AUDITED FINANCIAL STATEMENTS

(As of the Years Ended December 31, 2025 and 2024)

HARRG | Housing Authority Risk Retention Group, Inc.

HAPI | Housing Authority Property Insurance, A Mutual Company

HEIC | Housing Enterprise Insurance Company, Inc.

HSIC | Housing Specialty Insurance Company, Inc.

HIG | Housing Investment Group, Inc. and Subsidiaries

HTI | Housing Telecommunications, Inc.

HAI | Housing Authority Insurance Company, Inc.

PAHRC | Public and Affordable Housing Research Corporation

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HOUSING AUTHORITY RISK RETENTION GROUP, INC.

STATUTORY FINANCIAL STATEMENTS

December 31, 2025 and 2024

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Authority Risk Retention Group, Inc.

Opinions

We have audited the statutory financial statements of Housing Authority Risk Retention Group, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department) as described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2025 and 2024, or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

(Continued)

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplemental schedules, which include the schedule of investment risks interrogatories and the summary investment schedule, are presented for purposes of additional analysis and are not required parts of the statutory financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2025 and for the year ended. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the statutory financial statements as a whole.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING AUTHORITY RISK RETENTION GROUP, INC.
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
December 31, 2025 and 2024

	2025	2024
ADMITTED ASSETS		
Cash and invested assets		
Debt securities, at amortized cost or fair value	$ 273,791,368	$ 262,814,344
Equity securities, at fair value	42,936,013	35,378,857
Federal Home Loan Bank of Boston stock, at cost	222,500	210,900
Other invested assets	17,377,350	1,280,000
Investment in affiliates and majority owned subsidiaries	84,537,580	77,569,634
Real estate occupied by the Company, net	9,856,075	9,822,220
Cash, cash equivalents and short-term investments	20,911,656	34,706,480
Total cash and invested assets	449,632,542	421,782,435
Investment income due and accrued	2,420,782	2,371,547
Premiums receivable	8,039,584	6,862,694
Reinsurance recoverable on paid losses	-	124,631
Funds held by or deposited with reinsured companies	1,000,000	750,000
EDP equipment, net	6,125,597	7,188,339
Due from affiliates	4,357,139	4,809,636
Deductible receivables	875,741	807,526
Other assets	64,849	107,567
Total admitted assets	$ 472,516,234	$ 444,804,375
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 116,901,786	$ 102,947,122
Taxes, licenses and fees	686,039	780,129
Unearned premiums	20,997,191	20,444,227
Advance premiums	310,623	591,534
Accrued dividends to policyholders	4,969,909	7,694,609
Ceded reinsurance premiums payable	1,404,136	1,450,577
Funds held under reinsurance treaties	1,376,734	-
Due to affiliates	154,731	444,998
Accrued expenses and other liabilities	7,143,753	9,223,160
Total liabilities	153,944,902	143,576,356
Capital and surplus		
Members' contributions	11,268,485	11,208,480
Unassigned funds	307,302,847	290,019,539
Total capital and surplus	318,571,332	301,228,019
Total liabilities and capital and surplus	$ 472,516,234	$ 444,804,375

The accompanying notes are an integral part of the statutory financial statements.

HOUSING AUTHORITY RISK RETENTION GROUP, INC.
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2025 and 2024

	2025	2024
Underwriting income		
Net premiums earned	$ 47,313,510	$ 45,566,186
Losses and expenses		
Net losses and loss adjustment expenses incurred	39,966,971	35,316,114
Other underwriting expenses incurred	15,515,312	13,739,157
Total losses and expenses	55,482,283	49,055,271
Net underwriting loss	(8,168,773)	(3,489,085)
Investment income		
Net investment income earned	16,677,270	17,545,712
Net realized capital gains	73,938	3,328,291
Total investment gain	16,751,208	20,874,003
Other (expense) income, net	(23,284)	15,390
Income before policyholder dividends	8,559,151	17,400,308
Policyholder dividends	(4,959,187)	(7,649,422)
Net income	$ 3,599,964	$ 9,750,886

The accompanying notes are an integral part of the statutory financial statements.

HOUSING AUTHORITY RISK RETENTION GROUP, INC.
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
Years Ended December 31, 2025 and 2024

	2025	2024
Capital and surplus, beginning of year	$ 301,228,019	$ 285,253,044
Net income	3,599,964	9,750,886
Net unrealized capital gains	14,425,923	6,630,294
Members' contributions	8,159	1,900
Member dividend withdrawals	(622,218)	(565,992)
Change in non-admitted assets	(448,324)	157,887
Cumulative effect of changes in accounting error	379,809	-
Capital and surplus, end of year	$ 318,571,332	$ 301,228,019

The accompanying notes are an integral part of the statutory financial statements.

HOUSING AUTHORITY RISK RETENTION GROUP, INC.
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operations		
Premiums collected, net of reinsurance	$ 46,110,368	$ 48,082,196
Net investment income	16,664,949	17,467,611
Miscellaneous income	(23,284)	15,390
Losses and loss related payments, net	(14,043,601)	(17,881,992)
Commission, expenses paid and aggregate write-ins for deductions	(27,694,435)	(25,024,517)
Dividends paid to policyholders	(7,683,887)	(3,199,196)
Net cash from operations	13,330,110	19,459,492
Cash flows from investments		
Proceeds from investments sold, matured and repaid	72,412,619	93,174,440
Cost of investments acquired	(100,850,949)	(93,530,056)
Cost of real estate acquired	(486,266)	(291,473)
Net cash from investments	(28,924,596)	(647,089)
Cash flows from financing and miscellaneous sources		
Capital and paid in surplus	(614,057)	(564,093)
Other cash provided (applied)	2,413,719	(5,711,892)
Net cash from financing and miscellaneous sources	1,799,662	(6,275,985)
Change in cash, cash equivalents and short-term investments	(13,794,824)	12,536,418
Cash, cash equivalents and short-term investments, beginning of year	34,706,480	22,170,062
Cash, cash equivalents and short-term investments, end of year	$ 20,911,656	$ 34,706,480

The accompanying notes are an integral part of the statutory financial statements.

NOTE 1 - GENERAL

Reporting Entity: Housing Authority Risk Retention Group, Inc. (the Company or HARRG) was incorporated on March 20, 1987, under the laws of the State of Vermont. It is a risk retention group, which was formed for the purpose of providing liability insurance coverage to member public housing authorities (PHAs) throughout the United States of America.

Concentrations: The Company provides liability insurance to member PHAs, which are regulated and funded by the U.S. Department of Housing and Urban Development. Changes in public policy, funding or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Department has adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting practices (SAP) as the basis of its statutory accounting practices.

Significant differences between NAIC and GAAP as they apply to the Company are as follows:

Statements of Cash Flows - Cash and cash equivalents in the statutory statements of cash flows represent cash balances, money market funds and investments with initial maturities of three months or less. Short-term investments in the statutory statements of cash flows represent investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and certain investments with maturities of three months or less from the date of purchase. In addition, under NAIC SAP the use of a direct method cash flow does not require a reconciliation of net income to cash flows from operating activities as required under GAAP.

Investments - Investments in debt securities are reported at amortized cost or market value, if lower, based on their NAIC rating; for GAAP, debt securities would be designated at purchase as held-to-maturity, trading, or available for sale under FASB ASC 320, "*Investments - Debt Securities,"* or accounted for under FASB ASC 825, "*Financial Instruments."* For GAAP, held-to-maturity debt securities would be reported at amortized cost. For debt securities classified as trading, unrealized holding gains and losses would be reported in operations. For debt securities classified as available for sale, unrealized holding gains and losses would be reported as a component of equity as a component of accumulated other comprehensive income. Under the FASB ASC 825 election, all investments would be reported at fair value with unrealized holding gains and losses reported in operations. Under NAIC SAP, investments in equity securities are reported at fair value with changes in fair value recognized in capital and surplus. Under GAAP, in accordance with FASB ASC 321, "*Investments in Equity Securities*", investments in equity securities are required to be reported at fair value with changes in fair value recognized in operations and as such, other-than-temporary impairments (OTTI) are not recorded. Under NAIC SAP, equities are assessed for declines in value that are other-than-temporary and are reported as realized capital losses in the statutory statements of operations.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates - Under GAAP, a company records its investments in affiliates under the equity method of accounting in accordance with FASB ASC 323, "*Investments - Equity Method and Joint Ventures"*, and records its proportionate share of earnings within investment income on the statements of operations, whereas NAIC SAP requires these changes to be reported as unrealized gains or losses through surplus. Dividends for GAAP are recorded as a reduction of the investment value, whereas NAIC SAP records dividends as a component of investment income in the statutory statements of operations.

Majority Owned Subsidiaries - GAAP requires investments in majority owned subsidiaries to be consolidated within the financial statements of the Company owning the interest, while NAIC SAP presents these values as an investment on a single line within the statutory statements of admitted assets, liabilities and capital and surplus. NAIC SAP requires changes in the Company's proportionate share of earnings to be reported as unrealized gains or losses through surplus.

