



2019 HAI Group Annual Report

DOING MUCH MORE

with much less





James DiPaolo

As I sit down to write this letter, I'm reminded of what an honor it is to serve on the board of directors at HAI Group. The organization not only provides an essential service to the public and affordable housing industry, but also knows how to deliver exceptional value to its members. This is the time of year when we take stock of all we've accomplished, and I'm pleased to report that we have much to celebrate.

One of our key initiatives in 2019 was executing the first phase of our Five Year Strategic Plan, which we developed to help sharpen our focus. By acting as a strategic filter, our five-year plan ensures that we will continue to grow without diluting our impact while staying focused on our primary mission of providing affordable insurance to you, our members.

Supervising the activities of an organization and ensuring its prosperity is no easy feat, and a company can only be as strong as the board that oversees it. Numerous studies have shown that leadership teams are more effective when they can draw on diverse perspectives. The HAI Group board and committees are made up of professionals with a variety of backgrounds, from race to gender to geography to area of expertise. We've seen firsthand how critical this diversity is to our success, and will continue to look for opportunities to champion diversity and inclusion at HAI Group.

Recognizing the need for informed, engaged, and astute leaders who we could call into service as board seats became available, we created a Board Readiness Program to create such a

pipeline. Developed over two years by our governance team, the program has been a huge success.

While the board sets the tone of the organization, it is the chief executive officer's responsibility to carry out our vision. I'd like to recognize the efforts of Ed Malaspina, who took on that role for us at HAI Group two years ago, in what was a very challenging time. As his first priority, Ed set out to return the company to profitability, and just as important, to restore the culture at HAI Group. Ed pulled together a strong executive management team, focused on empowering employees, and vastly improved the company's morale. I'm proud to report that we have been profitable under his tenure, and that AM Best's revised ratings reflect these positive changes.

I'd like to recognize my predecessors, former board chairs Linnie Willis and Christine Hart, for setting me up for success. I'd also like to thank HAI Group's talented and hardworking employees for their myriad accomplishments. Your energy and passion are ultimately what enables our success. On behalf of the board of directors, we're all so grateful for your dedication to our collective mission.

The upcoming year is a new beginning, and, although my two-year term as your board chair has come to an end, I look forward to continue to serve alongside my fellow board and committee members in support of our new chair, Ed Hinojosa. I know he has wonderful plans for the organization and we will do well under his leadership.



In terms of both income and efficiency, 2019 was one of our most successful years yet. “Doing much more with much less,” which is this year’s report theme, is a sound theory, but when you look at the numbers behind our success, you’ll see that the reality of what we’ve achieved is truly remarkable. Thanks in part to a strong 2019, over the last five years, HAI Group’s top-line revenue increased by more than 30 percent and our surplus increased by more than 10 percent—all while our expenses declined by 15 percent. Since 2015, we have declared nearly \$22 million in member dividends, and last year we were able to nearly double the declaration from the previous year.

I attribute our success to the HAI Group team, whose commitment to our mission is inspiring. Their tireless work over the past year not only led to positive income and surplus growth, but also to enhanced product and service offerings for members.

I’m pleased to report that AM Best Company recognized these efforts. In 2019, the agency revised our Issuer Credit Rating (ICR) outlook to positive and reaffirmed our A (Excellent) rating. AM Best’s analysts based their rating on our improved operating performance, which was driven primarily by favorable loss

experience and deliberate expense management. Our favorable earnings

trend was attributed to strong senior leadership, disciplined underwriting and claims handling, stringent risk management practices, and favorable reserve development.

In 2019, we also assessed our information technology infrastructure to ensure that we were set up for continued success and that we were capitalizing on technology to capture future efficiencies. After careful consideration, we invested in enhanced software systems and hardware upgrades, along with a full-scale security incident and event management system that will help prevent security breaches and reduce the impact of potential security events.

Finally, 2019 marked HAI Group’s first year executing our Five Year Strategic Plan, which we designed to realize a central vision: to continue to grow and expand with our members. As I look back, I’m proud of how well we achieved the goals we set for ourselves. I’m confident we’ll see that same momentum throughout 2020 and I look forward to enjoying the success of the coming year with all of you.

DOING MUCH MORE WITH MUCH LESS

Most anyone can do more with more. It's doing more with less that's challenging

Like our members, we

have been *doing much more with much less*, especially over the last five years. We've been able to accomplish this by narrowing our focus to what truly matters: the value we provide our members. This focus has enabled us to increase top-line

revenue by 30 percent and surplus by 10 percent—all while decreasing expenses by more than 15 percent. Even better, our efforts have led to a positive and measurable impact on those we serve.

