

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2006

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FINANCIAL STATEMENTS

OCTOBER 31, 2006

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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, 2006, 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, 2006

EXHIBIT 1

Description	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Admitted Assets
ASSETS				
Cash	13,008,389			13,008,389
Interest accrued	0			0
Furniture and equipment - net of depreciation	54,670		54,670	
Data processing equipment - net of depreciation	3,230			3,230
Programming - net of amortization	7,521		7,521	
Section 444 Deposit (I.R.S.)	0			0
Prepaid Reinsurance Premium	0			0
Reinsurance Recoverable - paid losses	0			0
Intangible Pension Asset	62,362			62,362
Returned checks	35		35	
Total Assets	13,136,207	0	62,226	13,073,981
LIABILITIES AND EQUITY				
Reserves for:				
Unpaid losses (include IBNR)				924,714
Reins. Recoverable-unpaid losses				0
Unpaid loss adjustment expenses				63,974
Reins. Recoverable-unpaid loss. exp.				0
Unearned premiums				10,947,727
Premium taxes				113,109
Total Reserves				12,049,524
Payables for:				
Accounts payable				0
Amounts withheld for A/C of others				6,473
Accrued Pension Obligation				57,039
Distributions Payable Members				0
Premiums Refundable				0
Premiums received in advance				262,958
Ceded Reinsurance Payable				799,486
Total Payables				1,125,956
Members' Equity				(101,499)
Total Liabilities and Equity				13,073,981

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
Quarter Ended October 31, 2006

EXHIBIT 2

DESCRIPTION	Quarter 8/01/2006 - 10/31/2006	Year-To-Date 11/01/2005 - 10/31/2006
UNDERWRITING INCOME:		
Premiums Earned	1,594,739	6,475,490
DEDUCTIONS:		
Losses incurred	1,022,688	1,754,208
Loss expenses incurred	77,894	126,252
Operating expenses incurred	987,303	3,452,318
Total deductions	2,087,885	5,332,778
Net Underwriting Gain or (Loss)	(493,146)	1,142,712
OTHER INCOME (EXPENSE):		
Net investment income	112,468	307,607
Realized Gains (Losses)	0	(203)
Other Income	6	40
Service fees	54,205	175,703
Total other income (expense)	166,679	483,147
Net Income or (Loss)	(326,467)	1,625,859
EQUITY ACCOUNT:		
Members' equity (prior period)	238,758	1,116,585
Net income or (loss)	(326,467)	1,625,859
Change in assets not admitted	(13,790)	103,079
Assessments or (distributions)	0	(2,947,022)
Net change in equity	(340,257)	(1,218,084)
Members' Equity (current period)	(101,499)	(101,499)