Policy Acquisition Costs - For NAIC SAP, the costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs related to the successful placement of business, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policy.

Non-Admitted Assets - Certain assets designated as "non-admitted," principally premiums receivable over 90 days old, furniture and equipment, prepaid expenses, EDP equipment in excess of three percent of surplus and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual are excluded from the accompanying statutory statements of admitted assets, liabilities and capital and surplus and are charged directly to capital and surplus. Under GAAP, such assets are included in the balance sheets, net of any valuation allowance.

Unpaid Losses, Loss Adjustment Expenses and Reinsurance Recoverables - For GAAP reporting purposes, these amounts are presented on a gross basis rather than being presented net of related reinsurance recoverables, as required by NAIC SAP.

Provision for Reinsurance - Under GAAP, reinsurance recoverables would be evaluated for collectability. Under NAIC SAP, a liability must be established with a corresponding reduction in surplus based upon specific formulas required by Schedule F of the Annual Statement.

Ceded Premium - GAAP requires that the unexpired portion of reinsurance premiums be reported on a gross basis, whereas NAIC SAP requires these unexpired reinsurance premiums to be netted against unearned premium.

Advance Premium - GAAP allows for premium that has been billed but is not yet effective to be reported as a receivable on the balance sheets with a corresponding liability. NAIC SAP requires that premium collected before year end be reported as advance premium and for all uncollected advance premium to be netted against the corresponding premium receivable.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Contingencies - Under Statement of Statutory Accounting Principle (SSAP) No. 101, "*Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10,"* federal income tax contingencies are established pursuant to the same "more likely than not" recognition standard as GAAP. There is the same assumption that the reporting entity will be examined by a tax authority that has full knowledge of all relevant facts. For those tax positions with a probability of loss that is greater than the "more likely than not" level, a "best estimate" of the tax contingency is performed, as opposed to the probability analysis under GAAP. If the "best estimate" results in a tax loss contingency that is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency recognized is equal to 100 percent. Unlike GAAP, tax loss contingencies associated with temporary differences are required to be grossed-up only when a triggering event occurs. Grossed up tax loss contingencies associated with temporary differences would be subject to an admissibility test. Under statutory accounting, interest and penalties related to federal income tax are included in income taxes only. State tax contingencies are recognized to the extent that it is estimable and probable in accordance with SSAP No. 5R, "*Liabilities, Contingencies and Impairments of Assets - Revised."*

Comprehensive Income - Comprehensive income and its components are not presented in the statutory financial statements.

Allowance for Credit Losses - Under GAAP, the accounting framework follows a current expected credit loss model for determining credit-related impairments for certain financial instruments (e.g. premiums receivable, reinsurance recoverables and held to maturity fixed income investment portfolios) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial instrument, with the net carrying value of the financial instrument presented on the financial statements at the amount expected to be collected. NAIC SAP utilizes an incurred loss impairment model, which requires recognition of credit losses on certain financial instruments when known events occur.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined, but are presumed to be material.

Reclassifications: Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. There was no impact on the Company's total admitted assets, liabilities, capital and surplus, or net income.

Cash, Cash Equivalents and Short-term Investments: For statutory financial statement purposes, the Company considers cash to be cash on hand and cash on deposit. Cash equivalents consist of money market instruments and investments with initial maturities of three months or less. Short-term investments include investments with initial maturities of one year or less at date of purchase and are valued in accordance with the Purposes and Procedures Manual prepared by the NAIC Securities Valuation Office (SVO).

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered short term cash equivalents.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company may maintain cash balances in excess of the FDIC insurance limit.

Investments: Debt securities are valued and reported in accordance with SSAP No. 26, *"Bonds, Excluding Loan-backed and Structured Securities"* and SSAP No. 43R, "*Loan-backed and Structured Securities-Revised"* under the guidance provided by the Purposes and Procedures Manual prepared by the SVO. Investment grade debt securities are stated at amortized cost. Non-investment grade debt securities with NAIC designations of three through six are reported at the lower of amortized cost or fair value. Within the mortgage-backed securities portfolio, the Company invests in commercial mortgage obligations and mortgage-backed security pools, which include both residential and commercial mortgages. Each security carries a varying degree of prepayment and interest risk, which can impact the fair value and the ultimate amount of investment income earned. Acceleration or deceleration of prepayments of the underlying mortgages can be caused by interest rate changes. Assumptions for collateralized mortgage obligations are reviewed annually. The amortized cost of debt securities are adjusted for amortization of premiums and accretion of discounts using the scientific interest method. Such amortization and accretion are included in investment income.

Equity securities and mutual funds are accounted for under SSAP No. 30, "*Unaffiliated Common Stock*," and are carried at fair value, and changes in net unrealized (losses) gains are reported within capital and surplus.

Investment income is recorded when earned. Realized investment gains and losses, determined on a specific identification basis, are included in investment income.

Other invested assets consist of (i) an investment in a diversified credit strategy fund that primarily invests in corporate credit instruments, including high-yield bonds, senior secured loans, and other opportunistic credit assets, with the objective of generating income and capital appreciation through active credit selection and risk management, and (ii) an investment in a surplus note issued by an insurance entity. The fund investment is carried at adjusted cost, which approximates net asset value, in accordance with SSAP No. 48, "*Joint Ventures, Partnerships and Limited Liability Companies*". The surplus note is carried at amortized cost, net of any applicable impairment.

In June 1995, the Company and Housing Authority Property Insurance, A Mutual Company (HAPI) jointly formed Housing Investment Group, Inc. (HIG) to serve as a for-profit company to govern the related businesses to which the Company and HAPI have an ownership interest. The Company's ownership interest is 50% as of December 31, 2025 and 2024. No contributions were made during 2025 or 2024 to HIG. During 2025 and 2024, the Company received a dividend payment from HIG of $3,000,000 and $3,750,000, respectively, which was recorded in net investment income earned in the statutory statements of operations.

In January 2001, HAPI formed Housing Enterprise Insurance Company, Inc. (HEIC), a licensed domestic stock insurance company domiciled in the State of Vermont. In 2003, the Company became an owner by purchasing shares of stock and contributing surplus to HEIC. Currently, the Company owns 1,300 shares of voting common stock and HAPI owns 700 shares of voting common stock. No contributions were made during 2025 and 2024. As of December 31, 2025 and 2024, the Company owns 65% of HEIC.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2013, the Company and HAPI jointly formed Housing Specialty Insurance Company, Inc. (HSIC), a licensed domestic stock insurance company domiciled in the State of Vermont, which was formed to provide surplus lines coverages to specific risks. The Company and HAPI each own 100 shares of voting common stock. The Company owns 50% of HSIC as of December 31, 2025 and 2024. During 2024, the Company made a capital contribution to HSIC in the amount of $12,000,000 to support expanding operations. No contributions were made during 2025.

In July 2015, the Company formed Innovative Housing Insurance Company, Inc. (IHIC), a Vermont captive insurance company, to provide insurance and reinsurance coverage for various types of risks of a single insured entity, Housing Alliance Group, LLC (HAGL), which is a wholly-owned subsidiary of HIG, who works with public housing authorities throughout the United States. As of December 31, 2024, both IHIC and HAGL were dissolved. Prior to dissolution, the Company owned 50 shares of no par, $10,000 stated value common stock in IHIC. The Company made no contributions to IHIC during 2024. HARRG had a 100% ownership interest in IHIC prior to dissolution. As a result of the dissolution, the net assets of IHIC were transferred to the Company. The Company recognized a gain of $13,369, which was included in net realized capital gains in the statutory statement of operations for the year ended December 31, 2024.

Investments in HIG, HEIC, and HSIC are accounted for in accordance with SSAP No. 97, "*Investments in Subsidiary, Controlled and Affiliated Entities"* and recorded based on underlying statutory equity and adjusted for the NAIC SAP basis of accounting where necessary based on the provisions of SSAP No. 97.

Federal Home Loan Bank of Boston Stock: The Company, which is a member of the Federal Home Loan Bank, is required to maintain an investment in capital stock of the Federal Home Loan Bank of Boston (FHLBB). Based on redemption provisions of the FHLBB, the fair value of the stock is not readily determinable and is carried at cost. At its discretion, the FHLBB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis in the FHLBB stock. As of December 31, 2025 and 2024, no impairment has been recognized.

Other-Than-Temporary Impairments on Investments: The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer. The Company recognizes other-than-temporary impairments (OTTI) on bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statutory statements of operations.

For loan-backed securities, OTTI are recognized when the fair value is less than the amortized cost basis and the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery. When an OTTI is recognized because the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, the amortized cost basis of the loan-backed security is written down to the fair value and the amount of the write-down is recorded as a realized capital loss.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cash flows discounted at the security's effective interest rate is less than the amortized cost basis as of the balance sheet date. When an OTTI is recognized the loan-backed security is written down to the discounted estimated future cash flows and is recorded as a realized capital loss.

