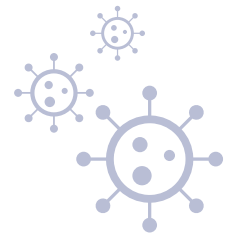


A Year of

SUCCESS
AMID
ADVERSITY

2020 ANNUAL REPORT





LETTER FROM

Ed Hinojosa Jr.

Chairman of the Board

Overcoming adversity is an apt theme for 2020. This year tested people in ways most of us never could have imagined. Worldwide, the novel coronavirus disrupted almost every aspect of our personal and work lives. Here in the United States, we experienced a record-breaking 22 distinct billion-dollar weather- and climate-related disasters. Political upheaval and economic woes dominated our newsfeeds, and a series of tragic, racially charged events left our weary nation reeling.

Surely, 2020 will go down as one for the record books, but there is an upside: The focus on our collective crises produced promising new solutions. This is welcome news for the public housing industry and the millions of vulnerable Americans who continue to struggle to find a safe, decent, and affordable place to call home.

Like most businesses, HAI Group faced unprecedented challenges in 2020. Thanks to Ed Malaspina's leadership and his team's preparedness—which is a hallmark of a good management team and a good insurance carrier—the organization was able to quickly accomplish three key goals that Ed and his leadership team developed to guide the organization through the crises: keep employees safe, keep members protected, and support the local community.

Ed and his team succeeded. HAI Group was among the first companies in Connecticut to cancel business travel and pivot to a fully remote workforce, made easier by the technology upgrades the IT team

had put in place prior to the pandemic. With employees safe from the virus, the organization turned its attention to keeping members protected. Coverage was bound, policyholders were serviced, risk management services continued remotely, and online training had its best year ever. And as part of its ongoing, decades-long initiative to support the local community, HAI Group donated personal protective equipment and other critical supplies to area hospitals and medical centers that were in dire need of these life-saving tools.

My first year as board chair was remarkable in many ways. As I look forward to next year, I am optimistic that HAI Group will continue to proactively seek out ways to support the public and affordable housing industry as we emerge from the chaos of 2020. A true partner, the organization is well positioned to further its mission of exceeding the expectations of you, our valued members and customers. ■



LETTER FROM

Ed Malaspina

President and Chief Executive Officer

When planning for a new year, companies and individuals alike set forth goals and aspirations to ensure success. While 2020 marked HAI Group's second year executing our Five-Year Strategic Plan, never could we have imagined the year that was in store for us.

The COVID-19 pandemic certainly played a huge part in our every day lives. The continual pivot of focusing on business targets while making sure our employees were safe and healthy was an everyday occurrence.

Through it all we banded together and proved successful. HAI Group had one of our best years yet. And not even just financially. All our 2020 year-end performance metrics met or exceeded their goals. The ability to adapt, improvise, and overcome is the byproduct of good planning, preparation, and execution.

There is one accomplishment that we achieved during the pandemic that I am most proud of. I am truly humbled that HAI Group was named a 2020 Top Workplace by the Hearst Connecticut Media Group; the first year that we attempted the ranking. Not only were we named a 2020 Top Workplace – we were ranked #2 for Midsize Companies and received the Top Managers Award, which was only given to one company.

Without the dedication to our culture, the emphasis put on teamwork, and the

genuine camaraderie put forth by our employees, we would not have such a wonderful place to work every day. Without the leadership of our board and the trust of our members; we could not have built such an extraordinary company.

As we continue to adapt to our new working environment and consider the impact COVID-19 has had on all of us, it is imperative that we continue to protect what makes us unique – our culture. Our culture has helped cushion the adverse effects of the pandemic, continues to be the foundation we are built on, and drives how we do what we do.

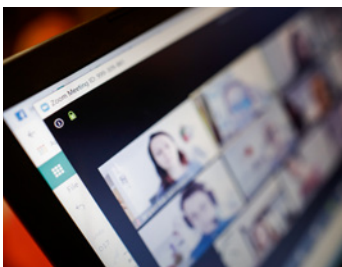
I want to personally thank all of you for your support to not only myself but the entire HAI Group team. Everyone plays a significant role in developing solutions for the public and affordable housing community, and 2020's achievements are certainly something that we can all celebrate together. I look forward to continuing to create successful outcomes for our company and the housing industry we serve. I am confident that 2021 will be another great year. ■

A Year of Success Amid Adversity

The year 2020 may be remembered as the year of the coronavirus pandemic, the longest year ever, or even one of utter disruption. When looking back on 2020, we at HAI Group are choosing to remember the year as one of caring, inclusivity, and putting our HAI Group family first.