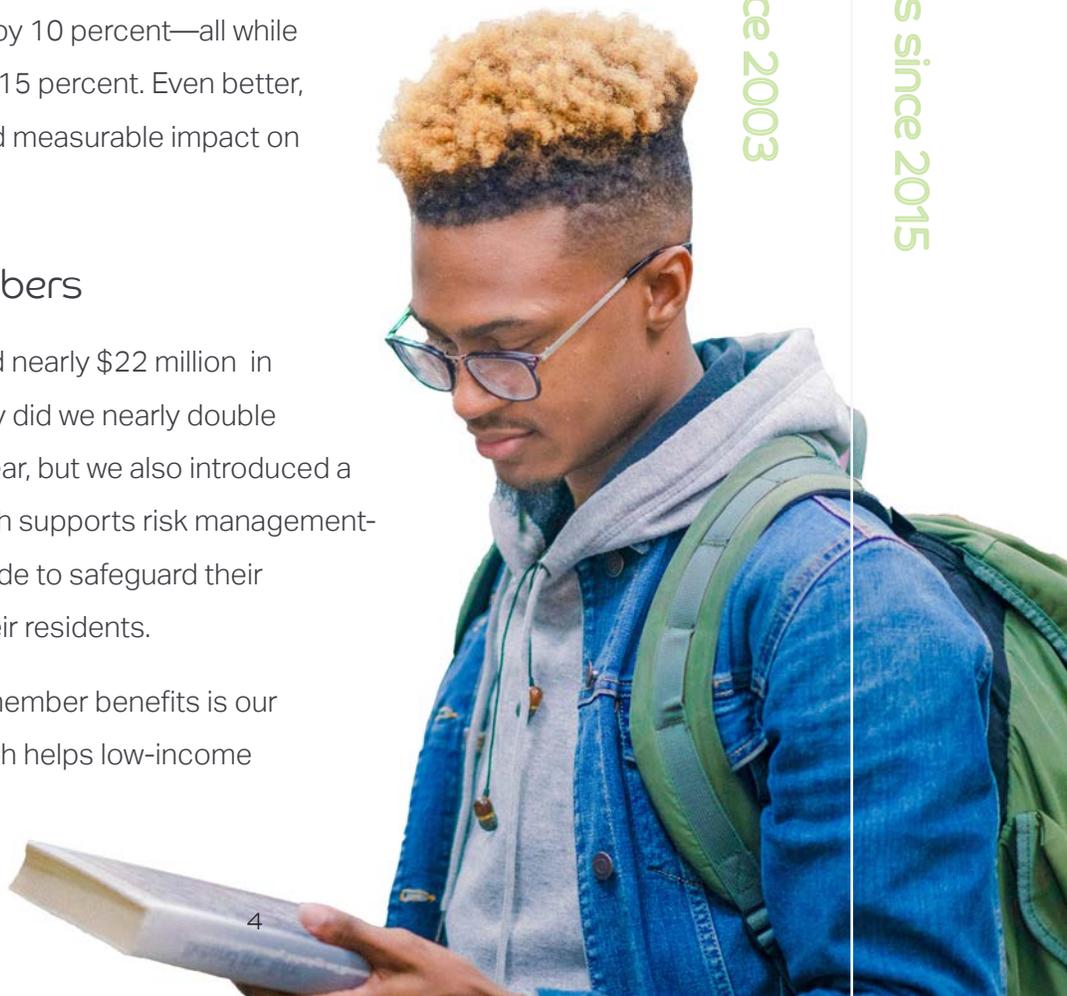
Returning Value to Members

Since 2015, HAI Group has declared nearly \$22 million in member dividends. In 2019, not only did we nearly double the declaration from the previous year, but we also introduced a \$1 million loss prevention fund, which supports risk management-related purchases our members made to safeguard their properties, their employees, and their residents.

One of HAI Group's long-standing member benefits is our Resident Scholarship Program, which helps low-income

\$1.2M in scholarships since 2003

\$22M in member dividends since 2015



students who live on member properties pay for higher education. In 2019, we awarded \$120,000 in scholarships to 20 deserving students. To date, the program has awarded more than \$1.2 million to more than 450 students across the country—students who have gone on to careers in nursing, education, social work, and more.

