

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JULY 31, 2010

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

JULY 31, 2010

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October 11, 2010

Alabama Insurance Underwriting Association
315 E. Laurel Ave., Ste. 216D
Foley, AL 36535

We have compiled the accompanying statement of assets, liabilities and equity of Alabama Insurance Underwriting Association as of July 31, 2010, and the related statements of operations and 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

www.osullivancreel.com

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

STATEMENT OF ASSETS, LIABILITIES AND EQUITY

As of July 31, 2010

EXHIBIT 1

Description	Ledger Assets	Assets Not Admitted	Admitted Assets
<u>ASSETS</u>			
Cash	43,745,843		43,745,843
Accounts receivable	8,997	7,941	1,056
Interest accrued	2,094		2,094
Furniture and equipment - net of depreciation	90,473	90,473	-
Data processing equipment - net of depreciation	58,955		58,955
Programming - net of amortization	152,434	152,434	-
Section 444 Deposit (I.R.S.)	245,773		245,773
Intangible Pension Asset	31,642		31,642
Total Assets	<u>44,336,211</u>	<u>250,848</u>	<u>44,085,363</u>
<u>LIABILITIES AND EQUITY</u>			
Reserves for:			
Unpaid losses (include IBNR)			1,263,432
Reins. Recoverable-unpaid losses			-
Unpaid loss adjustment expenses			94,758
Reins. Recoverable-unpaid loss. exp.			-
Unearned premiums			20,154,703
Premium taxes			560,759
Total Reserves			<u>22,073,652</u>
Payables for:			
Operating expenses and other accounts payable			500,221
Amounts withheld for A/C of others			22,462
Accrued Pension Obligation			27,748
Distributions Payable Members			-
Premiums Refundable			-
Premiums received in advance			2,891,548
Ceded Reinsurance Payable			637,432
Total Payables			<u>4,079,411</u>
Equity			<u>17,932,300</u>
Total Liabilities and Equity			<u>44,085,363</u>

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF OPERATIONS AND EQUITY
Quarter Ended July 31, 2010

EXHIBIT 2

DESCRIPTION	Quarter 05/01/2010 - 07/31/2010	Year-To-Date 11/01/2009 - 07/31/2010
UNDERWRITING INCOME:		
Premiums Earned	4,122,470	9,274,891
DEDUCTIONS:		
Losses incurred	330,433	461,975
Loss expenses incurred	109,909	176,816
Operating expenses incurred	2,208,726	4,693,385
Total deductions	2,649,068	5,332,176
Net Underwriting Gain or (Loss)	1,473,402	3,942,715
OTHER INCOME (EXPENSE):		
Net investment income	4,433	13,011
Realized Gains (Losses)	-	-
Other Income	87	167
Service fees	176,292	342,756
Total other income (expense)	180,812	355,934
Net Income or (Loss)	1,654,214	4,298,649
EQUITY ACCOUNT:		
Equity (prior period)	16,287,975	13,681,961
Net income or (loss)	1,654,214	4,298,649
Change in assets not admitted	(9,889)	(48,310)
Assessments or (distributions)	-	-
Net change in equity	1,644,325	4,250,339
Equity (current period)	17,932,300	17,932,300