While yes, the coronavirus pandemic was disruptive to 'life as we know it,' it also forced us to work and live differently. We chose to focus on how we could best serve our employees and our membership. We were dedicated to maintaining our superior customer service and ended 2020 with one of our most successful business years yet. Even during a pandemic.

In early January 2020, we created the *HAI Group COVID-19 Response Plan* to maintain business continuity during the pandemic as well as to ensure the safety and well-being of our employees. The communication throughout the execution of this plan was instrumental to its continued success.



The COVID-19 Response Plan included more than the traditional business continuity activities; we specifically included a significant segment regarding the health and safety of our employees.

We had three phases of response: **planning, preparation, and execution.**

Early on we ordered N95 masks and thermometers, suspended all travel, expanded the availability of laptops, refined and distributed the company's remote work policy, replenished our shelter-in-place supply inventory, and enhanced our supply of hand soap and sanitizers, disinfectant sprays, and other cleaning products. We were fully stocked and prepared, ready to confront the potential challenges that stood in front of us due to the COVID-19 pandemic.

We were one of the first companies to leave the traditional office setting, and then one of the first to return to the office in a hybrid model.

Once we were confident with our remote working environment and knew our employees were working from the safety of their own homes, we knew that we



would be able to donate the extra personal protective equipment (PPE) we had onsite. We understood the value of these safety products and knew that front line medical workers were in dire need. The pandemic wiped hospitals out of PPE nationwide; they had limited to no supplies for their employees. Due to our planning and foresight, we were able to go to the closest hospital and donate N95s to the emergency room employees. Our employees value that a core principle of HAI Group is being invested and genuinely caring about our local community.

As cliché as it sounds – and as unpopular it can be these days – HAI Group is truly a family and not just a group of co-workers.

While the majority of the workforce was working remotely – the Executive Management Team was working from the office to minimize disruption to our membership and execute on the standard daily functional operations. By making sure that our employees had everything that they needed to get the job done – employees could put their full focus and attention on servicing the needs of our members during this trying time.

Keeping operations full steam ahead was crucial, but we also put the physical and mental wellbeing of our employees at the forefront. We knew that working from home – or as we had heard it lovingly referred

to as ‘Living at Work’ – could potentially take its toll. Therefore, for the month of October – the month where we typically partake in our annual Teambuilding Day – we wanted our employees to take some time for themselves. Throughout the month, we sent employees some small tokens of appreciation, all of which focused on self-care in some way. A regular cadence of care packages was a small way that we brought our employees together and reinforced our mission of a caring and inclusive culture. We recognize and appreciate the importance of work-life balance and were committed to supporting our employees achieve this. We knew that if our employees were taken care of, they could better take care of our members. This all resonated in our 2020 year-end performance metrics.

We ended 2020 with a Net Promoter Score (NPS) of 69, against a goal of 65. In the insurance industry overall, if a company’s NPS is higher than 30, that would indicate that the company is doing great and has far more happy customers than unhappy ones. We are honored to end the year with such a high score.



Our AM Best rating was also enhanced in 2020. Our goal was A, but in December, AM Best upgraded our Long-Term Issuer Credit Rating (Long-Term ICR) to “a+” from “a” and affirmed our Financial Strength Rating (FSR) of A (Excellent). According to AM Best, these ratings “reflect HAI Group’s balance sheet strength, which AM Best categorizes as strongest, as well as its adequate operating performance, favorable business profile and

appropriate enterprise risk management (ERM). The favorable earnings trend is attributed mainly to the group's favorable loss experience, improved risk selection, and the deliberate expense management initiatives implemented by senior leadership."

Our robust new business opportunities, coupled with our strong underwriting discipline, resulted in excellent financials to round out our 2020 year-end performance metrics. Our total assisted units ended at 692K, against a goal of 682K. This directly correlates to our topline revenue ending at \$183M, against a goal of \$173M.