The Company recognizes OTTI of equities for declines in value that are other-than-temporary and reports those adjustments as realized capital losses in the statutory statements of operations. The Company recognized no OTTI losses during 2025 or 2024.

Property and EDP Equipment: Real estate occupied by the Company (excluding land of $2,580,836 in 2025 and 2024) and Electronic Data Processing (EDP) equipment are depreciated over the estimated useful lives of the assets which range from 2 to 31 years. Depreciation is computed using the straight-line method for all fixed assets.

Unpaid Losses and Loss Adjustment Expense Reserves: Unpaid losses and loss adjustment expense reserves net of the related reinsurance recoverables represent estimated provisions for both reported and unreported claims incurred and related expenses. In determining unpaid losses and loss adjustment expense reserves and reinsurance recoverables, the Company reviews its overall position, its reserving techniques and its reinsurance on a monthly basis, and utilizes the findings of an independent consulting actuary's annual review. These reserves and recoverables represent the estimated ultimate cost of all incurred losses and loss adjustment expenses including related recoverables less amounts paid. Since the reserves are based upon estimates, the ultimate liability or asset may be more or less than such estimates. Such changes may be material and could occur in a future period. As these adjustments become necessary, such adjustments are reflected in current operations.

Revenue Recognition: Premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Advance Premium: Premiums which have been billed and collected but are not yet effective before year end are reported as advance premiums on the statutory statements of admitted assets, liabilities and capital and surplus.

Premium Deficiency: The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiencies have been recognized in 2025 and 2024.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. As of December 31, 2025 and 2024, there were no contingent liabilities.

Reinsurance: In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with SSAP No. 62R, "*Property and Casualty Reinsurance.*" Premiums ceded are expensed over the period of reinsurance protection provided. Anticipated reinsurance recoverables under these contracts are netted against unpaid losses and loss adjustment expenses.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Company has received a determination letter from the Internal Revenue Service indicating that the Company qualifies under the provisions of Section 115 of the Internal Revenue Code and is exempt from federal income taxes.

Income Tax Contingencies: Federal and foreign income tax contingencies are established pursuant to SSAP No. 5R with some modifications. The term probable under SSAP No. 5R is replaced by the term "more likely than not" for federal and foreign income tax contingencies only; it shall be assumed that the reporting entity will be examined by the tax authority that has full knowledge of all relevant information; if the estimated tax loss contingency is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency reported shall be equal to 100 percent of the original tax benefit recognized; and if a tax loss contingency is grossed up for a temporary item due to a triggering event, the deferred tax asset would be subject to the admissibility test under SSAP No. 101. State tax contingencies are recognized to the extent that it can be estimated and is probable in accordance with SSAP No. 5R.

Interest and penalties related to foreign or federal income tax positions are included in income taxes.

The Company did not record any income tax contingencies or interest and penalties related to any income tax contingencies as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that the total liability for income tax contingencies would materially change in the next twelve months.

Use of Estimates: The preparation of the statutory financial statements in conformity with NAIC SAP requires the use of management's estimates and assumptions that affect the reported amounts of admitted assets, liabilities, capital and surplus, revenues and expenses, at and during the reported period, along with the disclosure of contingent assets and liabilities at the date of the statutory financial statements. Actual results could differ from those estimates.

Adoption of Accounting Revisions: Effective January 1, 2025, the Company adopted revisions issued by the NAIC as part of its principles-based bond definition project, including updates to SSAP No. 26R, "*Bonds*," and SSAP No. 43R, which has been retitled "*Asset-Backed Securities*." The revised guidance establishes principles-based criteria to determine whether an investment qualifies for bond reporting under statutory accounting principles. Under the updated definitions, bonds are classified based on their economic substance rather than their legal form and are categorized as either issuer credit obligations or asset-backed securities. Issuer credit obligations represent bonds for which repayment is primarily supported by the general creditworthiness of an operating entity, while asset-backed securities are supported primarily by cash flows from underlying financial or cash-generating non-financial assets.

The revised guidance clarifies that certain investments previously reported as bonds may no longer qualify for bond classification if they do not represent a substantive creditor relationship, lack meaningful contractual cash flows of principal and interest, or do not expose the holder primarily to credit risk. Such investments are required to be reported in accordance with SSAP No. 21, "*Other Admitted Assets*." In connection with adoption, the Company evaluated all investments held as of January 1, 2025 that were previously classified as bonds to determine whether they continued to meet the revised definition of a bond. In addition, the NAIC introduced updated bond type classifications for reporting in the NAIC Annual Statement to enhance consistency and transparency in statutory investment reporting.

Based on this evaluation, management concluded that all investments previously reported as bonds continue to qualify for bond classification under the revised guidance. No reclassifications to other investment categories were required upon adoption, and the adoption of this guidance did not have an impact on the Company's statutory net income, statutory surplus, or risk-based capital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the statutory financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments, carried at amortized cost and fair value, as of December 31, 2025, are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S. government obligations	$ 56,993,079	$ 155,380	$ (2,383,775)	$ 54,764,684
Municipal bonds - general obligations - direct & guaranteed	4,139,547	319,614	(13,244)	4,445,917
Municipal bonds - special revenue	6,336,524	-	(711,621)	5,624,903
Corporate bonds	114,862,157	3,345,404	(1,107,972)	117,099,589
Bonds issued by funds representing operating entities	4,083,098	116,722	(20,320)	4,179,500
Agency residential and commercial mortgage-backed securities - guaranteed	1,130,789	16,931	(58,798)	1,088,922
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	30,893,758	335,429	(1,282,072)	29,947,115
Non-agency residential and commercial mortgage-backed securities	17,260,156	90,979	(356,063)	16,995,072
Other financial asset-backed securities	15,321,561	176,433	(49,027)	15,448,967
Non-financial asset-backed securities	19,974,224	250,099	(256,746)	19,967,577
Other invested assets	1,280,000	-	(134,209)	1,145,791
Total debt securities, at amortized cost	272,274,893	4,806,991	(6,373,847)	270,708,037
Debt securities, at fair value				
Corporate bonds	2,864,700	-	(68,225)	2,796,475
Total debt securities, at fair value	2,864,700	-	(68,225)	2,796,475
Equity securities, at fair value				
Mutual funds	24,211,666	18,725,827	(1,480)	42,936,013
Other invested assets	15,300,000	797,350	-	16,097,350
Total	$ 314,651,259	$ 24,330,168	$ (6,443,552)	$ 332,537,875

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investments, carried at amortized cost and fair value, as of December 31, 2024, were as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S. government	$ 53,256,992	$ 19,990	$ (3,651,855)	$ 49,625,127
U.S. political subdivisions of states, territories and possessions, guaranteed	4,191,748	291,378	(19,778)	4,463,348
U.S. special revenue and special assessment obligations	36,024,696	38,307	(3,219,203)	32,843,800
Industrial and miscellaneous	156,323,338	1,762,135	(3,420,240)	154,665,233
Hybrid securities	8,665,978	47,927	(293,172)	8,420,733
Other invested assets	1,280,000	-	(217,792)	1,062,208
Total debt securities, at amortized cost	259,742,752	2,159,737	(10,822,040)	251,080,449
Debt securities, at fair value				
Industrial and miscellaneous	4,524,866	-	(173,274)	4,351,592
Total debt securities, at fair value	4,524,866	-	(173,274)	4,351,592
Equity securities, at fair value				
Mutual funds	23,147,120	12,259,997	(28,260)	35,378,857
Total	$ 287,414,738	$ 14,419,734	$ (11,023,574)	$ 290,810,898

As of December 31, 2025 and 2024, the Company held $222,500 and $210,900, respectively, of FHLBB stock which is carried at cost as further described in Note 2.

As of December 31, 2025 and 2024, the Company pledged securities to FHLBB with an amortized cost of $25,310,555 and $25,144,566, respectively, to support future outstanding collateralized advances. Pledged assets are being maintained at current levels to provide for a potential future source of short-term liquidity.