Improving Efficiencies Through Technology

From a technology standpoint, it's an exciting time to be in business. Just five years ago, HAI Group was in the midst of significant change as we addressed the substantial impact of technology on our operations. Our desire to create enterprise-wide efficiencies and improve customer service by harnessing the power of the latest technological advances led us to make substantial improvements in both the tools we use and the way we use them. Notably, HAI Group:

- Tied technological advancement to company performance;
- Moved the Enterprise Process Improvement and Enterprise Program Asset Management teams under IT, improving collaboration and eliminating information silos;
- Adopted an agile IT project planning and delivery framework and included other business units, which has vastly improved interdepartmental collaboration;
- Adopted Microsoft CRM, a multi-use customer relationship management system that provides additional business functionality for increased efficiency; and
- Replaced a decades-old, in-house policy management system that had become inefficient and vulnerable to security issues with a powerful and robust new system. In terms of impact on our core business, this change—the largest we made—was also the most transformational.



Growth in the Affordable Housing Market

As we have anticipated for years, the migration from public to affordable housing continues to push forward. Throughout this time, we have been building our affordable housing program and are pleased to report that 2019 provided us our largest growth year to date. Our diligent planning has afforded us the opportunity to grow and strengthen our position in the affordable housing industry. We are poised to continue that growth in the years to come.

Planning for the Future

To ensure that we continue to exceed our members' expectations, HAI Group will funnel proposed initiatives through the guidelines laid out in our Five Year Strategic Plan. As we enter into our second year of executing the plan, we can already see the positive impact this sharpened focus has had on our ability to do more with less and drive even more value to our members.

HAI Group Companies

Housing Authority Risk Retention Group, Inc. (HARRG)

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism. HARRG is owned by the members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group, operating under

the Federal Risk Retention Act, licensed and domiciled in Vermont. HARRG began operation on June 1, 1987, and was incorporated on March 20, 1987.

Housing Authority Property Insurance, A Mutual Company (HAPI)

HAPI is a licensed insurer and reinsurer providing commercial property and liability insurance coverage to public housing authorities. Available coverages include property, inland marine, equipment breakdown, auto liability, physical damage, fidelity, crime, liability, and terrorism. HAPI is owned by the members it insures. HAPI is a traditional mutual insurer domiciled and licensed in Vermont. HAPI is licensed in 48 states and the District of Columbia. HAPI began operation on August 1, 1988, as a mutual association captive. HAPI converted its charter in 2003 to a nonprofit, tax exempt, traditional mutual insurer and issues policies on a direct basis. HAPI was incorporated in Vermont on March 20, 1987.

Housing Enterprise Insurance Company, Inc. (HEIC)

HEIC is a licensed insurer providing commercial insurance and risk management programs to affordable housing providers. Available coverages include property, liability, inland marine, hired and non-owned auto, equipment breakdown, and terrorism. HEIC is licensed in 48 states and the District of Columbia. The company is jointly owned by HARRG and HAPI as a subsidiary. HEIC began operation in August, 2001, and converted its charter to a for-profit, admitted licensed stock insurer domiciled in Vermont on December 31, 2007. HEIC was originally formed as a sponsored captive insurer, Housing Enterprise Risk Services, Inc. (HERS), which was incorporated in Vermont on August 20, 2000.

Housing Specialty Insurance Company, Inc. (HSIC)

HSIC is an excess and surplus lines insurer that provides a non-traditional insurance program to public and affordable housing providers throughout the United States. The company is jointly owned by HARRG and HAPI as a subsidiary. HSIC is a for-profit, property and casualty stock insurer domiciled in Vermont on January 15, 2014. HSIC was incorporated in Vermont on December 9, 2013.

Innovative Housing Insurance Company, Inc. (IHIC)

IHIC is a captive insurance company owned by HARRG. It engages in the business of insuring and reinsuring various types of risks. IHIC is licensed and domiciled in Vermont. IHIC began operation on November 1, 2015, and was incorporated in July 2015.

Housing Investment Group, Inc. (HIG)

HIG is responsible for investing in opportunities that further the missions of HARRG and HAPI. HIG is a downstream, for-profit business serving as an investment holding company owned jointly by HARRG and HAPI. HIG owns two taxable subsidiaries: HAGL and HIS. The financials of for-profit ventures have been consolidated since January 1, 1996. HIG was incorporated in Delaware in June 1995.

Housing Telecommunications, Inc. (HTI)

HTI is responsible for delivering training and education programs via the internet. HTI began operations on December 28, 1995, and originally delivered services via satellite broadcast and converted to web-streaming technology. HTI is a nonprofit organization incorporated in Connecticut in September 1993.

Housing Authority Insurance, Inc. (HAI)

HAI sponsors programs for its membership, including insurance and risk management programs, scholarship and internship programs, and charitable activities. HAI advocates and supports legislative and regulatory issues that help improve the public and affordable housing industries. HAI is a nonprofit association incorporated in 1987.