In addition to these performance metrics, we received our first ranking among the *Top Workplaces in Connecticut*. 2020 was our first entrance into the survey process for the ranking, and we were both proud and humbled to be named a 2020 Top Workplace by the Hearst Connecticut Media Group. We were ranked #2 for Midsize Companies and also received the Top Managers Award, which was only given to one company. These



As cliché as it sounds HAI Group is truly a family and not just a group of co-workers.

honors are based on feedback gathered through the third-party survey administered by Energage. By surveying and studying more than 22M employees at 66K organizations nationwide, Energage knows what a great place to work at looks like – and we are grateful to be named one of them.

During a time when many companies committed to stability, we chose to grow and diversify, capitalizing on opportunity. We created a new umbrella product. This was the culmination of efforts from employees across the company working together to make it happen. It is truly remarkable that a new product was entirely created while everyone was working remotely during a global pandemic. Building this new product is something that will remain a lasting legacy in our company's history.

When we began to plan for the reintroduction back to in-office working, we did so with care and thoughtful consideration. We knew that getting all of our employees back together would be crucial for our culture – which is the lifeblood of our organization.

We endured 2020 the HAI Group way – empowering, encouraging, and enabling our employees to perform at superior levels so we can best serve our membership. ■

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.

■ **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.

2020 Board of Directors and Committee Members

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Vice Chair



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Housing Authority of the City of San Antonio



Tyrone Garrett

District of Columbia Housing Authority



Fernando Aniban

The Housing Authority of the City of Milwaukee



Scott Bertrand

Enfield Housing Authority



Janaka Casper

HAI Group Outside Director



James DiPaolo

The Housing Authority of the City and County of Denver



Douglas Dzema

Housing Authority of the City of Perth Amboy



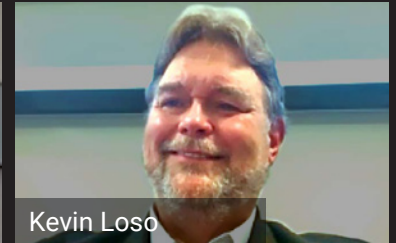
Hurticene Hardaway

Detroit Housing Commission



Duane Hopkins

Fort Collins Housing Authority dba Housing Catalyst



Kevin Loso

Rutland Housing Authority



Edwin Lowndes

Housing Authority of Kansas City



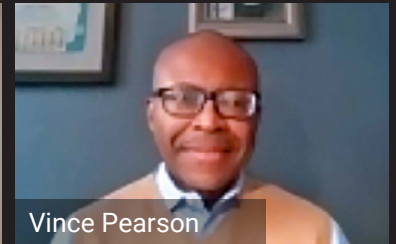
Ed Malaspina

HAI Group CEO Director



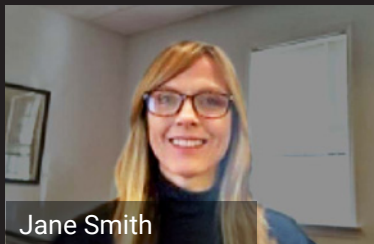
Jeffery Patterson

Cuyahoga Metropolitan Housing Authority



Vince Pearson

Sacramento Housing and Redevelopment Agency



Jane Smith

Athens Housing Authority, Georgia



J. Len Williams

The Housing Authority of Columbus, Georgia



Russell Young

HAI Group Outside Director

2020 Financial Statements

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2020 Financial Statements* supplement. This can be found on our website at housingcenter.com/annual-reports.

PAGE	Housing Authority Risk Retention Group, Inc. (HARRG)
	12 Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
	13 Statutory Statements of Operations
	Housing Authority Property Insurance, A Mutual Company (HAPI)
	14 Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
	15 Statutory Statements of Operations
	Housing Enterprise Insurance Company, Inc. (HEIC)
	16 Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
	17 Statutory Statements of Operations
	Housing Specialty Insurance Company, Inc. (HSIC)
	18 Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus
	19 Statutory Statements of Operations
	Innovative Housing Insurance Company, Inc. (IHIC)
	20 Balance Sheets
	21 Statements of Operations
	Housing Investment Group, Inc. and Subsidiaries (HIGI)
	22 Consolidated Balance Sheets
	23 Consolidated Statements of Operations
	Housing Telecommunications, Inc. (HTI)
24 Statements of Financial Position	
25 Statements of Activities and Changes in Net Assets	
Housing Authority Insurance, Inc. (HAI)	
26 Statements of Financial Position	
27 Statements of Activities and Changes In Net Assets	
Public and Affordable Housing Research Corporation (PAHRC)	
28 Statements of Financial Position	
29 Statements of Activities and Changes in Net Assets	