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY

Quarter Ended October 31, 2006

EXHIBIT 3A

Quarter 8/01/2006 -10/31/2006

Year-to-Date 11/01/2005 - 10/31/2006

Description	Policy Year					Total	Policy Year					Total
	2006	2005	2004	2003	2002		2006	2005	2004	2003	2002	
INCOME RECEIVED:												
Premiums Written	5,341,904	(7,541)	0	0	0	5,334,363	17,813,423	(1,103)	0	0	0	17,812,320
Reinsurance Premium Ceded	(1,949,693)	0	0	0	0	(1,949,693)	(4,500,230)	0	0	0	0	(4,500,230)
Net Premiums Written	3,392,211	(7,541)	0	0	0	3,384,670	13,313,193	(1,103)	0	0	0	13,312,090
Interest Received	112,468	0	0	0	0	112,468	307,607	0	0	0	0	307,607
Realized Gains	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	6	0	0	0	0	6	40	0	0	0	0	40
Service Fees	54,205	0	0	0	0	54,205	175,703	0	0	0	0	175,703
Gain on sale of non admitted asset	0	0	0	0	0	0	(203)	0	0	0	0	(203)
Total Income	3,558,890	(7,541)	0	0	0	3,551,349	13,796,340	(1,103)	0	0	0	13,795,237
EXPENSES PAID:												
Losses	263,556	352,718	(88,269)	0	0	528,005	418,929	6,803,433	(88,269)	0	0	7,134,093
Loss Adjustment Expenses	6,524	16,441	8,182	0	0	31,147	12,229	1,047,531	21,193	0	0	1,080,953
Commissions	545,399	(754)	0	0	0	544,645	1,791,855	212	0	0	0	1,792,067
Operating Expenses	249,215	0	0	0	0	249,215	1,029,620	4,945	0	0	0	1,034,565
Premium Taxes	392,396	0	0	0	0	392,396	511,049	(7,416)	0	0	0	503,633
Total Expenses Paid	1,457,090	368,405	(80,087)	0	0	1,745,408	3,763,682	7,848,705	(67,076)	0	0	11,545,311
Net Cash Change	2,101,800	(375,946)	80,087	0	0	1,805,941	10,032,658	(7,849,808)	67,076	0	0	2,249,926
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)	359,880	472,017	92,817	0	0	924,714	359,880	472,017	92,817	0	0	924,714
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	21,612	35,402	6,960	0	0	63,974	21,612	35,402	6,960	0	0	63,974
Operating Expenses	6,473	0	0	0	0	6,473	6,473	0	0	0	0	6,473
Unearned Premiums	10,947,727	0	0	0	0	10,947,727	10,947,727	0	0	0	0	10,947,727
Premium Taxes	113,109	0	0	0	0	113,109	113,109	0	0	0	0	113,109
<i>ADD (PRIOR PERIOD)</i>												
Unpaid Losses (include IBNR)	244,132	185,899	0	0	0	430,031	0	6,304,599	0	0	0	6,304,599
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	14,648	2,579	0	0	0	17,227	0	1,018,675	0	0	0	1,018,675
Operating Expenses	3,910	0	0	0	0	3,910	0	4,945	0	0	0	4,945
Unearned Premiums	7,962,770	1,195,026	0	0	0	9,157,796	0	4,111,127	0	0	0	4,111,127
Premium Taxes	314,625	0	0	0	0	314,625	0	(7,416)	0	0	0	(7,416)
Net Reserve Change	(2,908,716)	876,085	(99,777)	0	0	(2,132,408)	(11,448,801)	10,924,511	(99,777)	0	0	(624,067)
OTHER CHANGES:												
<i>DEDUCT (PRIOR PERIOD)</i>												
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0	0
Assets Not Admitted	(48,436)	0	0	0	0	(48,436)	0	(165,305)	0	0	0	(165,305)
<i>ADD (CURRENT PERIOD)</i>												
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0	0
Assets Not Admitted	(62,226)	0	0	0	0	(62,226)	(62,226)	0	0	0	0	(62,226)
Net Other Changes	(13,790)	0	0	0	0	(13,790)	(62,226)	165,305	0	0	0	103,079
Assessments or (Distributions)	0	0	0	0	0	0	0	0	0	(2,947,022)	0	(2,947,022)
Change in Members' Equity	(820,706)	500,139	(19,690)	0	0	(340,257)	(1,478,369)	3,240,008	(32,701)	(2,947,022)	0	(1,218,084)

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY FOR UNSETTLED YEARS

Inception to Quarter Ended October 31, 2006

Exhibit 3B

Description	2006	2005	Policy Year 2004	2003	2002	Total
INCOME RECEIVED:						
Premiums Written	17,813,423	6,309,269	5,411,236	5,447,644	5,857,576	40,839,148
Reinsurance Premiums Ceded	(4,500,230)	(1,882,296)	(2,023,681)	(1,357,565)	(1,123,700)	(10,887,472)
Net Premiums Written	13,313,193	4,426,973	3,387,555	4,090,079	4,733,876	29,951,676
Interest Received	307,607	212,181	223,321	181,535	222,538	1,147,182
Realized Gains	0	(86)	(31,218)	11,602	0	(19,702)
Other Income	40	4,403	78	8	(173)	4,356
Service Fees	175,703	29,034	13,920	11,820	10,735	241,212
Gain on sale of non admitted asset	(203)	0	0	2,253	0	2,050
Total Income	13,796,340	4,672,505	3,593,656	4,297,297	4,966,976	31,326,774
EXPENSES PAID:						
Losses	418,929	11,433,328	18,640,399	47,245	430,049	30,969,950
Loss Adjustment Expenses	12,229	1,103,204	1,439,833	1,325	83,458	2,640,049
Commissions	1,791,855	630,929	540,534	544,459	582,008	4,089,785
Operating Expenses	1,029,620	998,911	642,359	568,840	590,389	3,830,119
Premium Taxes	511,049	176,320	199,338	188,406	130,161	1,205,274
Total Expenses Paid	3,763,682	14,342,692	21,462,463	1,350,275	1,816,065	42,735,177
Net Cash Change	10,032,658	(9,670,187)	(17,868,807)	2,947,022	3,150,911	(11,408,403)
REINSURANCE RECOVERABLE:						
ADD (Current Period)						
Reins. Recoverable-Losses Paid	0	0	0	0	0	0
Reins. Recoverable-Loss Exp. Paid	0	0	0	0	0	0
Net Change	0	0	0	0	0	0
RESERVES:						
DEDUCT (CURRENT PERIOD)						
Unpaid Losses (include IBNR)	359,880	472,017	92,817	0	0	924,714
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	21,612	35,402	6,960	0	0	63,974
Operating Expenses	6,473	0	0	0	0	6,473
Unearned Premiums	10,947,727	0	0	0	0	10,947,727
Premium Taxes	113,109	0	0	0	0	113,109
Total Reserves	11,448,801	507,419	99,777	0	0	12,055,997
OTHER CHANGES:						
ADD						
Interest Accrued	0	0	0	0	0	0
Assets Not Admitted	(62,226)	0	0	0	0	(62,226)
Total Other Changes	(62,226)	0	0	0	0	(62,226)
Assessments or (Distributions)	0	10,000,000	19,523,060	(2,947,022)	(3,150,911)	23,425,127
Net Members' Equity	(1,478,369)	(177,606)	1,554,476	0	0	(101,499)