NOTE 3 - INVESTMENTS (Continued)

The amortized cost and fair value of debt securities are shown by contractual maturity as of December 31, 2025. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due to mature		
One year or less	$ 2,994,100	$ 2,985,795
After one year through five years	63,863,290	64,194,248
After five years through ten years	83,096,922	83,924,738
After ten years through twenty years	24,978,048	25,075,213
After twenty years	15,626,745	13,876,865
Residential mortgage-backed securities	36,034,195	34,799,519
Commercial mortgage-backed securities	13,250,508	13,231,591
Collateralized debt obligations	35,295,785	35,416,543
Total debt securities	$ 275,139,593	$ 273,504,512

Proceeds from sales of securities amounted to $49,336,501 and $67,196,201 in 2025 and 2024, respectively. Gross realized gains of $501,687 and $4,686,742, and gross realized losses of $427,524 and $1,372,442 were realized on those sales during 2025 and 2024, respectively.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company holds 337 securities that are in an unrealized loss position as of December 31, 2025, of which 306 of these securities have been in an unrealized loss position for twelve months or greater. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2025:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S. government obligations	$ 15,482,532	$ (222,577)	$ 28,160,709	$ (2,161,198)
Municipal bonds - general obligations - direct & guaranteed	-	-	220,561	(13,244)
Municipal bonds - special revenue	-	-	5,624,903	(711,621)
Corporate bonds	2,221,957	(34,500)	23,166,798	(1,141,697)
Bonds issued by funds representing operating entities	-	-	972,835	(20,320)
Agency residential and commercial mortgage-backed securities - guaranteed	48,023	(64)	611,797	(58,734)
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	593,978	(1,439)	13,262,861	(1,280,633)
Non-agency residential and commercial mortgage-backed securities	4,096,003	(12,542)	5,923,546	(343,521)
Other financial asset-backed securities	1,973,364	(5,539)	1,905,916	(43,488)
Non-financial asset-backed securities	1,930,234	(19,136)	4,791,680	(237,610)
Other invested assets	-	-	1,145,791	(134,209)
Total debt securities	26,346,091	(295,797)	85,787,397	(6,146,275)
Equity securities				
Mutual funds	161,199	(1,480)	-	-
Total	$ 26,507,290	$ (297,277)	$ 85,787,397	$ (6,146,275)

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company held 459 securities that were in an unrealized loss position as of December 31, 2024, of which 360 of these securities had been in an unrealized loss position for twelve months or greater. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position, as of December 31, 2024:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S. government	$ 28,479,891	$ (1,074,175)	$ 18,814,773	$ (2,577,680)
U.S. political subdivisions of states, territories and possessions, guaranteed	279,733	(741)	218,192	(19,037)
U.S. special revenue and special assessment obligations	10,588,118	(218,607)	19,912,698	(3,000,596)
Industrial and miscellaneous	30,925,761	(389,260)	56,421,875	(3,204,254)
Hybrid securities	993,665	(6,335)	5,179,325	(286,837)
Other invested assets	-	-	1,062,208	(217,792)
Total debt securities	71,267,168	(1,689,118)	101,609,071	(9,306,196)
Equity securities				
Mutual funds	769,946	(28,260)	-	-
Total	$ 72,037,114	$ (1,717,378)	$ 101,609,071	$ (9,306,196)

NOTE 4 - FAIR VALUE MEASUREMENTS

The Company measures fair value in accordance with SSAP No. 100, "*Fair Value Measurement,*" which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under SSAP No. 100 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include: (i) Quoted prices for similar assets or liabilities in active markets; (ii) Quoted prices for identical or similar assets or liabilities in inactive markets; (iii) Inputs other than quoted prices that are observable for the asset or liability; or (iv) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The asset's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure financial instruments at fair value. The same methodologies were used as of December 31, 2025 and 2024.

The Company's valuation techniques used to measure the fair value of investments including money market funds, mutual funds, and short-term investments, were derived from quoted prices in active markets for identical assets (level 1). The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices for either identical or similar instruments or model driven valuations using significant inputs derived from or corroborated by observable market data.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025:

		Fair Value				
	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value	Total
Financial instruments (carried at fair value)						
Money market funds	$ 18,644,236	$ 18,644,236	$ -	$ -	$ -	$ 18,644,236
Debt securities	2,796,475	-	2,796,475	-	-	2,796,475
Mutual funds	42,936,013	42,936,013	-	-	-	42,936,013
Total	64,376,724	61,580,249	2,796,475	-	-	64,376,724
Financial instruments (carried at amortized cost)						
Cash equivalents	2,538,071	-	2,538,071	-	-	2,538,071
Other invested assets	1,280,000	-	1,145,791	-	-	1,145,791
Debt securities	270,994,893	-	269,562,246	-	-	269,562,246
Total	274,812,964	-	273,246,108	-	-	273,246,108
Financial instruments (carried at net asset value)						
Other invested assets	16,097,350	-	-	-	16,097,350	16,097,350
Total	$ 355,287,038	$ 61,580,249	$ 276,042,583	$ -	$ 16,097,350	$ 353,720,182

Investments measured at net asset value as a practical expedient are not categorized within the fair value hierarchy, but are disclosed separately.

Other invested assets - Other invested assets consist of (i) an investment in a surplus note issued by an insurance entity, carried at amortized cost, and (ii) an investment in a diversified credit strategy fund, the Shenkman Multi-Asset Credit Fund (Fund). The investment in the Shenkman Multi-Asset Credit Fund is recorded at cost and adjusted for any earnings, losses, or distributions. The adjusted cost of these investments approximates net asset value. The values for underlying investments are estimates determined by an external fund manager and reflects the Company's ownership interest in the underlying net assets of the Fund. There were no redemptions of other invested assets during 2025.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

At December 31, 2025, the Company's investment in the Fund is reported within other invested assets and is carried at fair value using the net asset value per share as a practical expedient in accordance with SSAP No. 100.

Shares in the Fund may generally be redeemed monthly, on the last calendar day of each month, subject to: at least 30 calendar days' prior written notice, payment generally within 30 days after redemption date, and redemption suspensions or postponements at the discretion of the Directors in certain circumstances. The Fund may suspend redemptions under conditions such as market disruption or valuation uncertainty.

As of December 31, 2025, the Company has no unfunded commitments.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2024:

	Admitted	Fair Value			
	Assets	Level 1	Level 2	Level 3	Total
Financial instruments (carried at fair value)					
Money market funds	$ 32,677,465	$ 32,677,465	$ -	$ -	$ 32,677,465
Debt securities	4,351,592	-	4,351,592	-	4,351,592
Mutual funds	35,378,857	35,378,857	-	-	35,378,857
Total	72,407,914	68,056,322	4,351,592	-	72,407,914
Financial instruments (carried at amortized cost)					
Cash equivalents	1,926,475	-	1,926,241	-	1,926,241
Short-term investments	24,891	-	24,869	-	24,869
Other invested assets	1,280,000	-	1,062,208	-	1,062,208
Debt securities	258,462,752	-	250,018,241	-	250,018,241
Total	261,694,118	-	253,031,559	-	253,031,559
Total	$ 334,102,032	$ 68,056,322	$ 257,383,151	$ -	$ 325,439,473

The fair values of the Company's level 2 investments are determined by management after considering prices received from third party services.

A description of inputs used in the Company's level 2 measurements are listed below:

U.S. government obligations: Primary inputs include observations of credit default swap curves related to the issuer and political events.

Municipal bonds: Primary inputs include Municipal Securities Rulemaking Board reported trades and material event notices, and issuer financial statements.

Corporate bonds: Primary inputs include observations of credit default swap curves related to the issuer.

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Collateralized debt obligations, residential and commercial mortgage-backed securities: Primary inputs include monthly payment information, collateral performance, which varies by vintage year and includes delinquency rates, collateral valuation loss severity rates, collateral refinancing assumptions, credit default swap indices and, for collateralized debt obligations and residential mortgage-backed securities, estimated prepayment rates.

As of December 31, 2025 and 2024, the Company held no level 3 investments.

NOTE 5 - INSURANCE ACTIVITY

The Company provides liability insurance coverage to member PHAs throughout the United States. Coverage provided includes general liability, auto liability, law enforcement liability, public officials errors and omissions liability and employment practices liability. Coverage for mold and lead paint liability are also provided on a claims made basis. The principal coverages provided by the Company are summarized as follows:

General Liability: Provides protection for bodily injury claims filed against a housing authority on an occurrence basis including personal injury, advertising injury, blanket contractual injury, fire legal liability and youth sports athletic liability. As of December 31, 2025 and 2024, coverage is provided up to $20,000,000, with the first $1,000,000 of loss retained by the Company plus a pro rata share of loss adjustment expenses. Losses in excess of $1,000,000 are reinsured as discussed within.

Auto Liability: Provides direct and assumed basis occurrence based primary coverage of $500,000 including both bodily injury and property damage liability, including non-owned and hired automobile liability protection, plus a pro rata share of loss adjustment expenses. Coverage also includes injury expenses caused by uninsured or underinsured motorists. Excess coverage of up to $1,000,000 is also available in conjunction with the primary coverage or in conjunction with general liability coverage to supplement auto coverage held with another insurer.

Law Enforcement Liability: Provides protection for claims filed against a housing authority on a claims made basis for actual or alleged wrongful acts by contracted or employed security officers, police or tenant patrols plus a pro rata share of loss adjustment expenses. Coverage is only sold in conjunction with general liability insurance with coverage up to $1,000,000.