*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

	2020	2019
Admitted Assets		
Cash and invested assets		
Debt securities, at amortized cost or fair value	\$ 233,198,394	\$ 226,291,294
Equity securities, at fair value	32,416,327	27,036,692
Federal Home Loan Bank of Boston stock, at cost	343,800	446,800
Investment in affiliates and majority owned subsidiaries	59,287,083	52,461,044
Real estate occupied by the Company, net	11,280,711	11,815,121
Cash, cash equivalents and short-term investments	13,055,745	7,591,127
Total cash and invested assets	<u>\$ 349,582,060</u>	<u>\$ 325,642,078</u>
Investment income due and accrued	1,644,896	1,467,674
Premiums receivable	6,920,163	6,569,838
Reinsurance recoverable on paid losses	340,972	254,256
Funds held by or deposited with reinsured companies	400,000	300,000
EDP equipment, net	1,101,611	1,622,993
Due from affiliates	2,436,471	2,419,099
Deductible receivables	705,588	492,385
Other assets	2,506,709	2,056,862
Total admitted assets	<u>\$ 365,638,470</u>	<u>\$ 340,825,185</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 102,932,585	\$ 99,540,482
Taxes, licenses and fees	554,046	815,685
Borrowed money and interest	3,181,252	4,437,740
Unearned premiums	15,435,282	15,567,303
Advance premiums	29,059	4,952
Accrued dividends to policyholders	2,496,050	4,377,917
Ceded reinsurance premiums payable	751,617	738,764
Due to affiliates	611,258	426,065
Accrued expenses and other liabilities	5,923,403	6,184,910
Total liabilities	<u>131,914,552</u>	<u>132,093,818</u>
Capital and surplus		
Members' contributions	11,051,713	11,029,977
Unassigned funds	222,672,205	197,701,390
Total capital and surplus	<u>233,723,918</u>	<u>208,731,367</u>
Total liabilities and capital and surplus	<u>\$ 365,638,470</u>	<u>\$ 340,825,185</u>

HARRG

Housing Authority Risk Retention Group, Inc.

Statutory Statements of Operations

	2020	2019
Underwriting income		
Net premiums earned	\$ 37,459,621	\$ 36,066,914
Losses and expenses		
Net losses and loss adjustment expenses incurred	23,712,109	23,278,961
Other underwriting expenses incurred	10,333,118	11,011,085
Total losses and expenses	<u>34,045,227</u>	<u>34,290,046</u>
Net underwriting income	3,414,394	1,776,868
Investment income		
Net investment income earned	9,111,959	6,669,076
Net realized capital gains	6,799,485	5,361,382
Total investment gain	<u>15,911,444</u>	<u>12,030,458</u>
Income before policyholder dividends	19,325,838	13,807,326
Policyholder dividends	<u>(2,336,996)</u>	<u>(4,179,000)</u>
Net income	<u>\$ 16,988,842</u>	<u>\$ 9,628,326</u>

