

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

OCTOBER 31, 2010

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

OCTOBER 31, 2010

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March 23, 2011

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

We have compiled the accompanying statutory statement of admitted assets, liabilities and surplus of Alabama Insurance Underwriting Association as of October 31, 2010, and the related accompanying statutory statement of operations and changes in surplus for the twelve 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. The financial statements have been prepared in conformity with statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the Insurance Department of the State of Alabama, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 and the statement of cash flows ordinarily included in financial statements prepared in accordance with statutory accounting principles. If the omitted disclosures and statement of cash flows 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.

We are not independent with respect to Alabama Insurance Underwriting Association.

O'Sullivan Creel, LLP

Certified Public Accountants

www.osullivancreel.com

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATUTORY STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
As of October 31, 2010

EXHIBIT 1

Description	Ledger Assets	Assets Not Admitted	Admitted Assets
<u>ASSETS</u>			
Cash	44,034,828		44,034,828
Accounts receivable	7,745	7,745	-
Interest accrued	1,898		1,898
Furniture and equipment - net of depreciation	84,670	84,670	-
Data processing equipment - net of depreciation	50,631		50,631
Programming - net of amortization	154,463	154,463	-
Prepaid reinsurance	2,778,295		2,778,295
Reinsurance recoverable on paid losses	210,157		210,157
Section 444 Deposit (I.R.S.)	245,773		245,773
Intangible Pension Asset	21,402		21,402
Total Assets	47,589,862	246,878	47,342,984
<u>LIABILITIES AND SURPLUS</u>			
Reserves for:			
Unpaid losses (include IBNR)			1,136,895
Unpaid loss adjustment expenses			110,268
Unearned premiums			21,918,624
Premium taxes			283,531
Total Reserves			23,449,318
Payables for:			
Operating expenses and other accounts payable			309,018
Amounts withheld for A/C of others			69,442
Premiums received in advance			1,912,100
Total Payables			2,290,560
Surplus			21,603,106
Total Liabilities and Surplus			47,342,984

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATUTORY STATEMENT OF OPERATIONS AND SURPLUS
Quarter Ended October 31, 2010

EXHIBIT 2

DESCRIPTION	Quarter 08/01/2010 - 10/31/2010	Year-To-Date 11/01/2009 - 10/31/2010
UNDERWRITING INCOME:		
Premiums Earned	5,731,102	15,005,993
DEDUCTIONS:		
Losses incurred	252,447	714,422
Loss expenses incurred	432	177,248
Operating expenses incurred	1,973,314	6,666,699
Total deductions	2,226,193	7,558,369
Net Underwriting Gain or (Loss)	3,504,909	7,447,624
OTHER INCOME (EXPENSE):		
Net investment income	7,112	20,123
Realized Gains (Losses)	-	-
Other Income	(14)	153
Service fees	154,829	497,585
Total other income (expense)	161,927	517,861
Net Income or (Loss)	3,666,836	7,965,485
SURPLUS ACCOUNT:		
Surplus (prior period)	17,932,300	13,681,961
Net income or (loss)	3,666,836	7,965,485
Change in assets not admitted	3,970	(44,340)
Assessments or (distributions)	-	-
Net change in surplus	3,670,806	7,921,145
Surplus (current period)	21,603,106	21,603,106

