

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS

OCTOBER 31, 2005

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FINANCIAL STATEMENTS

OCTOBER 31, 2005

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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, 2005, and the related statements of operations and members' equity for the three months and 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.

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

O'Sullivan Creel, LLP
Certified Public Accountants

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY
As of October 31, 2005

EXHIBIT 1

Description	Ledger Assets	Non-Ledger Assets	Assets Not Admitted	Admitted Assets
<u>ASSETS</u>				
Cash	15,688,235			15,688,235
Assessment Receivable Members	93,050		93,050	
Interest accrued	0			0
Furniture and equipment - net of depreciation	40,086		40,086	
Data processing equipment - net of depreciation	3,256			3,256
Programming - net of amortization	32,169		32,169	
Section 444 Deposit (I.R.S.)	0			0
Prepaid Reinsurance Premium	106,614			106,614
Reinsurance Recoverable - paid losses	411,858			411,858
Intangible Pension Asset	72,602			72,602
Total Assets	16,447,870	0	165,305	16,282,565
<u>LIABILITIES AND EQUITY</u>				
Reserves for:				
Unpaid losses (include IBNR)				6,535,924
Reins. Recoverable-unpaid losses				(231,326)
Unpaid loss adjustment expenses				1,032,540
Reins. Recoverable-unpaid loss. exp.				(13,866)
Unearned premiums				4,111,127
Premium taxes				(7,416)
Total Reserves				11,426,983
Payables for:				
Accounts payable				0
Amounts withheld for A/C of others				4,945
Accrued Pension Obligation				72,736
Distributions Payable Members				3,150,911
Premiums Refundable				310,077
Premiums received in advance				163,199
Ceded Reinsurance Payable				37,129
Total Payables				3,738,997
Members' Equity				1,116,585
Total Liabilities and Equity				16,282,565

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
Quarter Ended October 31, 2005

EXHIBIT 2

DESCRIPTION	Quarter 8/01/2005 - 10/31/2005	Year-To-Date 11/01/2004 - 10/31/2005
UNDERWRITING INCOME:		
Premiums Earned	535,621	3,126,719
DEDUCTIONS:		
Losses incurred	10,609,927	10,998,725
Loss expenses incurred	1,006,485	1,040,295
Operating expenses incurred	347,068	1,796,927
Total deductions	11,963,480	13,835,947
Net Underwriting Gain or (Loss)	(11,427,859)	(10,709,228)
OTHER INCOME (EXPENSE):		
Net investment income	65,540	212,181
Realized Gains (Losses)	0	(86)
Other Income	1,505	4,403
Service fees	9,098	29,034
Total other income (expense)	76,143	245,532
Net Income or (Loss)	(11,351,716)	(10,463,696)
EQUITY ACCOUNT:		
Members' equity (prior period)	5,699,788	9,662,807
Net income or (loss)	(11,351,716)	(10,463,696)
Change in assets not admitted	(80,576)	(61,555)
Assessments or (distributions)	6,849,089	1,979,029
Net change in equity	(4,583,203)	(8,546,222)
Members' Equity (current period)	1,116,585	1,116,585

SUPPLEMENTARY INFORMATION

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY
Quarter Ended October 31, 2005