HAPI

Housing Authority Property Insurance, A Mutual Company

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

	2020	2019
Admitted Assets		
Cash and invested assets		
Debt securities, at amortized cost or fair value	\$ 147,122,392	\$ 137,874,883
Equity securities, at fair value	17,336,594	14,439,851
Federal Home Loan Bank of Boston stock, at cost	239,500	239,500
Investment in affiliates	36,930,668	34,196,760
Cash, cash equivalents and short-term investments	15,619,796	4,679,590
Total cash and invested assets	<u>217,248,950</u>	<u>191,430,584</u>
Investment income due and accrued	1,023,364	848,226
Premiums receivable	16,872,038	16,537,952
Reinsurance recoverable on paid losses	2,861,287	4,935,369
Funds held by or deposited with reinsured companies	10,000	10,000
Due from affiliates	12,476	51,366
	<u>238,028,115</u>	<u>213,813,497</u>
Total admitted assets	<u>\$ 238,028,115</u>	<u>\$ 213,813,497</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 37,678,712	\$ 39,397,318
Reinsurance payable on paid losses	-	85,033
Taxes, licenses and fees	342,340	268,345
Unearned premiums	26,540,426	25,137,001
Accrued dividends	14,169,487	4,787,566
Ceded reinsurance premiums payable	846,172	682,488
Provision for reinsurance	427,000	169,000
Funds held under reinsurance treaties	-	200,000
Due to affiliates	1,584,003	1,076,926
Accrued expenses and other liabilities	1,047,679	996,609
Total liabilities	<u>82,635,819</u>	<u>72,800,286</u>
Capital and surplus		
Members' contributions	10,408,534	10,252,471
Unassigned funds	144,983,762	130,760,740
Total capital and surplus	<u>155,392,296</u>	<u>141,013,211</u>
Total liabilities and capital and surplus	<u>\$ 238,028,115</u>	<u>\$ 213,813,497</u>

HAPI

Housing Authority Property Insurance, A Mutual Company

Statutory Statements of Operations

	2020	2019
Underwriting income		
Net premiums earned	\$ 57,129,743	\$ 53,792,545
Losses and expenses		
Net losses and loss adjustment expenses incurred	26,066,122	29,727,229
Other underwriting expenses incurred	15,754,740	14,742,408
Total losses and expenses	<u>41,820,862</u>	<u>44,469,637</u>
Net underwriting income	15,308,881	9,322,908
Investment income		
Net investment income earned	5,666,101	3,248,378
Net realized capital gain	4,089,677	2,506,165
Total investment gain	<u>9,755,778</u>	<u>5,754,543</u>
Other income	<u>84,435</u>	<u>83,950</u>
Net income before policyholder dividends	25,149,094	15,161,401
Policyholder dividends	<u>(14,147,737)</u>	<u>(4,656,000)</u>
Net income	<u>\$ 11,001,357</u>	<u>\$ 10,505,401</u>

HEIC

Housing Enterprise Insurance Company, Inc.

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

	2020	2019
Admitted Assets		
Cash and invested assets		
Debt securities, at amortized cost	\$ 89,464,141	\$ 68,735,986
Cash, cash equivalents and short-term investments	5,213,631	6,350,342
Receivable for securities	–	405
Total cash and invested assets	<u>\$ 94,677,772</u>	<u>\$ 75,086,733</u>
Investment income due and accrued	592,406	499,752
Premiums receivable	18,049,588	15,977,212
Reinsurance recoverable on paid losses	2,226,479	4,584,716
Deferred tax asset	1,510,992	1,611,589
Federal income tax receivable	–	88,744
Due from affiliates	33,793	36,259
	<u> </u>	<u> </u>
Total admitted assets	<u>\$ 117,091,030</u>	<u>\$ 97,885,005</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 33,911,423	\$ 27,887,810
Taxes, licenses and fees	543,535	291,331
Federal income tax payable	621,368	–
Unearned premiums	23,020,173	20,630,350
Ceded reinsurance premium payable	3,495,454	2,988,996
Funds held under reinsurance treaties	31,236	10,392
Payable to affiliates	777,392	454,932
Provision for unauthorized reinsurance	–	70,000
Accrued expenses and other liabilities	897,096	738,186
Total liabilities	<u>63,297,677</u>	<u>53,071,997</u>
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	4,793,353	(4,186,992)
Total capital and surplus	<u>53,793,353</u>	<u>44,813,008</u>
	<u> </u>	<u> </u>
Total liabilities and capital and surplus	<u>\$ 117,091,030</u>	<u>\$ 97,885,005</u>

HEIC

Housing Enterprise Insurance Company, Inc.