Public Officials Errors and Omissions Liability: Provides coverage on a claims made basis to PHA board members, officers, and key employees for claims or suits resulting from negligent acts in the course of duty plus a pro rata share of loss adjustment expenses. Coverage is only sold in conjunction with general liability insurance with coverage up to $1,000,000.

Employment Practices Liability: Provides added protection for employment practices related claims not covered by the basic public officials errors and omissions policy. Coverage provides, on a claims made basis, protection in the event of actual or alleged wrongful acts stemming from personnel selection and discharge plus a pro rata share of loss adjustment expenses. Coverage excludes bodily injury and loss of wages and is only sold in conjunction with public officials' errors and omissions liability coverage. Coverage is provided up to $5,000,000 with the first $1,000,000 of loss retained by the Company plus a pro rata share of loss adjustment expenses. Losses in excess of $1,000,000 are reinsured as discussed within.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

Terrorism: All the Company's policies cover certified terrorism losses (unless coverage is declined by the policyholder) as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent reauthorizations. The Terrorism Risk Insurance Program is a Federal program administered by the Department of the Treasury authorized through December 31, 2027, that provides for a system of shared public and private compensation for certain insured losses resulting from certified acts of terrorism.

In order for a loss to be covered under the program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism. The annual aggregate industry loss minimum under the program is $200,000,000 for 2025 and 2024. Under the program, a participating insurer, in exchange for making terrorism insurance available, is entitled to be reimbursed by the Federal Government for 80% of subject losses in 2025 and 2024, after an insurer deductible, subject to an annual cap. This reimbursement percentage is scheduled to remain at 80% through December 31, 2027.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100 billion. Once subject losses have reached the $100 billion aggregate during a program year, participating insurers will not be liable under the program for additional covered terrorism losses for that program year.

The Company, HAPI, HEIC, and HSIC (collectively called the Companies) entered into a reinsurance agreement, which provides reinsurance protection to the Companies for all insured losses resulting from acts of terrorism or sabotage (whether a certified act or not), for all direct business written by the Companies. With respect to acts of terrorism and acts of sabotage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $80,000,000 per loss occurrence. With respect to strikes, riots, civil commotion and malicious damage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $60,000,000 per loss occurrence. If a loss occurrence involves more than one of the Companies, the limits and retentions mentioned above will be divided between each of the Companies in the proportion of their individual losses to the total loss sustained by the Companies.

Effective July 1, 2025 and 2024, the Company obtained reinsurance coverage with various subscribing reinsurers, which provides for $4,000,000 of coverage in excess of the Company's $1,000,000 retention with a $2,000,000 aggregate deductible relating to general liability, public officials liability and employment practice liability. In addition, effective July 1, 2025 and 2024, the Company obtained reinsurance coverage with various subscribing reinsurers, which provides for $10,000,000 of coverage in excess of $5,000,000 relating to general liability, public officials liability and employment practice liability. Limits written above $15,000,000 are reinsured on a facultative basis.

Effective July 1, 2025, the Company entered into a structured casualty excess of loss reinsurance contract covering general liability, public officials liability, employment practice liability and automobile liability (including non-owned and hired automobile liability) policies for losses occurring during the contract period through July 1, 2026. The contract provides coverage above per member retentions of $4,000,000 for general liability and public officials/employment practice liability (with $1,000,000 limits excess of those retentions) and $500,000 for automobile liability (with $500,000 limits excess of retention). The reinsurer's liability is subject to an annual aggregate limit of 23.79% of gross net earned premium income, estimated at $12,000,000, with a minimum of $9,600,000 and a maximum of $14,400,000. Assault and battery losses are further subject to a $3,000,000 shared aggregate with a related affiliate agreement.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

The Company funds the arrangement on a deposit premium basis, with an initial deposit of $9,000,000 and an ultimate premium calculated at 17.84% of gross net earned premium income, subject to a minimum of $7,200,000 and a maximum of $10,800,000. If the calculated premium exceeds the contractual maximum, losses and expenses are ceded on a pro rata basis. A funds withheld account is maintained as collateral for the reinsurer's obligations, earns interest at an effective annual rate of 4.0%, and is reduced by paid losses and expenses.

Twenty percent of the structured coverage was placed with a single reinsurer under similar terms, subject to a margin ranging from $1,800,000 to $2,700,000, with an initial margin of $2,250,000. The agreement includes commutation provisions through July 1, 2035, including a mandatory commutation based on the present value of outstanding obligations, and contains customary termination and security provisions in the event of specified adverse developments, including a ratings downgrade.

For the year ended December 31, 2025, the Company recorded ceded premiums of $948,331 within net premiums earned on the statutory statements of operations and a funds withheld balance of $1,376,734 within funds held under reinsurance treaties on the statutory statements of admitted assets, liabilities and capital and surplus related to this agreement. The Company did not record ceded losses or loss adjustment expenses under this contract during 2025.

Reinsurance contracts do not discharge the primary liability of the Company as insurer of those risks reinsured. The failure of the reinsurer to honor its obligations could result in significant losses to the Company.

The Company evaluates the financial condition of potential reinsurers, and continually monitors the financial condition of present reinsurers. All rated reinsurers have an A.M. Best rating of A- or better.

Additionally, the Company evaluates current and prospective reinsurers as to concentrations of credit risk arising from similar activities or economic characteristics in order to minimize exposure to significant losses resulting from reinsurer insolvencies. There can be no assurance that reinsurance will continue to be available to the Company to the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk it cedes to reinsurers.

Direct, assumed, and ceded premiums written and earned by the Company for the years ended December 31, 2025 and 2024, are summarized as follows:

	Premiums Written		Premiums Earned	
	2025	2024	2025	2024
Direct premiums	$ 49,269,866	$ 47,223,699	$ 47,858,406	$ 45,434,738
Assumed premiums	8,166,575	7,361,503	7,729,410	7,046,102
Ceded premiums	(9,190,158)	(7,159,941)	(8,274,306)	(6,914,654)
Net premiums	$ 48,246,283	$ 47,425,261	$ 47,313,510	$ 45,566,186

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

A reconciliation of changes in unpaid losses and loss adjustment expenses as of and for the years ended December 31, 2025 and 2024, are summarized as follows:

	2025	2024
Balance at beginning of year	$ 102,947,122	$ 97,500,066
Incurred related to		
Current year	42,184,622	36,816,449
Prior years	(2,217,651)	(1,500,335)
Total incurred	39,966,971	35,316,114
Paid related to		
Current year	(3,909,199)	(3,921,850)
Prior years	(22,103,108)	(25,947,208)
Total paid	(26,012,307)	(29,869,058)
Balance at end of year	$ 116,901,786	$ 102,947,122

As a result of changes in estimates of insured events in prior years, the provision for losses and loss adjustment expenses decreased $2,217,651 and $1,500,335 in 2025 and 2024, respectively. The development during 2025 relates primarily to favorable development on HARRG's retained liability book of business for accident years 2024 and 2023. The development during 2024 relates primarily to favorable development on HARRG's retained liability book of business for accident year 2023.

The Company recorded net reinsurance activity of $290,096 and $5,923,320 in 2025 and 2024, respectively, which is reflected as a decrease in net losses and loss adjustment expenses incurred in the statutory statements of operations.

(Continued)

NOTE 6 - PROPERTY AND EQUIPMENT

The cost, accumulated depreciation, and net book value of the Company's property and EDP equipment are as follows:

	2025	2024
Land	$ 2,580,836	$ 2,580,836
Land improvements	374,029	-
Building	15,665,571	15,553,335
Furniture and equipment	2,108,917	2,102,405
	20,729,353	20,236,576
Less: accumulated depreciation	(10,687,265)	(10,165,587)
	10,042,088	10,070,989
Non-admitted assets	(186,013)	(248,769)
Total	$ 9,856,075	$ 9,822,220
EDP equipment	$ 4,700,670	$ 4,310,536
EDP software	11,339,988	9,770,580
	16,040,658	14,081,116
Less: accumulated depreciation	(9,915,061)	(6,892,777)
Total	$ 6,125,597	$ 7,188,339

Depreciation expense for the years ended December 31, 2025 and 2024 amounted to $3,552,041 and $1,847,117, respectively. Depreciation expense of $2,914,229 and $1,434,729 was allocated to affiliated entities per the management services agreement, as disclosed in Note 7, in 2025 and 2024, respectively.

NOTE 7 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company pays a membership fee to Housing Authority Insurance, Inc. (HAI), which provides membership services to HARRG's insureds. HARRG recognized HAI membership fee expenses of $2,875,000 and $1,496,003 for the years ended December 31, 2025 and 2024, respectively. No amounts were due to HAI as of December 31, 2025 and 2024.

The Company entered into an Insurance Management Services Agreement (the Agreement) with Housing Insurance Services, Inc. (HIS), a wholly-owned subsidiary of HIG, whereby HIS performs insurance agency activities for the Company's fronted auto insurance program. The Agreement provides for a specified percentage to be paid based upon assumed written premium. Fees incurred under the Agreement amounted to $408,329 and $368,075 for the years ended December 31, 2025 and 2024, respectively.