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

SURPLUS

Quarter Ended October 31, 2010

EXHIBIT 3A

Quarter 08/01/2010 - 10/31/2010

Year-to-Date 11/01/2009 - 10/31/2010

Policy Year

Policy Year

Description	2010	2009	2008	2007	2006	2005	2004	Total	2010	2009	2008	2007	2006	2005	2004	Total
INCOME RECEIVED:																
Premiums Written	11,744,247	(25,412)	-	-	-	-	-	11,718,835	38,070,296	(301,659)	-	-	-	-	-	37,768,637
Reinsurance Premium Ceded	(4,203,372)	-	-	-	-	-	(20,440)	(4,223,812)	(17,700,790)	-	-	-	-	-	(20,440)	(17,721,230)
Net Premiums Written	7,540,875	(25,412)	-	-	-	-	(20,440)	7,495,023	20,369,506	(301,659)	-	-	-	-	(20,440)	20,047,407
Interest Received	7,307	-	-	-	-	-	-	7,307	19,507	-	-	-	-	-	-	19,507
Realized Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	(14)	-	-	-	-	-	-	(14)	153	-	-	-	-	-	-	153
Service Fees	154,829	-	-	-	-	-	-	154,829	497,585	-	-	-	-	-	-	497,585
Gain on sale of non admitted asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	7,702,997	(25,412)	-	-	-	-	(20,440)	7,657,145	20,886,751	(301,659)	-	-	-	-	(20,440)	20,564,652
EXPENSES PAID:																
Losses	326,691	29,622	-	-	-	227,226	(204,555)	378,984	426,666	115,192	53,374	-	-	182,164	(179,555)	597,841
Loss Adjustment Expenses	25,995	8,157	-	-	-	(99,851)	50,621	(15,078)	41,701	45,911	-	-	-	(53,060)	108,952	143,504
Commissions	1,129,909	(2,033)	-	-	-	-	-	1,127,876	2,851,708	150,333	-	-	-	-	-	3,002,041
Operating Expenses	574,739	-	-	-	-	-	-	574,739	2,110,629	153,334	-	-	-	-	-	2,263,963
Premium Taxes	692,149	-	-	-	-	-	-	692,149	1,066,504	127,105	-	-	-	-	-	1,193,609
Total Expenses Paid	2,749,483	35,746	-	-	-	127,375	(153,934)	2,758,670	6,497,208	591,875	53,374	-	-	129,104	(70,603)	7,200,958
Net Cash Change	4,953,514	(61,158)	-	-	-	(127,375)	133,494	4,898,475	14,389,543	(893,534)	(53,374)	-	-	(129,104)	50,163	13,363,694
RESERVES:																
<i>DEDUCT (CURRENT PERIOD)</i>																
Unpaid Losses (include IBNR)	1,078,895	33,000	-	-	-	25,000	-	1,136,895	1,078,895	33,000	-	-	-	25,000	-	1,136,895
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unpaid Loss Adj. Expenses	80,918	2,475	-	-	-	1,875	25,000	110,268	80,918	2,475	-	-	-	1,875	25,000	110,268
Operating Expenses	378,460	-	-	-	-	-	-	378,460	378,460	-	-	-	-	-	-	378,460
Unearned Premiums	21,918,624	-	-	-	-	-	-	21,918,624	21,918,624	-	-	-	-	-	-	21,918,624
Premium Taxes	283,531	-	-	-	-	-	-	283,531	283,531	-	-	-	-	-	-	283,531
<i>ADD (PRIOR PERIOD)</i>																
Unpaid Losses (include IBNR)	739,837	237,020	575	-	-	231,000	55,000	1,263,432	-	605,313	145,000	-	-	45,000	225,000	1,020,313
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unpaid Loss Adj. Expenses	55,489	17,777	43	-	-	17,324	4,125	94,758	-	45,399	10,875	-	-	3,375	16,875	76,524
Operating Expenses	522,683	-	-	-	-	-	-	522,683	-	327,801	-	-	-	-	-	327,801
Unearned Premiums	19,218,182	936,521	-	-	-	-	-	20,154,703	-	16,877,210	-	-	-	-	-	16,877,210
Premium Taxes	560,759	-	-	-	-	-	-	560,759	-	127,105	-	-	-	-	-	127,105
Net Reserve Change	(2,643,478)	1,155,843	618	-	-	221,449	34,125	(1,231,443)	(23,740,428)	17,947,353	155,875	-	-	21,500	216,875	(5,398,825)
OTHER CHANGES:																
<i>DEDUCT (PRIOR PERIOD)</i>																
Interest Accrued	2,094	-	-	-	-	-	-	2,094	-	1,282	-	-	-	-	-	1,282
Assets Not Admitted	(250,848)	-	-	-	-	-	-	(250,848)	-	(202,538)	-	-	-	-	-	(202,538)
<i>ADD (CURRENT PERIOD)</i>																
Interest Accrued	1,898	-	-	-	-	-	-	1,898	1,898	-	-	-	-	-	-	1,898
Assets Not Admitted	(246,878)	-	-	-	-	-	-	(246,878)	(246,878)	-	-	-	-	-	-	(246,878)
Net Other Changes	3,774	-	-	-	-	-	-	3,774	(244,980)	201,256	-	-	-	-	-	(43,724)
Assessments or (Distributions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Retained Surplus	-	(656,811)	-	-	-	-	-	(656,811)	-	(4,906,412)	-	-	-	-	-	(4,906,412)
Change in Members' Surplus	2,313,810	437,874	618	-	-	94,074	167,619	3,013,995	(9,595,865)	12,348,663	102,501	-	-	(107,604)	267,038	3,014,733