Statutory Statements of Operations

	2020	2019
Underwriting income		
Net premiums earned	\$ 40,326,498	\$ 32,263,120
Losses and expenses		
Net losses and loss adjustment expenses incurred	20,775,528	17,540,041
Other underwriting expenses incurred	12,581,831	9,578,015
Total losses and expenses	<u>33,357,359</u>	<u>27,118,056</u>
Net underwriting gain	6,969,139	5,145,064
Investment income		
Net investment income earned	1,565,781	1,596,864
Net realized capital gains, (net of taxes of \$418,908 and \$20,615 in 2020 and 2019, respectively)	1,609,266	77,554
Total investment gain	<u>3,175,047</u>	<u>1,674,418</u>
Other income	<u>43,915</u>	<u>31,190</u>
Net income before all other federal income taxes	10,188,101	6,850,672
Federal income taxes incurred	<u>1,141,204</u>	<u>(20,615)</u>
Net income	<u>\$ 9,046,897</u>	<u>\$ 6,871,287</u>

HSIC

Housing Specialty Insurance Company, Inc.

Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus

	2020	2019
Admitted Assets		
Cash and invested assets		
Investments, at amortized cost or fair value	\$ 23,827,713	\$ 22,965,715
Cash, cash equivalents and short-term investments	1,227,992	1,085,178
Total cash and invested assets	<u>25,055,705</u>	<u>24,050,893</u>
Investment income due and accrued	188,243	163,179
Reinsurance recoverable on paid losses	-	85,033
Premiums receivable	376,254	374,759
Deferred tax asset	<u>24,323</u>	<u>23,812</u>
Total admitted assets	<u>\$ 25,644,525</u>	<u>\$ 24,697,676</u>
Liabilities and Capital and Surplus		
Unpaid losses and loss adjustment expenses	\$ 608,098	\$ 487,061
Unearned premiums	431,811	473,074
Ceded reinsurance premiums payable	109,781	111,313
Due to affiliates	118,651	99,468
Federal income taxes payable	3,473	138,690
Accrued expenses and other liabilities	<u>119,801</u>	<u>111,723</u>
Total liabilities	1,391,615	1,421,329
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	<u>1,452,910</u>	<u>476,347</u>
Total capital and surplus	<u>24,252,910</u>	<u>23,276,347</u>
Total liabilities and capital and surplus	<u>\$ 25,644,525</u>	<u>\$ 24,697,676</u>

HSIC

Housing Specialty Insurance Company, Inc.

Statutory Statements of Operations

	2020	2019
Underwriting income		
Net premiums earned	\$ 1,646,212	\$ 1,550,794
Losses and expenses		
Net losses and loss adjustment expenses incurred	635,932	572,148
Other underwriting expenses incurred	1,167,782	1,086,197
Total losses and expenses	<u>1,803,714</u>	<u>1,658,345</u>
Net underwriting loss	(157,502)	(107,551)
Investment income		
Net investment income earned	575,603	616,901
Net realized capital gains, net of taxes of \$173,385 and \$84,029 in 2020 and 2019, respectively	652,259	316,110
Total investment gain	<u>1,227,862</u>	<u>933,011</u>
Net income before provision for federal income taxes	1,070,360	825,460
Federal income taxes incurred	<u>89,398</u>	<u>54,661</u>
Net income	<u>\$ 980,962</u>	<u>\$ 770,799</u>

IHIC

Innovative Housing Insurance Company, Inc.

Balance Sheets

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,837,858	\$ 3,366,626
Investments, available for sale, at fair value	2,104,002	2,045,882
Other assets	6,302	303
Deferred tax asset	19,306	-
	<hr/>	<hr/>
Total assets	\$ 6,967,468	\$ 5,412,811
Liabilities and Shareholder's Equity		
Liabilities:		
Unearned premiums	\$ 365,603	\$ 287,653
Accounts payable and other liabilities	7,903	1,266
Due to affiliate	16,836	8,913
Total liabilities	<hr/> 390,342	<hr/> 297,832
Shareholder's equity		
Common stock, \$10,000 stated value, 10,000 shares authorized and 50 shares issued and outstanding	500,000	500,000
Contributed surplus	6,150,000	4,750,000
Retained deficit	(72,874)	(135,021)
	<hr/>	<hr/>
Total shareholder's equity	6,577,126	5,114,979
	<hr/>	<hr/>
Total liabilities and shareholder's equity	\$ 6,967,468	\$ 5,412,811

IHIC

Innovative Housing Insurance Company, Inc.

