

GEORGIA UNDERWRITING ASSOCIATION
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www.GeorgiaUnderwriting.com

MICHAEL F. VALDEZ
GENERAL MANAGER

December 11, 2006

TO: ALL MEMBER COMPANIES
ATTENTION: CHIEF FINANCIAL OFFICER

FINANCIAL STATEMENT
Fiscal Year Ended September 30, 2006

Enclosed are financial statement exhibits for fiscal year ended September 30, 2006:

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|-------------|--|
| Exhibit 1 | Balance Sheet |
| Exhibit 2 | Income Statement and Equity Account |
| Exhibit 3A | Members' Account - Statewide: Personal Lines and Commercial |
| Exhibit 3B | Members' Account for Unsettled Years - Inception to Date |
| Exhibit 3C | Members' Account-Inception to Date-Statewide: Personal Lines and Commercial |
| Exhibit 4A | Statistical Report of Premiums - Statewide: Personal Lines and Commercial |
| Exhibit 4B | Statistical Report of Losses - Statewide: Personal Lines and Commercial |
| Exhibit 4C | Statistical Report of Loss Adj. Exp.: Statewide: Personal Lines and Commercial |
| Exhibit 5 | Cumulative Report of Catastrophe Losses |
| Exhibit 7 | Status Report of In-force Policies and Liability |
| Exhibit 7-A | Reporting of Schedule P Number of Claims Outstanding |

The Georgia Underwriting Association operates as a policy issuing syndicate and operating results should be booked as direct business written. Each member company (group) is responsible for its percentage share of premium taxes, which include: State of Georgia, local (municipal) and Georgia Firefighter's Pension Fund. The Association refunds to its members their share of prior year premium taxes. The 2006 AY Premium Tax Refund will be calculated and released in early 2007.

The 2006 Participation was calculated and released on June 28, 2006. An individual statement was mailed to each company/group. The complete 2006 Participation List is available at www.GeorgiaUnderwriting.com. The Annual Call for premiums for calculating the 2007 Participation will be available on our website by March 1, 2007.

The Board of Directors approved the final accounting and settlement of the 2002 AY. The calculation was prepared and released on August 15, 2006. A detailed statement was mailed to all members of the 2002 AY.

The Association renewed the Reinsurance contract (effective date of April 1, 2006) with coverage of \$40 million xs \$25 million, which covers a 1-250 year event. The Association continues to encourage all Member Companies to confirm their reinsurance contracts covering catastrophe losses suffered by the residual markets in which they participate to the extent that these companies deem appropriate. It should also be noted that there is not a cap or assessment maximum stipulated by the Bylaws and Plan of Operation of the Georgia Underwriting Association. The Association has a statewide exposure of \$3.43 billion of which \$1.63 billion is in the coastal counties, as of September 30, 2006. All participation ratios are available on our Web Site.

I encourage you to routinely visit our Web Site at www.GeorgiaUnderwriting.com for updates. Please do not hesitate to call me at (770) 923-7721 if you have any questions or comments.

Sincerely,



Sharon L. Drake
Treasurer

**The Georgia Underwriting Association is a statewide *FAIR* plan
(*Fair Access to Insurance Requirements*)**