ALABAMA INSURANCE UNDERWRITING ASSOCIATION**SURPLUS FOR UNSETTLED YEARS**

Inception to Quarter Ended October 31, 2010

Exhibit 3B

Description	Policy Year							Total
	2010	2009	2008	2007	2006	2005	2004	
INCOME RECEIVED:								
Premiums Written	38,070,296	29,434,815	24,452,221	23,456,599	17,328,303	6,309,269	5,411,236	144,462,739
Reinsurance Premiums Ceded	(17,700,790)	(16,106,473)	(14,994,792)	(10,799,284)	(4,500,230)	(1,882,296)	(2,051,362)	(68,035,227)
Net Premiums Written	20,369,506	13,328,342	9,457,429	12,657,315	12,828,073	4,426,973	3,359,874	76,427,512
Interest Received	19,507	109,245	486,548	677,305	307,607	212,181	223,321	2,035,714
Realized Gains	-	-	-	-	-	(86)	(31,218)	(31,304)
Other Income	153	982	3,391	3,670	40	4,403	78	12,717
Service Fees	497,585	392,596	269,337	187,836	175,703	29,034	13,920	1,566,011
Gain on sale of non admitted asset	-	-	100	623	(203)	-	-	520
Total Income	20,886,751	13,831,165	10,216,805	13,526,749	13,311,220	4,672,505	3,565,975	80,011,170
EXPENSES PAID:								
Losses	426,666	166,949	872,086	512,315	930,913	12,292,114	18,506,292	33,707,335
Loss Adjustment Expenses	41,701	57,752	21,099	14,945	17,029	1,237,498	1,641,018	3,031,042
Commissions	2,851,708	2,351,557	1,961,534	2,235,084	1,744,247	630,929	540,534	12,315,593
Operating Expenses	2,110,629	2,013,301	1,753,057	1,450,948	1,036,093	998,911	642,359	10,005,298
Premium Taxes	1,066,504	1,028,777	855,726	848,275	624,158	176,320	199,338	4,799,098
Total Expenses Paid	6,497,208	5,618,336	5,463,502	5,061,567	4,352,440	15,335,772	21,529,541	63,858,366
Net Cash Change	14,389,543	8,212,829	4,753,303	8,465,182	8,958,780	(10,663,267)	(17,963,566)	16,152,804
RESERVES:								
DEDUCT (CURRENT PERIOD)								
Unpaid Losses (include IBNR)	1,078,895	33,000	-	-	-	25,000	-	1,136,895
Reins. Recoverable-Unpaid Losses	-	-	-	-	-	-	-	-
Unpaid Loss Adjustment Expenses	80,918	2,475	-	-	-	1,875	25,000	110,268
Operating Expenses	378,460	-	-	-	-	-	-	378,460
Unearned Premiums	21,918,624	-	-	-	-	-	-	21,918,624
Premium Taxes	283,531	-	-	-	-	-	-	283,531
Total Reserves	23,740,428	35,475	-	-	-	26,875	25,000	23,827,778
OTHER CHANGES:								
ADD								
Interest Accrued	1,898	-	-	-	-	-	-	1,898
Assets Not Admitted	(246,878)	-	-	-	-	-	-	(246,878)
Total Other Changes	(244,980)	-	-	-	-	-	-	(244,980)
Assessments or (Distributions)	-	-	-	-	-	10,000,000	19,523,060	29,523,060
Retained Surplus	-	(4,906,412)	-	-	-	-	-	(4,906,412)
Members' Surplus	(9,595,865)	3,270,942	4,753,303	8,465,182	8,958,780	(690,142)	1,534,494	16,696,694