(Continued)

NOTE 7 - AFFILIATE AND RELATED PARTY TRANSACTIONS (Continued)

The Company has common paymaster and facilities agreements with its affiliates, in which the Company is the common paymaster for all of its affiliates' employees. The Company provides various management services to its affiliates and charges its affiliates for their direct allocation of salaries, benefits and overhead, along with the use of its facility. The cost of these services is directly allocated to these entities.

The amounts of allocated costs by company are as follows:

	Allocated Costs 2025	Allocated Costs 2024
HAPI	$ 13,251,845	$ 12,220,466
HEIC	15,780,191	12,550,048
HSIC	1,317,809	1,158,458
HIG	345,637	321,925
HIS	6,902,726	5,242,577
IHIC	-	99,003
HAI	360,736	591,552
HTI	2,317,547	2,297,014
PAHRC	1,083,985	1,099,645
Total	$ 41,360,476	$ 35,580,688

In addition to the allocated costs, the Company is party to various intercompany agreements and activities, which from time-to-time result in amounts receivable from and payable to affiliated entities. As of December 31, 2025 and 2024, the Company had the following amounts receivable from and payable to affiliated entities:

	2025		2024	
	Amounts Receivable	Amounts Payable	Amounts Receivable	Amounts Payable
HAPI	$ 1,410,135	$ -	$ 1,294,548	$ -
HEIC	1,723,945	128,145	1,335,509	-
HSIC	149,413	-	136,337	11,981
HIG	75,860	-	48,558	-
HIS	627,211	21,339	1,619,536	418,125
HAI	70,688	-	58,475	-
HTI	196,733	5,247	208,119	14,892
PAHRC	103,154	-	108,554	-
Total	$ 4,357,139	$ 154,731	$ 4,809,636	$ 444,998

(Continued)

NOTE 7 - AFFILIATE AND RELATED PARTY TRANSACTIONS (Continued)

The Company maintains an Intercompany Loan Agreement with HAPI, HEIC, HSIC, HIG, HIS, HAI, HTI, and Public and Affordable Housing Research Corporation (PAHRC), by which the Company may lend to one or more of these companies and one or more of these companies may borrow from the Company from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to the Company by a third-party for borrowing funds. The maximum funds that may be lent or borrowed will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were lent or borrowed.

NOTE 8 - EMPLOYEE BENEFITS

The Company is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan (the Plan). All employees 21 years or older are eligible to participate in the Plan. HARRG makes safe harbor matching contributions to the Plan equal to 100% of the first 6% of participants' eligible compensation after one year of service. In addition, HARRG may make an additional contribution at the discretion of the Board of Directors. Contributions amounted to $722,117 and $761,162 for the years ended December 31, 2025 and 2024, respectively. Administration expenses for the plan are paid by HARRG.

Participants are immediately vested in their deferral and rollover contributions, including the earnings on those amounts. After completion of 1 year of service, participants are also eligible to receive safe harbor matching contributions and are vested immediately. Vesting in discretionary contributions is based ratably on years of continuous service. Participants are fully vested in discretionary contributions upon the completion of three years of service. Participants are also fully vested upon reaching normal retirement age, death or total disability.

The Company provides incentive compensation to its employees, on a discretionary basis. Accrued incentive compensation expense amounted to $971,513 and $1,230,614 as of December 31, 2025 and 2024, respectively, net of allocated amounts to affiliated companies, recorded in accrued expenses and other liabilities on the statutory statements of admitted assets, liabilities and capital and surplus. The Company expensed $822,596 and $1,060,105 of incentive compensation for the years ended December 31, 2025 and 2024, respectively.

The Company also provided other post-retirement health care benefits for retired employees (the OPEB Plan) of the Company. Effective December 31, 2017, contributions and interest were discontinued and the OPEB Plan was frozen. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for the Company. A retiree medical account was established for eligible employees. The retiree medical account is credited by the Company until the employee retires or is terminated.

The Company accounts for the OPEB Plan under the requirements of SSAP No. 14, "*Postretirement Benefits Other Than Pensions.*" The accrued benefit obligation recorded amounted to $1,743,375 and $1,868,334 as of December 31, 2025 and 2024, respectively. Balances will be paid out as participants meet the plan requirements.

(Continued)

NOTE 9 - CAPITAL AND SURPLUS

The Company is owned by its members and each member makes an initial capital contribution upon membership. The Company currently maintains two types of members; Class “A” members and Class “B” members. Class “A” members make surplus contributions based on 50% of their first year’s premium. Class “B” members, contribute surplus in the amount of $100 during the first year of membership.

The Company provides its members with discretionary policyholder dividends, which are calculated based upon the underwriting experience of each member and their capital contribution. The Company declared policyholder dividends of $3,400,000 and $7,000,000 for the years ended December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, $3,366,000 and $6,930,000 related to Class “A” members, respectively. During 2025 and 2024, dividends were declared to Class “B” members in the amount of $34,000 and $70,000, with $3,777 and $17,881 to be paid in cash and $30,223 and $52,119 to be recorded as members’ recapitalization dividends within the statements of changes in capital and surplus, respectively. In total, policyholder dividends of $3,359,187 and $6,949,422 were expensed for the years ended December 31, 2025 and 2024, respectively, within the statutory statements of operations. Dividends were approved by the Board of Directors and the Department.

The Company may also provide its members with supplemental dividends, which are based upon a percentage of premium on policies with effective dates in the current calendar year. These dividends are paid to the members upon policy expiration. For the year ended December 31, 2025 and 2024, the Company declared and expensed $1,600,000 and $700,000, respectively, of supplemental dividends.

The Company also provides its members with equity dividends, which are allowed to be used for the purchase of HAI Group products and services. Equity dividends used for approved company programs amounted to $622,218 and $565,992 in 2025 and 2024, respectively.

HARRG requires each member to remain a member for a minimum of three years. If a member withdraws prior to the three-year period, the member forfeits its initial surplus contribution and any additional surplus contributions. If a member withdraws subsequent to the three-year period, it may either withdraw its initial and any additional surplus contributions or maintain its surplus account with the Company, in which case, it shall share in all allocations to and from surplus accounts as if it continued to be a member. Distributions of member surplus will be made in accordance with the membership agreement.

As of December 31, 2025 and 2024, there were member PHAs that are no longer policyholders; however, they have not formally withdrawn their membership in the Company nor formally requested a distribution of their surplus accounts. Should these members request a distribution of their surplus accounts, the Company will return the amounts in accordance with the provisions of the membership agreement and the policy on member withdrawal as described above, and will classify the amounts as a liability on the statutory statements of admitted assets, liabilities and capital and surplus. There are no member surplus refunds payable as of December 31, 2025 and 2024.

The Company is required by the Department to maintain a minimum statutory surplus of $1,000,000 in 2025 and 2024.

As part of its regulatory filings, the Company is required to disclose its risk-based capital (RBC) requirements. The NAIC develops the RBC program to enable regulators to take appropriate and timely regulatory actions with respect to insurers that show signs of weak or deteriorated financial condition. RBC is a series of dynamic surplus-related formulas that contain a variety of factors that are applied to financial balances based on a degree of certain risks, such as asset, credit and underwriting risks. The Company’s statutory capital and surplus exceeded the NAIC’s authorized control level risk based capital at December 31, 2025 and 2024.

(Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company had a $13,781,472 and $13,281,472 irrevocable letter of credit with BBH, related to the Company's fronted auto program as of December 31, 2025 and 2024, respectively. Travelers Indemnity Company is the beneficiary of the letter of credit. As of December 31, 2025 and 2024, the Company pledged $15,159,619 and $14,609,619, respectively, as collateral to secure the letter of credit. There were no draw downs on this letter of credit as of December 31, 2025 and 2024.

NOTE 11 - NON-ADMITTED ASSETS

Certain assets designated as non-admitted, have been excluded from admitted assets and charged against capital and surplus. As of December 31, 2025 and 2024, amounts reflected as non-admitted assets were as follows:

	2025	2024
Nonadmits on investment in affiliate	$ 13,431	$ 12,170
Premiums receivable over 90 days	1,864	-
Furniture and equipment	186,013	248,769
Deductible receivable over 90 days	12,593	-
Prepaid expenses	1,399,546	904,184
	$ 1,613,447	$ 1,165,123

NOTE 12 - RECONCILIATION TO STATUTORY ANNUAL STATEMENT

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department as of and for the years ended December 31, 2025 and 2024.

HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY

STATUTORY FINANCIAL STATEMENTS

December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Authority Property Insurance, A Mutual Company

Opinions

We have audited the statutory financial statements of Housing Authority Property Insurance, A Mutual Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department) as described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2025 and 2024, or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

(Continued)

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplemental schedules, which include the schedule of investment risks interrogatories and the summary investment schedule, are presented for purposes of additional analysis and are not required parts of the statutory financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2025 and for the year ended. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the statutory financial statements as a whole.