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF PREMIUMS
Quarter Ended October 31, 2006

EXHIBIT 4A

Description	Quarter 8/01/2006 -10/31/2006						Year-to-Date 11/01/2005 - 10/31/2006					
	Policy Year			Policy Year			Policy Year			Policy Year		
	2006	2005	2004	2003	2002	Total	2006	2005	2004	2003	2002	Total
PREMIUMS WRITTEN:												
Fire	335,553	(949)	0	0	0	334,604	1,354,374	(560)	0	0	0	1,353,814
E.C. & VMM	5,006,351	(6,592)	0	0	0	4,999,759	16,459,049	(543)	0	0	0	16,458,506
Reinsurance Premium Ceded E.C.	(1,949,693)	0	0	0	0	(1,949,693)	(4,500,230)	0	0	0	0	(4,500,230)
Total	3,392,211	(7,541)	0	0	0	3,384,670	13,313,193	(1,103)	0	0	0	13,312,090
UNEARNED PREMIUMS:												
(PRIOR PERIOD)												
Fire	726,833	131,810	0	0	0	858,643	0	465,813	0	0	0	465,813
E.C. & VMM	7,873,571	1,063,216	0	0	0	8,936,787	0	3,645,314	0	0	0	3,645,314
Reinsurance Unearned Ceded E.C.	(637,634)	0	0	0	0	(637,634)	0	0	0	0	0	0
Total	7,962,770	1,195,026	0	0	0	9,157,796	0	4,111,127	0	0	0	4,111,127
UNEARNED PREMIUMS:												
(CURRENT PERIOD)												
Fire	1,017,075	0	0	0	0	1,017,075	1,017,075	0	0	0	0	1,017,075
E.C. & VMM	9,930,652	0	0	0	0	9,930,652	9,930,652	0	0	0	0	9,930,652
Reinsurance Unearned Ceded E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	10,947,727	0	0	0	0	10,947,727	10,947,727	0	0	0	0	10,947,727
EARNED PREMIUMS:												
Fire	45,311	130,861	0	0	0	176,172	337,299	465,253	0	0	0	802,552
E.C. & VMM	2,949,270	1,056,624	0	0	0	4,005,894	6,528,397	3,644,771	0	0	0	10,173,168
Reinsurance Earned Ceded E.C.	(2,587,327)	0	0	0	0	(2,587,327)	(4,500,230)	0	0	0	0	(4,500,230)
Total	407,254	1,187,485	0	0	0	1,594,739	2,365,466	4,110,024	0	0	0	6,475,490

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSSES
Quarter Ended October 31, 2006