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF PREMIUMS
Quarter Ended October 31, 2010

EXHIBIT 4A

Description	Quarter 08/01/2010 - 10/31/2010							Year-to-Date 11/01/2009 - 10/31/2010							
	2010	2009	2008	Policy Year			Total	2010	2009	2008	Policy Year			Total	
PREMIUMS WRITTEN:															
Fire	555,154	(1,015)	-	-	-	-	-	554,139	1,983,166	(21,566)	-	-	-	-	1,961,600
E.C. & VMM	11,189,093	(24,397)	-	-	-	-	-	11,164,696	36,087,130	(280,093)	-	-	-	-	35,807,037
Reinsurance Premium Ceded E.C.	(4,203,372)	-	-	-	-	-	(20,440)	(4,223,812)	(17,700,790)	-	-	-	-	(17,721,230)	
Total	7,540,875	(25,412)	-	-	-	-	(20,440)	7,495,023	20,369,506	(301,659)	-	-	-	(20,440)	20,047,407
UNEARNED PREMIUMS:															
(PRIOR PERIOD)															
Fire	1,098,780	54,958	-	-	-	-	-	1,153,738	-	970,720	-	-	-	-	970,720
E.C. & VMM	18,119,402	881,563	-	-	-	-	-	19,000,965	-	15,906,490	-	-	-	-	15,906,490
Reinsurance Unearned Ceded E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19,218,182	936,521	-	-	-	-	-	20,154,703	-	16,877,210	-	-	-	-	16,877,210
UNEARNED PREMIUMS:															
(CURRENT PERIOD)															
Fire	1,096,102	-	-	-	-	-	-	1,096,102	1,096,102	-	-	-	-	-	1,096,102
E.C. & VMM	20,822,522	-	-	-	-	-	-	20,822,522	20,822,522	-	-	-	-	-	20,822,522
Reinsurance Unearned Ceded E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	21,918,624	-	-	-	-	-	-	21,918,624	21,918,624	-	-	-	-	-	21,918,624
EARNED PREMIUMS:															
Fire	557,832	53,943	-	-	-	-	-	611,775	887,064	949,154	-	-	-	-	1,836,218
E.C. & VMM	8,485,973	857,166	-	-	-	-	-	9,343,139	15,264,608	15,626,397	-	-	-	-	30,891,005
Reinsurance Earned Ceded E.C.	(4,203,372)	-	-	-	-	-	(20,440)	(4,223,812)	(17,700,790)	-	-	-	-	(20,440)	(17,721,230)
Total	4,840,433	911,109	-	-	-	-	(20,440)	5,731,102	(1,549,118)	16,575,551	-	-	-	(20,440)	15,005,993