Housing Alliance Group, LLC (HAGL)

HAGL engages in the business of assisting public housing authorities and their affiliates by sponsoring and participating in the transformation of their housing portfolio. HAGL is a limited liability company whose sole member is HIG, Inc. and is incorporated and domiciled in Vermont. HAGL began operation on November 1, 2015 and was incorporated in July 2015.

Public And Affordable Housing Research Corporation (PAHRC)

Our research center strives to be the nexus for current data and research on public and affordable housing. The research is used to support the efforts of affordable housing stakeholders and to enhance the quality of life for low-income families. PAHRC collects primary data from the industry and compiles data from a variety of secondary data sources. PAHRC generates industry-specific reports and frequently works in partnership with industry groups in support of its stakeholders. PAHRC is a nonprofit organization incorporated in Connecticut in March 2011.

Housing Insurance Services, Inc. (HIS)

HIS provides agent and broker services to public and affordable housing providers and their agents to procure insurance products. HIS is licensed as an agency, broker, or surplus lines broker in various states. HIS is a wholly owned subsidiary of HIG. HIS is a for-profit corporation incorporated in Connecticut on February 14, 1991.

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Amy Galvin, *Corporate Secretary*
Courtney Rice, *Assistant
Corporate Secretary*
Sarah Rodriguez, *Treasurer*
Paul Lagonigro, *Assistant Treasurer*

Executive Management Team

Ed Malaspina
Amy Galvin
Courtney Rice
Sarah Rodriguez
Troy LePage
Sherry Sullivan

2019 Financial Statements

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2019 Financial Statements* supplement. This can be found on our website at www.housingcenter.com/annual-reports.

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*The financial statements herein have been derived from audited statements and differ only in presentation

HARRG

Housing Authority Risk Retention Group, Inc.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

	2019	2018
Admitted Assets		
Cash and invested assets:		
Bonds, at amortized cost or fair value	\$ 226,291,294	\$ 216,465,489
Equity securities, at fair value	27,036,692	21,516,789
Federal Home Loan Bank of Boston stock, at cost	446,800	575,700
Investment in affiliates and majority owned subsidiaries	52,461,044	45,513,435
Real estate occupied by the Company, net	11,815,121	12,245,121
Cash, cash equivalents and short-term investments	7,591,127	8,499,356
Total cash and invested assets	<u>325,642,078</u>	<u>304,815,890</u>
Investment income due and accrued	1,467,674	1,269,696
Premiums receivable	6,569,838	5,483,533
Reinsurance recoverable on paid losses	254,256	-
Funds held by or deposited with reinsured companies	300,000	300,000
EDP equipment, net	1,622,993	681,183
Due from affiliates	2,419,099	2,566,010
Deductible receivables	492,385	964,108
Other assets	2,056,862	2,270,059
Total admitted assets	<u>\$ 340,825,185</u>	<u>\$ 318,350,479</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 99,540,482	\$ 94,446,596
Taxes, licenses and fees	815,685	588,120
Borrowed money and interest	4,437,740	5,657,825
Unearned premiums	15,567,303	15,213,955
Advance premiums	4,952	25,554
Accrued dividends to policyholders	4,377,917	2,621,688
Ceded reinsurance premiums payable	738,764	766,092
Due to affiliates	426,065	300,848
Accrued dividends to policyholders	6,184,910	8,630,300
Total liabilities	<u>132,093,818</u>	<u>128,250,978</u>
Capital and surplus:		
Members' contributions	11,029,977	10,990,937
Unassigned funds	197,701,390	179,108,564
Total capital and surplus	<u>208,731,367</u>	<u>190,099,501</u>
Total liabilities and capital and surplus	<u>\$ 340,825,185</u>	<u>\$ 318,350,479</u>

HARRG

Housing Authority Risk Retention Group, Inc.