EXHIBIT 3A

Quarter 8/01/2005 - 10/31/2005

Year-to-Date 11/01/2004 - 10/31/2005

Description	Quarter 8/01/2005 - 10/31/2005					Year-to-Date 11/01/2004 - 10/31/2005						
	2005	2004	2003	2002	2001	Total	2005	2004	2003	2002	2001	Total
INCOME RECEIVED:												
Premiums Written	1,308,640	(10,899)	0	0	0	1,297,741	6,310,372	(84,755)	0	0	0	6,225,617
Reinsurance Premium Ceded	(560,055)	(22,148)	0	0	0	(582,203)	(1,882,296)	(177,197)	0	0	0	(2,059,493)
Net Premiums Written	748,585	(33,047)	0	0	0	715,538	4,428,076	(261,952)	0	0	0	4,166,124
Interest Received	65,540	0	0	0	0	65,540	212,181	109	0	0	0	212,290
Realized Gains	0	0	0	0	0	0	(86)	0	0	0	0	(86)
Other Income	1,505	0	0	0	0	1,505	4,403	0	0	0	0	4,403
Service Fees	9,098	0	0	0	0	9,098	29,034	0	0	0	0	29,034
Gain on sale of non admitted asset	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	824,728	(33,047)	0	0	0	791,681	4,673,608	(261,843)	0	0	0	4,411,765
EXPENSES PAID:												
Losses	4,458,185	273,640	0	0	0	4,731,825	4,629,895	15,296,109	0	0	0	19,926,004
Loss Adjustment Expenses	46,502	(23,838)	0	0	0	22,664	55,673	991,531	0	0	0	1,047,204
Commissions	131,240	(1,635)	0	0	0	129,605	630,717	(9,021)	0	0	0	621,696
Operating Expenses	200,960	0	0	0	0	200,960	993,966	4,957	0	0	0	998,923
Premium Taxes	123,137	0	0	0	0	123,137	183,736	17,836	0	0	0	201,572
Total Expenses Paid	4,960,024	248,167	0	0	0	5,208,191	6,493,987	16,301,412	0	0	0	22,795,399
Net Cash Change	(4,135,296)	(281,214)	0	0	0	(4,416,510)	(1,820,379)	(16,563,255)	0	0	0	(18,383,634)
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)	6,304,599	0	0	0	0	6,304,599	6,304,599	0	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	1,018,675	0	0	0	0	1,018,675	1,018,675	0	0	0	0	1,018,675
Operating Expenses	4,945	0	0	0	0	4,945	4,945	0	0	0	0	4,945
Unearned Premiums	4,111,127	0	0	0	0	4,111,127	4,111,127	0	0	0	0	4,111,127
Premium Taxes	(7,416)	0	0	0	0	(7,416)	(7,416)	0	0	0	0	(7,416)
<i>ADD (PRIOR PERIOD)</i>												
Unpaid Losses (include IBNR)	95,819	330,678	0	0	0	426,497	0	15,231,878	0	0	0	15,231,878
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0	0	0	0	0	0	0
Unpaid Loss Adj. Expenses	5,749	29,105	0	0	0	34,854	0	1,025,584	0	0	0	1,025,584
Operating Expenses	3,070	0	0	0	0	3,070	0	4,957	0	0	0	4,957
Unearned Premiums	3,460,616	470,594	0	0	0	3,931,210	0	3,071,722	0	0	0	3,071,722
Premium Taxes	101,093	0	0	0	0	101,093	0	17,836	0	0	0	17,836
Net Reserve Change	(7,765,583)	830,377	0	0	0	(6,935,206)	(11,431,930)	19,351,977	0	0	0	7,920,047
OTHER CHANGES:												
<i>DEDUCT (PRIOR PERIOD)</i>												
Interest Accrued	0	0	0	0	0	0	0	109	0	0	0	109
Assets Not Admitted	(84,729)	0	0	0	0	(84,729)	0	(103,750)	0	0	0	(103,750)
<i>ADD (CURRENT PERIOD)</i>												
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0	0
Assets Not Admitted	(165,305)	0	0	0	0	(165,305)	(165,305)	0	0	0	0	(165,305)
Net Other Changes	(80,576)	0	0	0	0	(80,576)	(165,305)	103,641	0	0	0	(61,664)
Assessments or (Distributions)	10,000,000	0	0	(3,150,911)	0	6,849,089	10,000,000	0	0	(3,150,911)	(4,870,060)	1,979,029
Change in Members' Equity	(1,981,455)	549,163	0	(3,150,911)	0	(4,583,203)	(3,417,614)	2,892,363	0	(3,150,911)	(4,870,060)	(8,546,222)