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

EXHIBIT 4B

Description	Quarter 08/01/2010 - 10/31/2010							Year-to-Date 11/01/2009 - 10/31/2010								
	2010	2009	2008	Policy Year		2005	2004	Total	2010	2009	2008	Policy Year		2005	2004	Total
PAID LOSSES:																
Fire	304,188	13,165	-	-	-	-	-	317,353	379,035	43,562	53,374	-	-	-	-	475,971
E.C. & VMM	22,503	16,457	-	-	-	227,226	(70,961)	195,225	47,630	71,630	-	-	-	182,164	(45,961)	255,463
Reinsurance Recovery E.C.	-	-	-	-	-	-	(133,594)	(133,594)	-	-	-	-	-	-	(133,594)	(133,594)
Total	326,691	29,622	-	-	-	227,226	(204,555)	378,984	426,665	115,192	53,374	-	-	182,164	(179,555)	597,840
OUTSTANDING LOSSES (CURRENT PERIOD)*																
Fire	264,693	21,000	-	-	-	-	-	285,693	264,693	21,000	-	-	-	-	-	285,693
E.C. & VMM	814,202	12,000	-	-	-	25,000	-	851,202	814,202	12,000	-	-	-	25,000	-	851,202
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,078,895	33,000	-	-	-	25,000	-	1,136,895	1,078,895	33,000	-	-	-	25,000	-	1,136,895
OUTSTANDING LOSSES (PRIOR PERIOD)*																
Fire	195,663	55,273	-	-	-	-	-	250,936	-	40,499	145,000	-	-	-	-	185,499
E.C. & VMM	544,174	181,747	575	-	-	231,000	55,000	1,012,496	-	564,814	-	-	-	45,000	225,000	834,814
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	739,837	237,020	575	-	-	231,000	55,000	1,263,432	-	605,313	145,000	-	-	45,000	225,000	1,020,313
INCURRED LOSSES:																
Fire	373,218	(21,108)	-	-	-	-	-	352,110	643,728	24,063	(91,626)	-	-	-	-	576,165
E.C. & VMM	292,531	(153,290)	(575)	-	-	21,226	(259,555)	(99,663)	861,832	(481,184)	-	-	-	162,164	(404,555)	138,257
Total	665,749	(174,398)	(575)	-	-	21,226	(259,555)	252,447	1,505,560	(457,121)	(91,626)	-	-	162,164	(404,555)	714,422
IBNR (CURRENT PERIOD)																
Fire	40,193	-	-	-	-	-	-	40,193	40,193	-	-	-	-	-	-	40,193
E.C. & VMM	729,182	-	-	-	-	-	-	729,182	729,182	-	-	-	-	-	-	729,182
Total	769,375	-	-	-	-	-	-	769,375	769,375	-	-	-	-	-	-	769,375
IBNR (PRIOR PERIOD)																
Fire	32,063	9,913	-	-	-	-	-	41,976	-	34,999	-	-	-	-	-	34,999
E.C. & VMM	517,074	160,047	-	-	-	-	-	677,121	-	564,814	-	-	-	-	-	564,814
Total	549,137	169,960	-	-	-	-	-	719,097	-	599,813	-	-	-	-	-	599,813

*Includes IBNR

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

EXHIBIT 4C

Description	Quarter 08/01/2010 - 10/31/2010							Year-to-Date 11/01/2009 - 10/31/2010								
	Policy Year							Policy Year								
	2010	2009	2008	2007	2006	2005	2004	Total	2010	2009	2008	2007	2006	2005	2004	Total
LOSS EXPENSES PAID:																
Fire	12,084	1,840	-	-	-	-	-	13,924	14,390	7,252	-	-	-	-	-	21,642
E.C. & VMM	13,911	6,317	-	-	-	(99,851)	147,625	68,002	27,311	38,659	-	-	-	(53,060)	205,956	218,866
Reinsurance Recovery E.C.	-	-	-	-	-	-	(97,004)	(97,004)	-	-	-	-	-	-	(97,004)	(97,004)
Total	25,995	8,157	-	-	-	(99,851)	50,621	(15,078)	41,701	45,911	-	-	-	(53,060)	108,952	143,504
UNPAID LOSS EXPENSES (CURRENT PERIOD)*																
Fire	19,852	1,575	-	-	-	-	-	21,427	19,852	1,575	-	-	-	-	-	21,427
E.C. & VMM	61,066	900	-	-	-	1,875	25,000	88,841	61,066	900	-	-	-	1,875	25,000	88,841
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	80,918	2,475	-	-	-	1,875	25,000	110,268	80,918	2,475	-	-	-	1,875	25,000	110,268
UNPAID LOSS EXPENSES (PRIOR PERIOD)*																
Fire	14,675	4,145	-	-	-	-	-	18,820	-	3,038	10,875	-	-	-	-	13,913
E.C. & VMM	40,814	13,632	43	-	-	17,324	4,125	75,938	-	42,361	-	-	-	3,375	16,875	62,611
Reinsurance Recoverable E.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	55,489	17,777	43	-	-	17,324	4,125	94,758	-	45,399	10,875	-	-	3,375	16,875	76,524
INCURRED LOSS EXPENSES:																
Fire	17,261	(730)	-	-	-	-	-	16,531	34,242	5,789	(10,875)	-	-	-	-	29,156
E.C. & VMM	34,163	(6,415)	(43)	-	-	(115,300)	71,496	(16,099)	88,377	(2,802)	-	-	-	(54,560)	117,077	148,092
Total	51,424	(7,145)	(43)	-	-	(115,300)	71,496	432	122,619	2,987	(10,875)	-	-	(54,560)	117,077	177,248

*Includes IBNR