Statutory Statements of Operations

	2019	2018
Underwriting Income		
Net premiums earned	\$ 36,066,914	\$ 34,405,613
Losses and Expenses		
Net losses and loss adjustment expenses incurred	23,278,961	22,594,830
Other underwriting expenses incurred	11,011,085	10,289,269
Total losses and expenses	<u>34,290,046</u>	<u>32,884,099</u>
Net underwriting income	1,776,868	1,521,514
Investment Income		
Net investment income earned	6,669,076	6,421,484
Net realized capital gains	5,361,382	506,782
Total investment gain	<u>12,030,458</u>	<u>6,928,266</u>
Income before policyholder dividends	13,807,326	8,449,780
Policyholder dividends	<u>(4,179,000)</u>	<u>(2,487,500)</u>
Net income	<u>\$ 9,628,326</u>	<u>\$ 5,962,280</u>

HAPI

Housing Authority Property Insurance, A Mutual Company

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

	2019	2018
Admitted Assets		
Cash and invested assets:		
Bonds, at amortized cost or fair value	\$ 137,874,883	\$ 118,310,415
Equity securities, at fair value	14,439,851	11,491,539
Federal Home Loan Bank of Boston stock, at cost	239,500	239,500
Investment in affiliates	34,196,760	29,499,796
Cash, cash equivalents and short-term investments	4,679,590	4,235,603
Total cash and invested assets	<u>191,430,584</u>	<u>163,776,853</u>
Investment income due and accrued	848,226	725,483
Premiums receivable	16,537,952	15,627,990
Reinsurance recoverable on paid losses	4,935,369	9,925,253
Funds held by or deposited with reinsured companies	10,000	10,000
Due from affiliates	51,366	3,963
Total admitted assets	<u>\$ 213,813,497</u>	<u>\$ 190,069,542</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 39,397,318	\$ 35,634,577
Reinsurance payable on paid losses	85,033	77,833
Taxes, licenses and fees	268,345	860,651
Unearned premiums	25,137,001	24,161,661
Accrued dividends	4,787,566	2,302,237
Ceded reinsurance premiums payable	682,488	118,364
Provision for reinsurance	169,000	222,000
Funds held under reinsurance treaties	200,000	197,198
Due to affiliates	1,076,926	1,157,436
Accrued expenses and other liabilities	996,609	1,130,515
Total liabilities	<u>72,800,286</u>	<u>65,862,472</u>
Capital and surplus:		
Members' contributions	10,252,471	10,066,439
Unassigned funds	130,760,740	114,140,631
Total capital and surplus	<u>141,013,211</u>	<u>124,207,070</u>
Total liabilities and capital and surplus	<u>\$ 213,813,497</u>	<u>\$ 190,069,542</u>

HAPI

Housing Authority Property Insurance, A Mutual Company

Statutory Statements of Operations

	2019	2018
Underwriting Income		
Net premiums earned	\$ 53,792,545	\$ 51,063,816
Losses and Expenses		
Net losses and loss adjustment expenses incurred	29,727,229	30,811,439
Other underwriting expenses incurred	14,742,408	15,287,091
Total losses and expenses	<u>44,469,637</u>	<u>46,098,530</u>
Net underwriting income	9,322,908	4,965,286
Investment Income		
Net investment income earned	3,248,378	2,995,194
Net realized capital gains (loss)	2,506,165	(46,910)
Total investment gain	<u>5,754,543</u>	<u>2,948,284</u>
Other Income	<u>83,950</u>	<u>86,499</u>
Net income before policyholder dividends	15,161,401	8,000,069
Policyholder dividends	<u>(4,656,000)</u>	<u>(2,300,000)</u>
Net income	<u>\$ 10,505,401</u>	<u>\$ 5,700,069</u>

HEIC

Housing Enterprise Insurance Company, Inc.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

	2019	2018
Admitted Assets		
Cash and invested assets:		
Investments, at amortized cost or fair value	\$ 68,735,986	\$ 65,651,978
Cash, cash equivalents and short-term investments	6,350,342	1,212,966
Receivable for securities	405	-
Total cash and invested assets	<u>75,086,733</u>	<u>66,864,944</u>
Investment income due and accrued	499,752	454,122
Premiums receivable	15,977,212	12,634,701
Reinsurance recoverable on paid losses	4,584,716	3,539,849
Deferred tax asset	1,611,589	1,198,375
Federal income tax receivable	88,744	88,744
Due from affiliates	<u>36,259</u>	<u>51,071</u>
Total admitted assets	<u>\$ 97,885,005</u>	<u>\$ 84,831,806</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 27,887,810	\$ 27,867,191
Taxes, licenses and fees	291,331	551,966
Unearned premiums	20,630,350	17,020,696
Ceded reinsurance premiums payable	2,988,996	900,097
Funds held under reinsurance treaties	10,392	79,459
Payable to affiliates	454,932	401,423
Provision for reinsurance	70,000	116,000
Accrued expenses and other liabilities	<u>738,186</u>	<u>477,100</u>
Total liabilities	53,071,997	47,413,932
Capital and surplus:		
Common stock, \$10,000 stated value, 10,000 shares authorized, and 2,000 issued and outstanding	20,000,000	20,000,000
Contributed Surplus	29,000,000	29,000,000
Unassigned funds	<u>(4,186,992)</u>	<u>(11,582,126)</u>
Total capital and surplus	<u>44,813,008</u>	<u>37,417,874</u>
Total liabilities and capital and surplus	<u>\$ 97,885,005</u>	<u>\$ 84,831,806</u>

HEIC

Housing Enterprise Insurance Company, Inc.