Statements of Operations

	2020	2019
Revenues		
Premiums earned	\$ 90,050	\$ 34,261
Investment income	95,908	100,839
	<hr/>	<hr/>
Total revenues	185,958	135,100
Expenses		
Salaries and benefits	52,245	13,316
General and administrative expenses	90,872	66,069
	<hr/>	<hr/>
Total expenses	143,117	79,385
Net income before provision for federal income taxes	42,841	55,715
Federal income taxes incurred	(19,306)	-
	<hr/>	<hr/>
Net income	\$ 62,147	\$ 55,715

HIG

Housing Investment Group, Inc. and Subsidiaries Consolidated Balance Sheets

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 23,668,826	\$ 25,111,024
Agency and commission accounts receivables	31,331,225	25,784,898
Due from related parties	1,036,315	406,494
Income taxes receivable	11,708	5,803
Prepaid contractual liability insurance	365,603	287,653
Other assets	195,785	255,177
Total current assets	<u>56,609,462</u>	<u>51,851,049</u>
Deferred tax asset	<u>1,696,078</u>	<u>1,083,200</u>
Total assets	<u>\$ 58,305,540</u>	<u>\$ 52,934,249</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Commission payable and accounts current	\$ 41,382,533	\$ 34,976,405
Deferred commissions and other revenues	1,664,999	1,518,904
Accounts payable and accrued expenses	840,599	945,897
Due to related parties	<u>932,917</u>	<u>553,450</u>
Total current liabilities	44,821,048	37,994,656
Stockholders' equity		
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding in 2020 and 2019	10,000	10,000
Common stock, Class B, no par value, various stated values, 300,000 shares authorized, 198,700 shares issued and outstanding in 2020 and 2019	39,400,000	39,400,000
Additional paid-in capital	482,234	482,234
Retained deficit	<u>(26,407,742)</u>	<u>(24,952,641)</u>
Total stockholders' equity	<u>13,484,492</u>	<u>14,939,593</u>
Total liabilities and stockholders' equity	<u>\$ 58,305,540</u>	<u>\$ 52,934,249</u>

HIG

Housing Investment Group, Inc. and Subsidiaries

Consolidated Statements of Operations

	2020	2019
Net revenues		
Commission income	\$ 6,931,477	\$ 6,258,297
Insurance management services	211,851	153,506
Program fees	166,800	62,335
Other income	150,242	256,511
Total revenues	<u>7,460,370</u>	<u>6,730,649</u>
Costs and expenses		
Salaries and benefits	3,632,709	3,350,242
General and administrative	1,741,386	1,790,353
Total costs and expenses	<u>5,374,095</u>	<u>5,140,595</u>
Income before provision for income taxes	2,086,275	1,590,054
Income tax benefit	<u>(458,624)</u>	<u>(124,194)</u>
Net income	<u>\$ 2,544,899</u>	<u>\$ 1,714,248</u>



Housing Telecommunications, Inc.
Statements of Financial Position

	2020	2019
Assets		
Cash	\$ 3,264,414	\$ 2,596,689
Accounts receivable	57,179	32,173
Prepaid expenses	18,882	6,042
Due from affiliates	<u>27,325</u>	<u>27,354</u>
 Total assets	 <u>\$ 3,367,800</u>	 <u>\$ 2,662,258</u>
Liabilities and Net Assets		
Accounts payable	\$ 205,112	\$ 162,408
Due to affiliates	138,613	174,443
Unearned subscription fees	<u>552,784</u>	<u>532,942</u>
 Total liabilities	 896,509	 869,793
 Net assets without donor restrictions	 <u>2,471,291</u>	 <u>1,792,465</u>
 Total liabilities and net assets	 <u>\$ 3,367,800</u>	 <u>\$ 2,662,258</u>



Housing Telecommunications, Inc.

