

BUILDERS INSURANCE (A MUTUAL CAPTIVE COMPANY) AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

December 31, 2008 and 2007

	Assets	2008	2007
Cash and invested assets		\$ 378,916,803	\$ 422,570,048
Reinsurance recoverables		30,983,019	27,846,756
Receivables		47,048,735	70,723,617
Tax assets		24,882,590	13,909,236
Other assets		15,248,875	19,280,976
Total assets		<u>\$ 497,080,022</u>	<u>\$ 554,330,633</u>
	Liabilities		
Loss and loss adjustment expenses		\$ 228,344,186	\$ 234,538,495
Unearned premiums		54,913,060	71,493,135
Policyholder dividends payable		945,667	1,818,922
Other payables		49,196,569	59,027,801
Notes payable		49,538,632	52,083,516
Other liabilities		1,905,630	4,445,648
Total liabilities		<u>384,843,744</u>	<u>423,407,517</u>
	Members' Equity		
Paid-in capital		200,000	200,000
Retained earnings		118,075,548	119,183,421
Accumulated other comprehensive (loss) income		(6,039,270)	11,539,695
Total members' equity		<u>112,236,278</u>	<u>130,923,116</u>
Total liabilities and members' equity		<u>\$ 497,080,022</u>	<u>\$ 554,330,633</u>

BUILDERS INSURANCE (A MUTUAL CAPTIVE COMPANY) AND SUBSIDIARIES

Condensed Consolidated Statements of Income

Years ended December 31, 2008 and 2007

	2008	2007
Revenue:		
Premiums earned, net	\$ 104,548,515	\$ 164,815,132
Net investment income	15,697,642	14,052,315
Realized and unrealized (losses) gains on investments, net	(2,377,632)	4,655,711
Other revenue	445,784	1,428,719
Total revenue	<u>118,314,309</u>	<u>184,951,877</u>
Expenses:		
Loss and loss adjustment expenses	60,916,799	99,739,444
Operating and administrative expenses	47,674,220	64,907,326
Interest expense and change in fair value of interest rate swap	2,235,312	2,798,643
Policyholder dividends	988,737	1,873,253
Total expenses	<u>111,815,068</u>	<u>169,318,666</u>
Income before income taxes and unrealized impairment of investments	6,499,241	15,633,211
Income tax expense	1,098,393	3,460,106
Net income before unrealized impairment of investments	<u>5,400,848</u>	<u>12,173,105</u>
Unrealized impairment of investments, net of tax	<u>(6,908,394)</u>	<u>(594,009)</u>
Net (loss) income	<u>\$ (1,507,546)</u>	<u>\$ 11,579,096</u>

The information above is a condensed version of the audited financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). If you are a policyholder of Builders Insurance (A Mutual Captive Company), upon your written request to Judy Craft (jcraft@bldrs.com) and our receipt of a signed confidentiality agreement, we will send you the most recent audited financials for the Company.