Statutory Statements of Operations

	2019	2018
Underwriting Income		
Net premiums earned	\$ 32,263,120	\$ 25,821,913
Losses and Expenses		
Net losses and loss adjustment expenses incurred	17,540,041	16,114,317
Other underwriting expenses incurred	9,578,015	8,547,836
Total losses and expenses	<u>27,118,056</u>	<u>24,662,153</u>
Net underwriting income	5,145,064	1,159,760
Investment Income		
Net investment income earned	1,596,864	1,601,987
Net realized capital gains (losses), (net of taxes of \$20,615 and \$0 in 2019 and 2018, respectively)	77,554	(131,545)
Total investment gain	<u>1,674,418</u>	<u>1,470,442</u>
Other Income	<u>31,190</u>	<u>25,140</u>
Net income before all other federal income taxes	6,850,672	2,655,342
Federal income taxes incurred	<u>(20,615)</u>	<u>-</u>
Net income	<u>\$ 6,871,287</u>	<u>\$ 2,655,342</u>

HSIC

Housing Specialty Insurance Company, Inc.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

	2019	2018
Admitted Assets		
Cash and invested assets:		
Investments, at amortized cost or fair value	\$ 22,965,715	\$ 22,658,419
Cash, cash equivalents and short-term investments	1,085,178	538,313
Total cash and invested assets	<u>24,050,893</u>	<u>23,196,732</u>
Investment income due and accrued	163,179	131,268
Reinsurance recoverable on paid losses	85,033	77,833
Premiums receivable	374,759	350,338
Deferred tax asset	23,812	-
Total admitted assets	<u>\$ 24,697,676</u>	<u>\$ 23,756,171</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 487,061	\$ 616,619
Unearned premiums	473,074	441,890
Ceded reinsurance premiums payable	111,313	98,210
Due to Affiliates	99,468	64,230
Federal income taxes payable	138,690	-
Accrued expenses and other liabilities	111,723	70,588
Total liabilities	<u>1,421,329</u>	<u>1,291,537</u>
Capital and surplus:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 200 issued and outstanding	2,000,000	2,000,000
Contributed surplus	20,800,000	20,800,000
Unassigned funds	476,347	(335,366)
Total capital and surplus	<u>23,276,347</u>	<u>22,464,634</u>
Total liabilities and capital and surplus	<u>\$ 24,697,676</u>	<u>\$ 23,756,171</u>

HSIC

Housing Specialty Insurance Company, Inc.

Statutory Statements of Operations

	2019	2018
Underwriting Income		
Net premiums earned	\$ 1,550,794	\$ 1,421,091
Losses and Expenses		
Net losses and loss adjustment expenses incurred	572,148	821,981
Other underwriting expenses incurred	1,086,197	860,138
Total losses and expenses	<u>1,658,345</u>	<u>1,682,119</u>
Net underwriting loss	(107,551)	(261,028)
Investment Income		
Net investment income earned	616,901	496,293
Net realized capital gains (losses), (net of taxes of \$84,029 and \$0 in 2019 and 2018, respectively)	316,110	(85,392)
Total investment gain	<u>933,011</u>	<u>410,901</u>
Net income before provision for federal income taxes	825,460	149,873
Federal income taxes expense	<u>54,661</u>	<u>-</u>
Net income	<u>\$ 770,799</u>	<u>\$ 149,873</u>

IHIC

Innovative Housing Insurance Company, Inc.

Balance Sheets

	2019	2018
Assets		
Cash and cash equivalents	\$ 3,366,626	\$ 3,320,571
Investment, available for sale, at fair value	2,045,882	2,028,877
Other assets	303	4,948
	<hr/>	<hr/>
Total assets	<u>\$ 5,412,811</u>	<u>\$ 5,354,396</u>
Liabilities and Equity		
Unearned premiums	\$ 287,653	\$ 219,944
Advance premiums	-	64,635
Account payable and other liabilities	1,266	52
Due to affiliate	8,913	10,501
	<hr/>	<hr/>
Total liabilities	297,832	295,132
Shareholders' equity:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 50 issued and outstanding	500,000	500,000
Contributed surplus	4,750,000	4,750,000
Accumulated other comprehensive income	-	13,969
Retained deficit	(135,021)	(204,705)
	<hr/>	<hr/>
Total shareholders' equity	5,114,979	5,059,264
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<u>\$ 5,412,811</u>	<u>\$ 5,354,396</u>

