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LOUISIANA AUTOMOBILE INSURANCE PLAN

METAIRIE, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Louisiana Automobile Insurance Plan

I N D E X

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INDEPENDENT AUDITOR'S REPORT

To The Governing Committee

Louisiana Automobile Insurance Plan

We have audited the accompanying statement of financial position of the LOUISIANA AUTOMOBILE INSURANCE PLAN (the Plan), (a non-profit organization) as of December 31, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Automobile Insurance Plan as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Pepperman, Emboulas, Schwartz & Todaro, L.L.C.

Metairie, Louisiana
March 1, 2007

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) NATURE OF OPERATIONS:

The purpose of the Louisiana Automobile Insurance Plan (the Plan) is to make available automobile insurance to qualified drivers who are unable to purchase such coverage in the voluntary market. The basic function of the Plan is the allocation of residual market drivers among insurance companies which sell automobile insurance. This allocation is based upon each company's proportionate share of the total automobile insurance business written in the state.

The Governing Committee of the Plan has hired AIPSO to perform central processing functions. AIPSO assigns residual market drivers in the state to the various insurers participating in the Plan. AIPSO bills the Plan for services using actual man hours and computer hours multiplied by the appropriate departmental rate. These rates are recalculated annually.

B) BASIS OF ACCOUNTING:

The Plan maintains its accounting records on the accrual basis of accounting.

C) PRESENTATION:

The Plan presents its financial statements as prescribed by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. As such, the financial statements are presented on the basis of unrestricted net assets.

D) CASH AND CASH EQUIVALENTS:

The Plan considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E) PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets which generally range from three to seven years.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

F) REVENUES:

The annual assessment for the Plan, computed by AIPSO, is based upon the annual income and expense budgets for the Plan. Any resulting excess or deficit of annual operations is reapportioned to the Plan in the following year.

G) FAIR VALUE OF FINANCIAL INSTRUMENTS:

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

NOTE 2 - USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS:

The Plan maintains its cash balances in one financial institution located in New Orleans, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 2006, the Plan had uninsured cash balances totaling $757,468.

NOTE 4 - PROPERTY AND EQUIPMENT:

A summary of property and equipment is as follows:

Office Furniture And Equipment	$48,099
Automobile	31,288
	$79,387
Less Accumulated Depreciation	71,538
Property And Equipment - Net	$ 7,849

Depreciation expense for the year totaled $12,929.

NOTE 5 - INCOME TAXES:

The Plan is an organization described in Section 501(c)(6) of the Internal Revenue Code of 1986, as amended, and is exempt from federal income tax on its related exempt activities under the provisions of Code Section 501(a).

NOTE 6 - MANAGEMENT FEE:

The Plan pays a management fee to Property Insurance Association of Louisiana (PIAL). This management agreement covers expenses related to personnel, employee benefits, insurance, rent and other administrative costs. The amount paid to PIAL for the year ended December 31, 2006 totaled $235,067.

NOTE 7 - REAPPORTIONMENT OF PRIOR YEAR'S SURPLUS:

Annual operations of the plan for the year ended December 31, 2005 resulted in a surplus of $466,716. This amount is to be repaid to AIPSO where it is due to be returned to Louisiana member companies.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

A S S E T S

CURRENT ASSETS:		
Cash And Cash Equivalents		$857,468
Receivables:		
PIAL	$ 60,420	
Travel Advances	2,000	
Processing Fees	20,950	
Other	3,287	86,657
Total Current Assets		$944,125
PROPERTY AND EQUIPMENT:		
Cost	$ 79,387	
Less Accumulated Depreciation	71,538	
Property And Equipment - Net		7,849
		$951,974

L I A B I L I T I E S A N D N E T A S S E T S

CURRENT LIABILITIES:		
Payables:		
Trade	$ 4,829	
AIPSO	467,318	
Assessments - AIPSO	34,630	
PIAL	99,719	
Other	974	
Total Current Liabilities		$607,470
NET ASSETS:		
Unrestricted Net Assets		344,504
		$951,974

See Accompanying Notes

STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2006

REVENUES:		
Assessment	$493,970	
Investment	37,757	
Other	(12,431)	
Total Revenues		$519,296
EXPENSES:		
Central Processor	$ 14,483	
Professional Fees	2,772	
Travel And Entertainment	4,506	
Committee Meeting Costs	3,928	
Postage	554	
Telephone	352	
Equipment Rental	276	
Insurance	4,651	
Depreciation	12,929	
Management Fee	235,067	
Subscriptions	29	
Bank And Credit Card Fees	3,131	
Miscellaneous	50	
Total Expenses		282,728
Change In Net Assets Before Reapportionment		$236,568
Reapportionment Of Prior Year's Surplus		(466,716)
Change In Net Assets		($230,148)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR		574,652
UNRESTRICTED NET ASSETS, END OF YEAR		$344,504

See Accompanying Notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change In Net Assets		($230,148)
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	$ 12,929	
(Increase) Decrease In:		
Receivables	82,774	
Increase (Decrease) In:		
Payables	269,588	
Total Adjustments		365,291
Net Increase In Cash And Cash Equivalents		$135,143
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		722,325
CASH AND CASH EQUIVALENTS AT END OF YEAR		$857,468

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid During The Year For:	
Interest	$ ---
Capitalized Interest	$ ---

See Accompanying Notes