Crowe LLP

West Hartford, Connecticut
May 11, 2026

	2025	2024
ADMITTED ASSETS		
Cash and invested assets		
Debt securities, at amortized cost or fair value	$ 217,577,248	$ 194,700,971
Equity securities, at fair value	30,341,319	25,138,252
Other invested assets	12,318,258	745,000
Federal Home Loan Bank of Boston stock, at cost	169,000	150,300
Investment in affiliates	60,938,816	57,054,810
Cash, cash equivalents and short-term investments	15,582,163	28,430,636
Total cash and invested assets	336,926,804	306,219,969
Investment income due and accrued	1,961,709	1,838,576
Premiums receivable	25,122,340	27,821,666
Premium tax receivable	2,423	12,406
Reinsurance recoverable on paid losses	3,359,318	2,038,891
Due from affiliates	12,635	9,513
Total admitted assets	$ 367,385,229	$ 337,941,021
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 46,610,708	$ 42,641,611
Taxes, licenses and fees	636,584	745,796
Unearned premiums	44,106,078	41,302,280
Accrued dividends	13,909,018	14,087,425
Ceded reinsurance premiums payable	1,191,319	353,240
Due to affiliates	1,417,212	1,304,932
Accrued expenses and other liabilities	1,989,676	7,787,636
Total liabilities	109,860,595	108,222,920
Capital and surplus		
Members' contributions	11,803,973	11,327,414
Unassigned funds	245,720,661	218,390,687
Total capital and surplus	257,524,634	229,718,101
Total liabilities and capital and surplus	$ 367,385,229	$ 337,941,021

The accompanying notes are an integral part of the statutory financial statements.

	2025	2024
Underwriting income		
Net premiums earned	$ 81,515,985	$ 74,632,469
Losses and expenses		
Net losses and loss adjustment expenses incurred	40,160,574	32,715,260
Other underwriting expenses incurred	21,953,261	19,495,111
Total losses and expenses	62,113,835	52,210,371
Net underwriting income	19,402,150	22,422,098
Investment income		
Net investment income earned	13,213,253	13,528,465
Net realized capital gain (loss)	90,337	(817,582)
Total investment gain	13,303,590	12,710,883
Other income	213,354	198,128
Net income before policyholder dividends	32,919,094	35,331,109
Policyholder dividends	(13,908,483)	(13,929,572)
Net income	$ 19,010,611	$ 21,401,537

HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
Years Ended December 31, 2025 and 2024

	2025	2024
Capital and surplus, beginning of year	$ 229,718,101	$ 202,194,520
Net income	19,010,611	21,401,537
Net unrealized capital gains	9,082,654	6,408,596
Equity dividends	(386,594)	(284,194)
Members' contributions, net	97,931	2,000
Change in non-admitted assets	1,931	(4,358)
Capital and surplus, end of year	$ 257,524,634	$ 229,718,101

The accompanying notes are an integral part of the statutory financial statements.

STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operations		
Premiums collected, net of reinsurance	$ 87,857,188	$ 77,966,055
Net investment income	12,771,793	13,053,811
Miscellaneous income	213,354	198,128
Losses and loss related payments, net	(33,653,841)	(30,913,717)
Commissions, expenses paid and aggregate write-ins for deductions	(26,060,253)	(22,969,576)
Dividends paid to policyholders	(14,086,890)	(8,747,644)
Net cash from operations	27,041,351	28,587,057
Cash flows from investments		
Proceeds from investments sold, matured and repaid	58,319,073	63,429,712
Cost of investments acquired	(97,742,754)	(88,218,931)
Net cash from investments	(39,423,681)	(24,789,219)
Cash flows from financing and miscellaneous sources		
Members' contributions and distributions, net	(288,663)	(282,194)
Other cash (applied) provided	(177,480)	460,501
Net cash from financing and miscellaneous sources	(466,143)	178,307
Change in cash, cash equivalents and short-term investments	(12,848,473)	3,976,145
Cash, cash equivalents and short-term investments, beginning of year	28,430,636	24,454,491
Cash, cash equivalents and short-term investments, end of year	$ 15,582,163	$ 28,430,636

The accompanying notes are an integral part of the statutory financial statements.

NOTE 1 - GENERAL

Reporting Entity: Housing Authority Property Insurance, A Mutual Company (the Company or HAPI) was incorporated on March 20, 1987, under the laws of the State of Vermont. The Company is a traditional property and casualty insurance company and was formed for the purpose of providing property insurance coverage to member public housing authorities (PHAs) throughout the United States.

Concentrations: HAPI provides property insurance coverage to member PHAs which are regulated and funded by the U.S. Department of Housing and Urban Development. Changes in public policy, funding or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Department has adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting practices (SAP) as the basis of its statutory accounting practices.

Significant differences between NAIC SAP and GAAP as they apply to the Company are as follows:

Statements of Cash Flows - Cash and cash equivalents in the statutory statements of cash flows represent cash balances, money market funds and investments with initial maturities of three months or less. Short-term investments in the statutory statements of cash flows represent investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and certain investments with maturities of three months or less from the date of purchase. In addition, under NAIC SAP the use of a direct method cash flow does not require a reconciliation of net income to cash flows from operating activities as required under GAAP.

Investments - Investments in debt securities are reported at amortized cost or market value, if lower, based on their NAIC rating; for GAAP, debt securities would be designated at purchase as held-to-maturity, trading or available for sale under FASB ASC 320, "*Investments - Debt Securities",* or accounted for under FASB ASC 825, "*Financial Instruments".* For GAAP, held-to-maturity debt securities would be reported at amortized cost. For debt securities classified as trading, unrealized holding gains and losses would be reported in operations. For debt securities classified as available for sale, unrealized holding gains and losses would be reported as accumulated other comprehensive income as a component of members' equity. Under the FASB ASC 825 election, all investments would be reported at fair value with unrealized holding gains and losses reported in operations. Under NAIC SAP, investments in equity securities are reported at fair value with changes in fair value recognized in members' surplus. Under GAAP, in accordance with FASB ASC 321, "*Investments in Equity Securities*", investments in equity securities are required to be reported at fair value with changes in fair value recognized in operations and as such, other-than-temporary impairments (OTTI) are not recorded. Under NAIC SAP, equities are assessed for declines in value that are other-than-temporary and are reported as realized capital losses in the statutory statements of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates - Under GAAP, a company records its investments in affiliates under the equity method of accounting in accordance with FASB ASC 323, "*Investments - Equity Method and Joint Ventures,"* and records its proportionate share of earnings within investment income on the statements of operations, whereas NAIC SAP requires these changes to be reported as unrealized gains or losses through surplus. Dividends for GAAP are recorded as a reduction of the investment value, whereas NAIC SAP records dividends as a component of investment income in the statutory statement of operations.

Policy Acquisition Costs - For NAIC SAP, the costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs related to the successful placement of business, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policy.

Non-Admitted Assets - Certain assets designated as "non-admitted," principally premiums receivable over 90 days old, prepaid expenses, and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual are excluded from the accompanying statutory statements of admitted assets, liabilities and capital and surplus and are charged directly to capital and surplus. Under GAAP, such assets are included in the balance sheets, net of any valuation allowance.

Unpaid Losses, Loss Adjustment Expenses and Reinsurance Recoverables - For GAAP reporting purposes these amounts are presented on a gross basis rather than being presented net of related reinsurance recoverables, as required by NAIC SAP.

Provision for Reinsurance - Under GAAP, reinsurance recoverables would be evaluated for collectability. Under NAIC SAP, a liability must be established with a corresponding reduction in surplus based upon specific formulas required by Schedule F of the Annual Statement.

Ceded Premium - GAAP requires that the unexpired portion of reinsurance premiums be reported on a gross basis, whereas NAIC SAP requires unexpired reinsurance premiums be netted against unearned premiums.

Advance Premium - GAAP allows for premium that has been billed but is not yet effective to be reported as a receivable on the balance sheets with a corresponding liability. NAIC SAP requires that premium collected before year end be reported as advance premium and for all uncollected advance premium to be netted against the corresponding premium receivable.

Income Tax Contingencies - Under Statement of Statutory Accounting Principle (SSAP) No. 101, "*Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10,"* federal income tax contingencies are established pursuant to the same "more likely than not" recognition standard as GAAP. There is the same assumption that the reporting entity will be examined by a tax authority that has full knowledge of all relevant facts. For those tax positions with a probability of loss that is greater than the "more likely than not" level, a "best estimate" of the tax contingency is performed, as opposed to the probability analysis under GAAP. If the "best estimate" results in a tax loss contingency that is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency recognized is equal to 100 percent. Unlike GAAP, tax loss contingencies associated with temporary differences are required to be grossed-up only when a triggering event occurs. Grossed-up tax loss contingencies associated with temporary differences would be subject to an admissibility test. Under statutory accounting, interest and penalties related to federal income tax are included in income taxes only. State tax contingencies are recognized to the extent that it is estimable and probable in accordance with SSAP No. 5R, "*Liabilities, Contingencies and Impairments of Assets - Revised."*

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income - Comprehensive income and its components are not presented in the statutory financial statements.