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY

Quarter Ended July 31, 2010

EXHIBIT 3A

Description	Quarter 05/01/2010 - 07/31/2010							Year-to-Date 11/01/2009 - 07/31/2010								
	Policy Year							Policy Year								
	2010	2009	2008	2007	2006	2005	2004	Total	2010	2009	2008	2007	2006	2005	2004	Total
INCOME RECEIVED:																
Premiums Written	13,732,068	(57,650)	-	-	-	-	-	13,674,418	26,326,049	(276,247)	-	-	-	-	-	26,049,802
Reinsurance Premium Ceded	(4,660,900)	-	-	-	-	-	-	(4,660,900)	(13,497,418)	-	-	-	-	-	-	(13,497,418)
Net Premiums Written	9,071,168	(57,650)	-	-	-	-	-	9,013,518	12,828,631	(276,247)	-	-	-	-	-	12,552,384
Interest Received	3,877	-	-	-	-	-	-	3,877	12,200	-	-	-	-	-	-	12,200
Realized Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	87	-	-	-	-	-	-	87	167	-	-	-	-	-	-	167
Service Fees	176,292	-	-	-	-	-	-	176,292	342,756	-	-	-	-	-	-	342,756
Gain on sale of non admitted asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	9,251,424	(57,650)	-	-	-	-	-	9,193,774	13,183,754	(276,247)	-	-	-	-	-	12,907,507
EXPENSES PAID:																
Losses	78,922	23,822	-	-	-	3,000	-	105,744	99,975	85,570	53,374	-	-	(45,062)	25,000	218,857
Loss Adjustment Expenses	12,467	13,707	-	-	-	29,694	36,889	92,757	15,706	37,754	-	-	-	46,791	58,331	158,582
Commissions	846,193	(4,612)	-	-	-	-	-	841,581	1,721,799	152,366	-	-	-	-	-	1,874,165
Operating Expenses	555,163	-	-	-	-	-	-	555,163	1,535,890	153,334	-	-	-	-	-	1,689,224
Premium Taxes	207,220	-	-	-	-	-	-	207,220	374,355	127,105	-	-	-	-	-	501,460
Total Expenses Paid	1,699,965	32,917	-	-	-	32,694	36,889	1,802,465	3,747,725	556,129	53,374	-	-	1,729	83,331	4,442,288
Net Cash Change	7,551,459	(90,567)	-	-	-	(32,694)	(36,889)	7,391,309	9,436,029	(832,376)	(53,374)	-	-	(1,729)	(83,331)	8,465,219
REINSURANCE RECOVERABLE:																
<i>DEDUCT (PRIOR PERIOD)</i>																
Reins. Recoverable-Losses Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reins. Recoverable-Loss Exp. Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>ADD (CURRENT PERIOD)</i>																
Reins. Recoverable-Losses Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reins. Recoverable-Loss Exp. Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RESERVES:																
<i>DEDUCT (CURRENT PERIOD)</i>																
Unpaid Losses (include IBNR)	739,837	237,020	575	-	-	231,000	55,000	1,263,432	739,837	237,020	575	-	-	231,000	55,000	1,263,432
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unpaid Loss Adj. Expenses	55,489	17,777	43	-	-	17,324	4,125	94,758	55,489	17,777	43	-	-	17,324	4,125	94,758
Operating Expenses	522,683	-	-	-	-	-	-	522,683	522,683	-	-	-	-	-	-	522,683
Unearned Premiums	19,218,182	936,521	-	-	-	-	-	20,154,703	19,218,182	936,521	-	-	-	-	-	20,154,703
Premium Taxes	560,759	-	-	-	-	-	-	560,759	560,759	-	-	-	-	-	-	560,759
<i>ADD (PRIOR PERIOD)</i>																
Unpaid Losses (include IBNR)	322,413	425,754	575	-	-	225,000	65,000	1,038,742	-	605,313	145,000	-	-	45,000	225,000	1,020,313
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unpaid Loss Adj. Expenses	23,881	31,932	43	-	-	16,875	4,875	77,606	-	45,399	10,875	-	-	3,375	16,875	76,524
Operating Expenses	202,623	-	-	-	-	-	-	202,623	-	327,801	-	-	-	-	-	327,801
Unearned Premiums	10,890,023	4,373,632	-	-	-	-	-	15,263,655	-	16,877,210	-	-	-	-	-	16,877,210
Premium Taxes	276,057	-	-	-	-	-	-	276,057	-	127,105	-	-	-	-	-	127,105
Net Reserve Change	(9,381,953)	3,640,000	-	-	-	(6,449)	10,750	(5,737,652)	(21,096,950)	16,791,510	155,257	-	-	(199,949)	182,750	(4,167,382)
OTHER CHANGES:																
<i>DEDUCT (PRIOR PERIOD)</i>																
Interest Accrued	1,537	-	-	-	-	-	-	1,537	-	1,282	-	-	-	-	-	1,282
Assets Not Admitted	(240,959)	-	-	-	-	-	-	(240,959)	-	(202,538)	-	-	-	-	-	(202,538)
<i>ADD (CURRENT PERIOD)</i>																
Interest Accrued	2,094	-	-	-	-	-	-	2,094	2,094	-	-	-	-	-	-	2,094
Assets Not Admitted	(250,848)	-	-	-	-	-	-	(250,848)	(250,848)	-	-	-	-	-	-	(250,848)
Net Other Changes	(9,332)	-	-	-	-	-	-	(9,332)	(248,754)	201,256	-	-	-	-	-	(47,498)
Assessments or (Distributions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained Surplus	-	(4,249,601)	-	-	-	-	-	(4,249,601)	-	(4,249,601)	-	-	-	-	-	(4,249,601)
Change in Members' Equity	(1,839,826)	(700,168)	-	-	-	(39,143)	(26,139)	(2,605,276)	(11,909,675)	11,910,789	101,883	-	-	(201,678)	99,419	738