EXHIBIT 4B

Description	Quarter 8/01/2006 -10/31/2006						Year-to-Date 11/01/2005 - 10/31/2006					
	2006	2005	2004	2003	2002	Total	2006	2005	2004	2003	2002	Total
PAID LOSSES:												
Fire	253,158	2,317	0	0	0	255,475	399,458	360,594	0	0	0	760,052
E.C. & VMM	10,398	350,401	88,059	0	0	448,858	19,471	6,442,839	304,389	0	0	6,766,699
Reinsurance Recovery E.C.	0	0	(176,328)			(176,328)	0	0	(392,658)	0	0	(392,658)
Total	263,556	352,718	(88,269)	0	0	528,005	418,929	6,803,433	(88,269)	0	0	7,134,093
OUTSTANDING LOSSES (CURRENT PERIOD)*												
Fire	30,671	0	0	0	0	30,671	30,671	0	0	0	0	30,671
E.C. & VMM	329,209	472,017	92,817	0	0	894,043	329,209	472,017	92,817	0	0	894,043
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	359,880	472,017	92,817	0	0	924,714	359,880	472,017	92,817	0	0	924,714
OUTSTANDING LOSSES (PRIOR PERIOD)*												
Fire	20209	4,682	0	0	0	24,891	0	15,859	0	0	0	15,859
E.C. & VMM	223923	181,217	14,996	0	0	420,136	0	6,288,740	231,326	0	0	6,520,066
Reinsurance Recoverable E.C.	0	0	(14,996)	0	0	(14,996)	0	0	(231,326)	0	0	(231,326)
Total	244,132	185,899	0	0	0	430,031	0	6,304,599	0	0	0	6,304,599
INCURRED LOSSES:												
Fire	263,620	(2,365)	0	0	0	261,255	430,129	344,735	0	0	0	774,864
E.C. & VMM	115,684	641,201	4,548	0	0	761,433	348,680	626,116	4,548	0	0	979,344
Total	379,304	638,836	4,548	0	0	1,022,688	778,809	970,851	4,548	0	0	1,754,208
IBNR (CURRENT PERIOD)												
Fire	29,420	0	0	0	0	29,420	29,420	0	0	0	0	29,420
E.C. & VMM	329,209	0	0	0	0	329,209	329,209	0	0	0	0	329,209
Total	358,629	0	0	0	0	358,629	358,629	0	0	0	0	358,629
IBNR (PRIOR PERIOD)												
Fire	20209	4,682	0	0	0	24,891	0	15,859	0	0	0	15,859
E.C. & VMM	223923	38,302	0	0	0	262,225	0	122,349	0	0	0	122,349
Total	244,132	42,984	0	0	0	287,116	0	138,208	0	0	0	138,208

*Includes IBNR

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES
Quarter Ended October 31, 2006

EXHIBIT 4C

Description	Quarter 8/01/2006 -10/31/2006					Total	Year-to-Date 11/01/2005 - 10/31/2006					Total
	2006	2005	2004	2003	2000		2006	2005	2004	2003	2000	
LOSS EXPENSES PAID:												
Fire	6074	0	0	0	0	6,074	9,889	6,986	0	0	0	16,875
E.C. & VMM	450	16,441	8,182	0	0	25,073	2,340	1,040,545	35,059	0	0	1,077,944
Reinsurance Recovery E.C.	0	0	0	0	0	0	0	0	(13,866)	0	0	(13,866)
Total	6,524	16,441	8,182	0	0	31,147	12,229	1,047,531	21,193	0	0	1,080,953
UNPAID LOSS EXPENSES (CURRENT PERIOD)*												
Fire	1,859	0	0	0	0	1,859	1,859	0	0	0	0	1,859
E.C. & VMM	19,753	35,402	6,960	0	0	62,115	19,753	35,402	6,960	0	0	62,115
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	0	0	0	0
Total	21,612	35,402	6,960	0	0	63,974	21,612	35,402	6,960	0	0	63,974
UNPAID LOSS EXPENSES (PRIOR PERIOD)*												
Fire	1213	281	0	0	0	1,494	0	952	0	0	0	952
E.C. & VMM	13435	2,298	0	0	0	15,733	0	1,017,723	13,866	0	0	1,031,589
Reinsurance Recoverable E.C.	0	0	0	0	0	0	0	0	(13,866)	0	0	(13,866)
Total	14,648	2,579	0	0	0	17,227	0	1,018,675	0	0	0	1,018,675
INCURRED LOSS EXPENSES:												
Fire	6,720	(281)	0	0	0	6,439	11,748	6,034	0	0	0	17,782
E.C. & VMM	6,768	49,545	15,142	0	0	71,455	22,093	58,224	28,153	0	0	108,470
Total	13,488	49,264	15,142	0	0	77,894	33,841	64,258	28,153	0	0	126,252

*Includes IBNR