Statements of Activities and Changes in Net Assets

	2020	2019
Revenue without donor restrictions:		
Subscription fees	\$ 1,102,252	\$ 1,075,356
Risk management service fees	100,000	100,000
Sponsorship fees	150,000	150,000
Pay per view fees	988,133	717,003
Other income	<u>203,800</u>	<u>46,700</u>
 Total revenue without donor restrictions	 2,544,185	 2,089,059
Expenses:		
Salaries and benefits	855,509	873,910
Program acquisition	534,279	422,427
General and administrative expenses	<u>475,571</u>	<u>432,420</u>
 Total expenses	 <u>1,865,359</u>	 <u>1,728,757</u>
 Change in net assets without donor restrictions	 678,826	 360,302
 Net assets without donor restrictions, beginning of year	 <u>1,792,465</u>	 <u>1,432,163</u>
 Net assets without donor restrictions, end of year	 <u>\$ 2,471,291</u>	 <u>\$ 1,792,465</u>

HAI

Housing Authority Insurance, Inc. Statements of Financial Position

	2020	2019
Assets		
Cash	\$ 2,731,163	\$ 2,173,553
Refundable advance	396,685	272,144
Due from affiliates	757,731	-
Prepaid expenses and other assets	19,606	19,081
	<u>3,905,185</u>	<u>2,464,778</u>
Total assets	\$ 3,905,185	\$ 2,464,778
Liabilities and Net Assets		
Accounts payable	\$ 53,442	\$ 100,933
Due to affiliates	60,780	67,397
Deferred revenue	-	4,310
Total liabilities	<u>114,222</u>	<u>172,640</u>
Net assets		
Without donor restrictions	3,033,232	2,292,138
With donor restrictions	757,731	-
Total net assets	<u>3,790,963</u>	<u>2,292,138</u>
Total liabilities and net assets	\$ 3,905,185	\$ 2,464,778



Housing Authority Insurance, Inc.

Statements of Activities and Changes in Net Assets

	2020	2019
Changes in net assets without donor restrictions:		
Revenues:		
Membership fees	\$ 2,500,000	\$ 2,500,000
Net assets released from donor restrictions	242,269	-
Sponsorship revenue	-	20,250
Other income	-	71,252
Total revenues	<u>2,742,269</u>	<u>2,591,502</u>
Expenses:		
Salaries and benefits	343,015	563,696
General and administrative expenses	190,931	233,352
Grants and donations	922,554	939,495
Loss prevention fund expenses	242,269	-
Event support	638	84,838
Member benefits	301,768	292,800
Total expenses	<u>2,001,175</u>	<u>2,114,181</u>
Changes in net assets without donor restrictions	741,094	477,321
Change in net assets with donor restrictions:		
Restricted contributions	1,000,000	-
Net assets released from restrictions	<u>(242,269)</u>	<u>-</u>
Changes in net assets with donor restrictions	<u>757,731</u>	<u>-</u>
Change in net assets	1,498,825	477,321
Net assets, beginning of year	<u>2,292,138</u>	<u>1,814,817</u>
Net assets, end of year	<u>\$ 3,790,963</u>	<u>\$ 2,292,138</u>

PAHRC

Public and Affordable Housing Research Corporation Statements of Financial Position

	2020	2019
Assets		
Cash	\$ 460,986	\$ 372,944
Accounts receivable	7,021	–
Prepaid expenses	7,945	1,811
	<hr/>	<hr/>
Total assets	\$ 475,952	\$ 374,755
Liabilities and Net Assets		
Accounts payable	\$ 73,633	\$ 53,793
Unearned revenue	50,321	41,347
Due to affiliate	64,253	79,584
Deferred grant revenue	396,685	246,438
Total liabilities	<hr/> 584,892	<hr/> 421,162
Net deficit without donor restrictions	<hr/> (108,940)	<hr/> (46,407)
	<hr/>	<hr/>
Total liabilities and net assets	\$ 475,952	\$ 374,755

PAHRC

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

	2020	2019
Revenue without donor restrictions:		
Grant revenue	\$ 417,752	\$ 347,975
Other revenue	110,632	77,765
Total revenue without donor restrictions	<u>528,384</u>	<u>425,740</u>
Expenses:		
Salaries and benefits	443,658	360,165
General and administrative expenses	147,259	122,294
Total expenses	<u>590,917</u>	<u>482,459</u>
Change in net deficit without donor restrictions	(62,533)	(56,719)
Net (deficit) assets without donor restrictions, beginning of year	<u>(46,407)</u>	<u>10,312</u>
Net deficit without donor restrictions, end of year	<u>\$ (108,940)</u>	<u>\$ (46,407)</u>



2020 ANNUAL REPORT

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