IHIC

Innovative Housing Insurance Company, Inc. Statements of Comprehensive Income

	2019		2018
Revenues			
Premiums earned	\$ 34,261	\$	65,666
Investment income	100,839		11,991
	<hr/>		<hr/>
Total revenues	135,100		77,657
Expenses			
Salaries and benefits	13,316		(707)
General and administrative expenses	66,069		50,476
	<hr/>		<hr/>
Total expenses	79,385		49,769
Net income tax before federal income tax benefit	55,715		27,888
Federal income tax benefit	-		(3,713)
	<hr/>		<hr/>
Net income	\$ 55,715	\$	31,601
Other comprehensive income, net of tax			
Unrealized holding gains on available for sale securities, net of tax of \$3,713 in 2018	-		13,969
	<hr/>		<hr/>
Other comprehensive income	-		13,969
Comprehensive income	<u>\$ 55,715</u>	<u>\$</u>	<u>45,570</u>

HIG

Housing Investment Group, Inc. and Subsidiaries Consolidated Balance Sheets

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,111,024	\$ 22,995,035
Agency and commission accounts receivables	25,784,898	27,437,775
Due from related parties	406,494	281,886
Income taxes receivable	5,803	17,955
Prepaid contractual liability insurance	287,653	284,579
Other assets	255,177	489,566
Total current assets	<u>51,851,049</u>	<u>51,506,796</u>
Deferred tax asset	<u>1,083,200</u>	<u>1,195,178</u>
Total assets	<u>\$ 52,934,249</u>	<u>\$ 52,701,974</u>
Liabilities and Stockholders' Equity		
Commission payable and accounts current	\$ 34,976,405	\$ 35,814,049
Deferred commissions and other revenues	1,518,904	3,686,067
Accounts payable and accrued expenses	945,897	513,007
Due to related parties	553,450	858,103
Total current liabilities	<u>37,994,656</u>	<u>40,871,226</u>
Shareholders' equity:		
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding in 2019 and 2018	10,000	10,000
Common stock, Class B, no par value, various stated values, 300,000 shares authorized in 2019 and 2018, 198,700 shares issued and outstanding in 2019 and 2018	39,400,000	39,400,000
Additional paid-in-capital	482,234	482,234
Retained deficit	(24,952,641)	(28,061,486)
Total shareholders' equity	<u>14,939,593</u>	<u>11,830,748</u>
Total liabilities and shareholders' equity	<u>\$ 52,934,249</u>	<u>\$ 52,701,974</u>

HIG

Housing Investment Group, Inc. and Subsidiaries Consolidated Statements of Operations

	2019	2018
Net Revenues		
Commission income	\$ 6,258,297	\$ 5,916,933
Insurance management services	153,506	140,703
Program fees	62,335	255,000
Other income	256,511	342,726
Total revenues	<u>6,730,649</u>	<u>6,655,362</u>
Cost and Expenses		
Salaries and benefits	3,350,242	2,739,845
General and administrative	1,790,353	1,516,796
Amortization	-	11,805
Total expenses	<u>5,140,595</u>	<u>4,268,446</u>
Income before provision for income taxes	1,590,054	2,386,916
Income tax benefit	(124,194)	(1,094,368)
Net income	<u>\$ 1,714,248</u>	<u>\$ 3,481,284</u>

HTI

Housing Telecommunications, Inc. Statements of Financial Position

	2019	2018
Assets		
Cash	\$ 2,596,689	\$ 2,028,114
Accounts receivable	32,173	82,071
Prepaid expenses	6,042	77,941
Due from affiliates	27,354	28,274
	<u>2,662,258</u>	<u>2,216,400</u>
Total assets	<u>\$ 2,662,258</u>	<u>\$ 2,216,400</u>
Liabilities and Net Assets		
Accounts payable	\$ 162,408	\$ 207,670
Due to affiliates	174,443	59,439
Unearned subscription fees	532,942	517,128
	<u>869,793</u>	<u>784,237</u>
Total liabilities	869,793	784,237
Net assets without donor restrictions	<u>1,792,465</u>	<u>1,432,163</u>
Total liabilities and net assets	<u>\$ 2,662,258</u>	<u>\$ 2,216,400</u>

Housing Telecommunications, Inc. Statements of Activities and Changes In Net Assets