ALABAMA INSURANCE UNDERWRITING ASSOCIATION

MEMBERS' EQUITY FOR UNSETTLED YEARS

Inception to Quarter Ended October 31, 2005

Exhibit 3B

Description	2005	2004	Policy Year 2003	2002	2001	Total
INCOME RECEIVED:						
Premiums Written	6,310,372	5,411,236	5,447,644	5,857,576	5,781,115	28,807,943
Reinsurance Premiums Ceded	(1,882,296)	(2,023,681)	(1,357,565)	(1,123,700)	0	(6,387,242)
Net Premiums Written	4,428,076	3,387,555	4,090,079	4,733,876	5,781,115	22,420,701
Interest Received	212,181	223,321	181,535	222,538	611,181	1,450,756
Realized Gains	(86)	(31,218)	11,602	0	0	(19,702)
Other Income	4,403	78	8	(173)	1,670	5,986
Service Fees	29,034	13,920	11,820	10,735	5,225	70,734
Gain on sale of non admitted asset	0	0	2,253	0	0	2,253
Total Income	4,673,608	3,593,656	4,297,297	4,966,976	6,399,191	23,930,728
EXPENSES PAID:						
Losses	4,629,895	18,728,668	47,245	430,049	140,750	23,976,607
Loss Adjustment Expenses	55,673	1,418,640	1,325	83,458	56,619	1,615,715
Commissions	630,717	540,534	544,459	582,008	574,865	2,872,583
Operating Expenses	993,966	642,359	568,840	590,389	548,876	3,344,430
Premium Taxes	183,736	199,338	188,406	130,161	208,021	909,662
Total Expenses Paid	6,493,987	21,529,539	1,350,275	1,816,065	1,529,131	32,718,997
Net Cash Change	(1,820,379)	(17,935,883)	2,947,022	3,150,911	4,870,060	(8,788,269)
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)	6,304,599	0	0	0	0	6,304,599
Reins. Recoverable-Unpaid Losses	0	0	0	0	0	0
Unpaid Loss Adjustment Expenses	1,018,675	0	0	0	0	1,018,675
Operating Expenses	4,945	0	0	0	0	4,945
Unearned Premiums	4,111,127	0	0	0	0	4,111,127
Premium Taxes	(7,416)	0	0	0	0	(7,416)
Total Reserves	11,431,930	0	0	0	0	11,431,930
OTHER CHANGES:						
ADD						
Interest Accrued	0	0	0	0	0	0
Assets Not Admitted	(165,305)	0	0	0	0	(165,305)
Total Other Changes	(165,305)	0	0	0	0	(165,305)
Assessments or (Distributions)	10,000,000	19,523,060	0	(3,150,911)	(4,870,060)	21,502,089
Net Members' Equity	(3,417,614)	1,587,177	2,947,022	0	0	1,116,585

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF PREMIUMS
Quarter Ended October 31, 2005

EXHIBIT 4A

Description	Quarter 8/01/2005 - 10/31/2005					Year-to-Date 11/01/2004 - 10/31/2005					Total	
	2005	2004	2003	Policy Year		2005	2004	2003	Policy Year			
				2002	2001				2002	2001		
PREMIUMS WRITTEN:												
Fire	129,834	(1,196)	0	0	0	128,638	716,242	(27,387)	0	0	0	688,855
E.C. & VMM	1,178,806	(9,703)	0	0	0	1,169,103	5,594,130	(57,368)	0	0	0	5,536,762
Reinsurance Premium Ceded E.	(560,055)	(22,148)	0	0	0	(582,203)	(1,882,296)	(177,197)	0	0	0	(2,059,493)
Total	748,585	(33,047)	0	0	0	715,538	4,428,076	(261,952)	0	0	0	4,166,124
UNEARNED PREMIUMS:												
(PRIOR PERIOD)												
Fire	436,958	59,323	0	0	0	496,281	0	408,782	0	0	0	408,782
E.C. & VMM	3,354,218	411,271	0	0	0	3,765,489	0	2,662,940	0	0	0	2,662,940
Reinsurance Unearned Ceded E	(330,560)	0	0	0	0	(330,560)	0	0	0	0	0	0
Total	3,460,616	470,594	0	0	0	3,931,210	0	3,071,722	0	0	0	3,071,722
UNEARNED PREMIUMS:												
(CURRENT PERIOD)												
Fire	465,813	0	0	0	0	465,813	465,813	0	0	0	0	465,813
E.C. & VMM	3,645,314	0	0	0	0	3,645,314	3,645,314	0	0	0	0	3,645,314
Reinsurance Unearned Ceded E	0	0	0	0	0	0	0	0	0	0	0	0
Total	4,111,127	0	0	0	0	4,111,127	4,111,127	0	0	0	0	4,111,127
EARNED PREMIUMS:												
Fire	100,979	58,127	0	0	0	159,106	250,429	381,395	0	0	0	631,824
E.C. & VMM	887,710	401,568	0	0	0	1,289,278	1,948,816	2,605,572	0	0	0	4,554,388
Reinsurance Earned Ceded E.C	(890,615)	(22,148)	0	0	0	(912,763)	(1,882,296)	(177,197)	0	0	0	(2,059,493)
Total	98,074	437,547	0	0	0	535,621	316,949	2,809,770	0	0	0	3,126,719

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSSES
Quarter Ended October 31, 2005