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
MEMBERS' EQUITY FOR UNSETTLED YEARS
Inception to Quarter Ended July 31, 2010

Exhibit 3B

Description	Policy Year							Total
	2010	2009	2008	2007	2006	2005	2004	
INCOME RECEIVED:								
Premiums Written	26,326,049	29,460,227	24,452,221	23,456,599	17,328,303	6,309,269	5,411,236	132,743,904
Reinsurance Premiums Ceded	(13,497,418)	(16,106,473)	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,030,922)	(63,811,415)
Net Premiums Written	12,828,631	13,353,754	9,457,429	12,657,315	12,828,073	4,426,973	3,380,314	68,932,489
Interest Received	12,200	109,245	486,548	677,305	307,607	212,181	223,321	2,028,407
Realized Gains	-	-	-	-	-	(86)	(31,218)	(31,304)
Other Income	167	982	3,391	3,670	40	4,403	78	12,731
Service Fees	342,756	392,596	269,337	187,836	175,703	29,034	13,920	1,411,182
Gain on sale of non admitted asset	-	-	100	623	(203)	-	-	520
Total Income	13,183,754	13,856,577	10,216,805	13,526,749	13,311,220	4,672,505	3,586,415	72,354,025
EXPENSES PAID:								
Losses	99,975	137,327	872,086	512,315	930,913	12,064,888	18,710,847	33,328,351
Loss Adjustment Expenses	15,706	49,595	21,099	14,945	17,029	1,337,349	1,590,397	3,046,120
Commissions	1,721,799	2,353,590	1,961,534	2,235,084	1,744,247	630,929	540,534	11,187,717
Operating Expenses	1,535,890	2,013,301	1,753,057	1,450,948	1,036,093	998,911	642,359	9,430,559
Premium Taxes	374,355	1,028,777	855,726	848,275	624,158	176,320	199,338	4,106,949
Total Expenses Paid	3,747,725	5,582,590	5,463,502	5,061,567	4,352,440	15,208,397	21,683,475	61,099,696
Net Cash Change	9,436,029	8,273,987	4,753,303	8,465,182	8,958,780	(10,535,892)	(18,097,060)	11,254,329
REINSURANCE RECOVERABLE:								
ADD (Current Period)								
Reins. Recoverable-Losses Paid	-	-	-	-	-	-	-	-
Reins. Recoverable-Loss Exp. Paid	-	-	-	-	-	-	-	-
Net Change	-	-	-	-	-	-	-	-
RESERVES:								
DEDUCT (CURRENT PERIOD)								
Unpaid Losses (include IBNR)	739,837	237,020	575	-	-	231,000	55,000	1,263,432
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-
Unpaid Loss Adjustment Expenses	55,489	17,777	43	-	-	17,324	4,125	94,758
Operating Expenses	522,683	-	-	-	-	-	-	522,683
Unearned Premiums	19,218,182	936,521	-	-	-	-	-	20,154,703
Premium Taxes	560,759	-	-	-	-	-	-	560,759
Total Reserves	21,096,950	1,191,318	618	-	-	248,324	59,125	22,596,335
OTHER CHANGES:								
ADD								
Interest Accrued	2,094	-	-	-	-	-	-	2,094
Assets Not Admitted	(250,848)	-	-	-	-	-	-	(250,848)
Total Other Changes	(248,754)	-	-	-	-	-	-	(248,754)
Assessments or (Distributions)	-	-	-	-	-	10,000,000	19,523,060	29,523,060
Retained Surplus	-	(4,249,601)	-	-	-	-	-	(4,249,601)
Net Members' Equity	(11,909,675)	2,833,068	4,752,685	8,465,182	8,958,780	(784,216)	1,366,875	13,682,699

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSSES
Quarter Ended July 31, 2010