	2019	2018
Revenue Without Donor Restrictions		
Subscription fees	\$ 1,075,356	\$ 1,059,182
Risk management service fees	100,000	100,000
Sponsorship fees	150,000	150,000
Pay per view fees	717,003	599,269
Producer content development fees	-	88,843
Other income	46,700	10,250
	<u>2,089,059</u>	<u>2,007,544</u>
Total revenue without donor restrictions	2,089,059	2,007,544
Expenses		
Salaries and benefits	873,910	777,515
Program acquisition	422,427	346,838
General and administrative expenses	432,420	458,150
	<u>1,728,757</u>	<u>1,582,503</u>
Total expenses	1,728,757	1,582,503
Change in net assets without donor restrictions	360,302	425,041
Net assets without donor restrictions, beginning of year	<u>1,432,163</u>	<u>1,007,122</u>
Net assets without donor restrictions, end of year	<u>\$ 1,792,465</u>	<u>\$ 1,432,163</u>

HAI

Housing Authority Insurance, Inc. Statements of Financial Position

	2019	2018
Assets		
Cash	\$ 2,173,553	\$ 1,313,205
Refundable advance	272,144	619,504
Prepaid expenses and other assets	19,081	20,212
	<u>2,464,778</u>	<u>1,952,921</u>
Total assets	<u>\$ 2,464,778</u>	<u>\$ 1,952,921</u>
Liabilities and Net Assets		
Accounts payable	\$ 100,933	\$ 82,169
Due to affiliates	67,397	55,935
Deferred revenue	4,310	-
	<u>172,640</u>	<u>138,104</u>
Total liabilities	<u>172,640</u>	<u>138,104</u>
Net assets without donor restrictions	<u>2,292,138</u>	<u>1,814,817</u>
	<u>\$ 2,464,778</u>	<u>\$ 1,952,921</u>

Housing Authority Insurance, Inc. Statements of Activities and Changes In Net Assets

	2019	2018
Revenues Without Donor Restrictions		
Membership fees	\$ 2,500,000	\$ 2,500,000
Sponsorship revenue	20,250	-
Participant registration fees	71,252	-
Other income	-	1,769
	<u>2,591,502</u>	<u>2,501,769</u>
Total revenues without donor restrictions	<u>2,591,502</u>	<u>2,501,769</u>
Expenses		
Salaries and benefits	563,696	570,344
General and administrative expenses	233,352	352,982
Grants and donations	939,495	894,935
Event support	84,838	5,020
Member benefits	292,800	295,324
	<u>2,114,181</u>	<u>2,118,605</u>
Total expenses	<u>2,114,181</u>	<u>2,118,605</u>
Change in net assets without donor restrictions	477,321	383,164
Net assets without donor restrictions, beginning of year	<u>1,814,817</u>	<u>1,431,653</u>
Net assets without donor restrictions, end of year	<u>\$ 2,292,138</u>	<u>\$ 1,814,817</u>

PAHRC

Public and Affordable Housing Research Corporation

Statements Of Financial Position

	2019	2018
Assets		
Cash	\$ 372,944	\$ 258,372
Prepaid expenses	1,811	6,367
Total assets	<u>\$ 374,755</u>	<u>\$ 264,739</u>
Liabilities and Net Assets		
Accounts payable	\$ 53,793	\$ 45,592
Unearned subscription revenues	41,347	10,947
Due to affiliate	79,584	22,475
Deferred grant revenue	246,438	175,413
Total liabilities	<u>421,162</u>	<u>254,427</u>
Net (deficit) assets without donor restrictions	<u>(46,407)</u>	<u>10,312</u>
Total liabilities and net assets	<u>\$ 374,755</u>	<u>\$ 264,739</u>

Public and Affordable Housing Research Corporation Statements of Activities and Changes In Net Assets

	2019	2018
Revenue Without Donor Restrictions		
Grant revenue	\$ 347,975	\$ 318,787
Other revenue	77,765	37,185
Total revenue without donor restrictions	<u>425,740</u>	<u>355,972</u>
Expenses		
Salaries and benefits	366,794	258,749
General and administrative expenses	115,665	94,523
Total expenses	<u>482,459</u>	<u>353,272</u>
Change in net (deficit) assets without donor restrictions	(56,719)	2,700
Net assets without donor restrictions, beginning of year	<u>10,312</u>	<u>7,612</u>
Net (deficit) assets without donor restrictions, end of year	<u>\$ (46,407)</u>	<u>\$ 10,312</u>



2019 HAI Group Annual Report

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