EXHIBIT 4B

Description	Quarter 8/01/2005 - 10/31/2005						Year-to-Date 11/01/2004 - 10/31/2005					
	2005	2004	2003	Policy Year		Total	2005	2004	2003	Policy Year		Total
PAID LOSSES:												
Fire	236,772	0	0	0	0	236,772	236,772	0	0	0	0	236,772
E.C. & VMM	4,221,413	662,276	0	0	0	4,883,689	4,393,123	20,592,139	0	0	0	24,985,262
Reinsurance Recovery E.C.	0	(388,636)				(388,636)	0	(5,296,030)	0	0	0	(5,296,030)
Total	4,458,185	273,640	0	0	0	4,731,825	4,629,895	15,296,109	0	0	0	19,926,004
OUTSTANDING LOSSES (CURRENT PERIOD)*												
Fire	15,859	0	0	0	0	15,859	15,859	0	0	0	0	15,859
E.C. & VMM	6,288,740	231,326	0	0	0	6,520,066	6,288,740	231,326	0	0	0	6,520,066
Reinsurance Recoverable E.C.	0	(231,326)	0	0	0	(231,326)	0	(231,326)	0	0	0	(231,326)
Total	6,304,599	0	0	0	0	6,304,599	6,304,599	0	0	0	0	6,304,599
OUTSTANDING LOSSES (PRIOR PERIOD)*												
Fire	11235	4,437	0	0	0	15,672	0	13,905	0	0	0	13,905
E.C. & VMM	84584	578,438	0	0	0	663,022	0	17,805,449	0	0	0	17,805,449
Reinsurance Recoverable E.C.	0	(252,197)	0	0	0	(252,197)	0	(2,587,476)	0	0	0	(2,587,476)
Total	95,819	330,678	0	0	0	426,497	0	15,231,878	0	0	0	15,231,878
INCURRED LOSSES:												
Fire	241,396	(4,437)	0	0	0	236,959	252,631	(13,905)	0	0	0	238,726
E.C. & VMM	10,425,569	(52,601)	0	0	0	10,372,968	10,681,863	78,136	0	0	0	10,759,999
Total	10,666,965	(57,038)	0	0	0	10,609,927	10,934,494	64,231	0	0	0	10,998,725
IBNR (CURRENT PERIOD)												
Fire	15,859	0	0	0	0	15,859	15,859	0	0	0	0	15,859
E.C. & VMM	122,349	0	0	0	0	122,349	122,349	0	0	0	0	122,349
Total	138,208	0	0	0	0	138,208	138,208	0	0	0	0	138,208
IBNR (PRIOR PERIOD)												
Fire	11235	4,437	0	0	0	15,672	0	13,905	0	0	0	13,905
E.C. & VMM	84584	30,574	0	0	0	115,158	0	300,417	0	0	0	300,417
Total	95,819	35,011	0	0	0	130,830	0	314,322	0	0	0	314,322

*Includes IBNR

ALABAMA INSURANCE UNDERWRITING ASSOCIATION
STATISTICAL REPORT OF LOSS ADJUSTMENT EXPENSES
Quarter Ended October 31, 2005

EXHIBIT 4C

Description	Quarter 8/01/2005 - 10/31/2005						Year-to-Date 11/01/2004 - 10/31/2005					
	Policy Year						Policy Year					
	2005	2004	2003	2002	2000	Total	2005	2004	2003	2002	2000	Total
LOSS EXPENSES PAID:												
Fire	2913	0	0	0	0	2,913	2,913	0	0	0	0	2,913
E.C. & VMM	43589	(617)	0	0	0	42,972	52,760	1,368,249	0	0	0	1,421,009
Reinsurance Recovery E.C.	0	(23,221)	0	0	0	(23,221)	0	(376,718)	0	0	0	(376,718)
Total	46,502	(23,838)	0	0	0	22,664	55,673	991,531	0	0	0	1,047,204
UNPAID LOSS EXPENSES (CURRENT PERIOD)*												
Fire	952	0	0	0	0	952	952	0	0	0	0	952
E.C. & VMM	1,017,723	13,866	0	0	0	1,031,589	1,017,723	13,866	0	0	0	1,031,589
Reinsurance Recoverable E.C.	0	(13,866)	0	0	0	(13,866)	0	(13,866)	0	0	0	(13,866)
Total	1,018,675	0	0	0	0	1,018,675	1,018,675	0	0	0	0	1,018,675
UNPAID LOSS EXPENSES (PRIOR PERIOD)*												
Fire	674	266	0	0	0	940	0	834	0	0	0	834
E.C. & VMM	5075	42,897	0	0	0	47,972	0	1,219,506	0	0	0	1,219,506
Reinsurance Recoverable E.C.	0	(14,058)	0	0	0	(14,058)	0	(194,756)	0	0	0	(194,756)
Total	5,749	29,105	0	0	0	34,854	0	1,025,584	0	0	0	1,025,584
INCURRED LOSS EXPENSES:												
Fire	3,191	(266)	0	0	0	2,925	3,865	(834)	0	0	0	3,031
E.C. & VMM	1,056,237	(52,677)	0	0	0	1,003,560	1,070,483	(33,219)	0	0	0	1,037,264
Total	1,059,428	(52,943)	0	0	0	1,006,485	1,074,348	(34,053)	0	0	0	1,040,295

*Includes IBNR