EXHIBIT 4B

Description	Quarter 05/01/2010 - 07/31/2010							Year-to-Date 11/01/2009 - 07/31/2010								
	Policy Year							Policy Year								
	2010	2009	2008	2007	2006	2005	2004	Total	2010	2009	2008	2007	2006	2005	2004	Total
PAID LOSSES:																
Fire	63,259	8,577	-	-	-	-	-	71,836	74,847	30,397	53,374	-	-	-	-	158,618
E.C. & VMM	15,662	15,245	-	-	-	3,000	-	33,907	25,127	55,173	-	-	-	(45,062)	25,000	60,238
Reinsurance Recovery E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	78,922	23,822	-	-	-	3,000	-	105,743	99,974	85,570	53,374	-	-	(45,062)	25,000	218,856
OUTSTANDING LOSSES (CURRENT PERIOD)*																
Fire	195,663	55,273	-	-	-	-	-	250,936	195,663	55,273	-	-	-	-	-	250,936
E.C. & VMM	544,174	181,747	575	-	-	231,000	55,000	1,012,496	544,174	181,747	575	-	-	231,000	55,000	1,012,496
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	739,837	237,020	575	-	-	231,000	55,000	1,263,432	739,837	237,020	575	-	-	231,000	55,000	1,263,432
OUTSTANDING LOSSES (PRIOR PERIOD)*																
Fire	20,252	21,342	-	-	-	-	-	41,594	-	40,499	145,000	-	-	-	-	185,499
E.C. & VMM	302,161	404,412	575	-	-	225,000	65,000	997,148	-	564,814	-	-	-	45,000	225,000	834,814
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	322,413	425,754	575	-	-	225,000	65,000	1,038,742	-	605,313	145,000	-	-	45,000	225,000	1,020,313
INCURRED LOSSES:																
Fire	238,670	42,508	-	-	-	-	-	281,178	270,510	45,171	(91,626)	-	-	-	-	224,055
E.C. & VMM	257,675	(207,420)	-	-	-	9,000	(10,000)	49,255	569,301	(327,894)	575	-	-	140,938	(145,000)	237,920
Total	496,345	(164,912)	-	-	-	9,000	(10,000)	330,433	839,811	(282,723)	(91,051)	-	-	140,938	(145,000)	461,975
IBNR (CURRENT PERIOD)																
Fire	32,063	9,913	-	-	-	-	-	41,976	32,063	9,913	-	-	-	-	-	41,976
E.C. & VMM	517,074	160,047	-	-	-	-	-	677,121	517,074	160,047	-	-	-	-	-	677,121
Total	549,137	169,960	-	-	-	-	-	719,097	549,137	169,960	-	-	-	-	-	719,097
IBNR (PRIOR PERIOD)																
Fire	16,252	21,342	-	-	-	-	-	37,594	-	34,999	-	-	-	-	-	34,999
E.C. & VMM	262,961	352,652	-	-	-	-	-	615,613	-	564,814	-	-	-	-	-	564,814
Total	279,213	373,994	-	-	-	-	-	653,207	-	599,813	-	-	-	-	-	599,813

*Includes IBNR

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES
Quarter Ended July 31, 2010

EXHIBIT 4C

Description	Quarter 05/01/2010 - 07/31/2010							Year-to-Date 11/01/2009 - 07/31/2010								
	Policy Year							Policy Year								
	2010	2009	2008	2007	2006	2005	2004	Total	2010	2009	2008	2007	2006	2005	2004	Total
LOSS EXPENSES PAID:																
Fire	1,589	3,935	-	-	-	-	-	5,524	2,306	5,412	-	-	-	-	-	7,718
E.C. & VMM	10,878	9,772	-	-	-	29,694	36,889	87,233	13,400	32,342	-	-	-	46,791	58,331	150,864
Reinsurance Recovery E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	12,467	13,707	-	-	-	29,694	36,889	92,757	15,706	37,754	-	-	-	46,791	58,331	158,582
UNPAID LOSS EXPENSES (CURRENT PERIOD)*																
Fire	14,675	4,145	-	-	-	-	-	18,820	14,675	4,145	-	-	-	-	-	18,820
E.C. & VMM	40,814	13,632	43	-	-	17,324	4,125	75,938	40,814	13,632	43	-	-	17,324	4,125	75,938
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	55,489	17,777	43	-	-	17,324	4,125	94,758	55,489	17,777	43	-	-	17,324	4,125	94,758
UNPAID LOSS EXPENSES (PRIOR PERIOD)*																
Fire	1,219	1,601	-	-	-	-	-	2,820	-	3,038	10,875	-	-	-	-	13,913
E.C. & VMM	22,662	30,331	43	-	-	16,875	4,875	74,786	-	42,361	-	-	-	3,375	16,875	62,611
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	23,881	31,932	43	-	-	16,875	4,875	77,606	-	45,399	10,875	-	-	3,375	16,875	76,524
INCURRED LOSS EXPENSES:																
Fire	15,045	6,479	-	-	-	-	-	21,524	16,981	6,519	(10,875)	-	-	-	-	12,625
E.C. & VMM	29,030	(6,927)	-	-	-	30,143	36,139	88,385	54,214	3,613	43	-	-	60,740	45,581	164,191
Total	44,075	(448)	-	-	-	30,143	36,139	109,909	71,195	10,132	(10,832)	-	-	60,740	45,581	176,816

*Includes IBNR