2,475	0	0	0	6,141	3,666	2,475	0	0	0	6,141
E.C. & VMM	35,691	1,575	0	8,250	750	46,266	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
Total	39,357	4,050	0	8,250	750	52,407	39,357	4,050	0	8,250	750	52,407
UNPAID LOSS EXPENSES (PRIOR PERIOD)*												
Fire	8,059	12,929	0	0	0	20,988	0	2,206	0	0	0	2,206
E.C. & VMM	20,753	16,997	0	8,737	1,950	48,437	0	27,299	0	8,030	624	35,953
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	28,812	29,926	0	8,737	1,950	69,425	0	29,505	0	8,030	624	38,159
INCURRED LOSS EXPENSES:												
Fire	(4,393)	(10,454)	0	0	0	(14,847)	3,666	2,178	0	0	0	5,844
E.C. & VMM	22,895	(11,778)	0	10,082	(1,200)	19,999	46,589	(14,855)	0	53,415	8,976	94,125
Total	18,502	(22,232)	0	10,082	(1,200)	5,152	50,255	(12,677)	0	53,415	8,976	99,969

*Includes IBNR