Allowance for Credit Losses - Under GAAP, the accounting framework follows a current expected credit loss model for determining credit-related impairments for certain financial instruments (e.g. premiums receivable, reinsurance recoverables and held to maturity fixed income investment portfolios) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial instrument, with the net carrying value of the financial instrument presented on the financial statements at the amount expected to be collected. NAIC SAP utilizes an incurred loss impairment model, which requires recognition of credit losses on certain financial instruments when known events occur.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined, but are presumed to be material.

Reclassifications: Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. There was no impact on the Company’s total admitted assets, liabilities, capital and surplus, or net income.

Cash, Cash Equivalents and Short-term Investments: For statutory financial statement purposes, the Company considers cash to be cash on hand and cash on deposit. Cash equivalents consist of money market instruments and investments with initial maturities of three months or less. Short-term investments include investments with initial maturities of one year or less at date of purchase and are valued in accordance with the Purposes and Procedures Manual prepared by the NAIC Securities Valuation Office (SVO).

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered short term cash equivalents.

The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company’s policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company may maintain cash balances in excess of the FDIC insurance limit.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Debt securities are valued and reported in accordance with SSAP No. 26, "*Bonds, Excluding Loan-backed and Structured Securities",* and SSAP No. 43R, "*Loan-backed and Structured Securities-Revised"* under the guidance provided by the Purposes and Procedures Manual prepared by the SVO. Investment grade debt securities are stated at amortized cost. Non-investment grade debt securities with NAIC designations of three through six are reported at the lower of amortized cost or fair value. Within the mortgage-backed securities portfolio, the Company invests in commercial mortgage obligations and mortgage-backed security pools, which include both residential and commercial mortgages. Each security carries a varying degree of prepayment and interest risk, which can impact the fair value and the ultimate amount of investment income earned. Acceleration or deceleration of prepayments of the underlying mortgages can be caused by interest rate changes. Assumptions for collateralized mortgage obligations are reviewed annually. The amortized cost of debt securities are adjusted for amortization of premiums and accretion of discounts using the scientific interest method. Such amortization and accretion is included in investment income.

Equity securities and mutual funds are accounted for under SSAP No. 30, "*Unaffiliated Common Stock*," and are carried at fair value, and changes in net unrealized gains (losses) are reported within capital and surplus.

Investment income is recorded when earned. Realized investment gains and losses, determined on a specific identification basis, are included in investment income.

Other invested assets consist of (i) an investment in a diversified credit strategy fund that primarily invests in corporate credit instruments, including high-yield bonds, senior secured loans, and other opportunistic credit assets, with the objective of generating income and capital appreciation through active credit selection and risk management, and (ii) an investment in a surplus note issued by an insurance entity. The fund investment is carried at adjusted cost, which approximates net asset value, in accordance with SSAP No. 48, "*Joint Ventures, Partnerships and Limited Liability Companies*". The surplus note is carried at amortized cost, net of any applicable impairment.

In June 1995, the Company and Housing Authority Risk Retention Group, Inc. (HARRG), an affiliate through common management, jointly formed Housing Investment Group, Inc. (HIG) to serve as a for-profit company to govern the related businesses to which the Company and HARRG had an ownership interest. The Company's ownership interest is 50% as of December 31, 2025 and 2024. No contributions were made during 2025 or 2024 to HIG. During 2025 and 2024, the Company received a dividend payment from HIG of $3,000,000 and $3,750,000, respectively, which was recorded in net investment income earned in the statutory statements of operations.

In January 2001, the Company formed Housing Enterprise Insurance Company, Inc. (HEIC), a licensed domestic stock insurance company domiciled in the State of Vermont. In 2003, HARRG became an owner by purchasing shares of stock and contributing surplus to HEIC. Currently, the Company owns 700 shares of voting common stock and HARRG owns 1,300 shares of voting common stock. No contributions were made during 2025 and 2024. As of December 31, 2025 and 2024, the Company owns 35% of HEIC.

In December 2013, the Company and HARRG jointly formed Housing Specialty Insurance Company, Inc. (HSIC), a licensed domestic stock insurance company domiciled in the State of Vermont, which was formed to provide surplus lines coverages to specific risks. The Company and HARRG each own 100 shares of voting common stock. The Company owns 50% of HSIC as of December 31, 2025 and 2024. During 2024, the Company made a capital contribution to HSIC in the amount of $12,000,000 to support expanding operations. No contributions were made during 2025.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in HIG, HEIC and HSIC are accounted for in accordance with SSAP No. 97, "*Investments in Subsidiary, Controlled and Affiliated Entities"* and recorded based on underlying statutory equity and adjusted for the NAIC SAP basis of accounting where necessary based on the provisions of SSAP No. 97.

Federal Home Loan Bank of Boston Stock: The Company, which is a member of the Federal Home Loan Bank, is required to maintain an investment in capital stock of the Federal Home Loan Bank of Boston (FHLBB). Based on redemption provisions of the FHLBB, the fair value of the stock is not readily determinable and is carried at cost. At its discretion, the FHLBB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis in the FHLBB stock. As of December 31, 2025 and 2024, no impairment has been recognized.

Other-Than-Temporary Impairments on Investments: The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer. The Company recognizes other-than-temporary impairments (OTTI) on bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statutory statements of operations.

For loan-backed securities, OTTI are recognized when the fair value is less than the amortized cost basis and the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery. When an OTTI is recognized because the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, the amortized cost basis of the loan-backed security is written down to the fair value and the amount of the write-down is recorded as a realized capital loss.

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cash flows discounted at the security's effective interest rate is less than the amortized cost basis as of the balance sheet date. When an OTTI is recognized the loan-backed security is written down to the discounted estimated future cash flows and is recorded as a realized capital loss.

The Company recognizes OTTI of equities for declines in value that are other than temporary and reports those adjustments as realized capital losses in the statutory statements of operations. The Company recognized no OTTI losses during 2025 or 2024.

Unpaid Losses and Loss Adjustment Expense Reserves: Unpaid losses and loss adjustment expense reserves net of the related reinsurance recoverables represent estimated provisions for both reported and unreported claims incurred and related expenses. In determining unpaid losses and loss adjustment expense reserves and reinsurance recoverables, the Company reviews its overall position, its reserving techniques and its reinsurance on a monthly basis, and utilizes the findings of an independent consulting actuary's annual review. These reserves and recoverables represent the estimated ultimate cost of all incurred losses and loss adjustment expenses including related recoverables less amounts paid. Since the reserves are based upon estimates, the ultimate liability or asset may be more or less than such estimates. Such changes may be material and could occur in a future period. As these adjustments become necessary, such adjustments are reflected in current operations.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Reinsurance: In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with SSAP No. 62R, "*Property and Casualty Reinsurance.*" Premiums ceded are expensed over the period of reinsurance protection provided. Anticipated reinsurance recoverables under these contracts are netted against unpaid losses and loss adjustment expenses.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. As of December 31, 2025 and 2024, there were no contingent liabilities.

Income Taxes: The Company has received a determination letter from the Internal Revenue Service indicating that the Company qualifies under the provisions of Section 115 of the Internal Revenue Code and is exempt from federal income taxes.

Income Tax Contingencies: Federal and foreign income tax contingencies are established pursuant to SSAP No. 5R with some modifications. The term probable under SSAP No. 5R is replaced by the term "more likely than not" for federal and foreign income tax contingencies only; it shall be assumed that the reporting entity will be examined by the tax authority that has full knowledge of all relevant information; if the estimated tax loss contingency is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency reported shall be equal to 100 percent of the original tax benefit recognized; and if a tax loss contingency is grossed up for a temporary item due to a triggering event, the deferred tax asset would be subject to the admissibility test under SSAP No. 101. State tax contingencies are recognized to the extent that it can be estimated and is probable in accordance with SSAP No. 5R.

Interest and penalties related to foreign or federal income tax positions are included in income taxes.

The Company did not record any income tax contingencies or interest and penalties related to any income tax contingencies as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that the total liability for income tax contingencies would materially change in the next twelve months.

Premium Deficiency: The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiencies have been recognized in 2025 and 2024.

Use of Estimates: The preparation of the statutory financial statements in conformity with NAIC SAP requires the use of management's estimates and assumptions that affect the reported amounts of admitted assets, liabilities, capital and surplus, revenues and expenses, at and during the reported period, along with the disclosure of contingent assets and liabilities at the date of the statutory financial statements. Actual results could differ from those estimates.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of Accounting Revisions: Effective January 1, 2025, the Company adopted revisions issued by the NAIC as part of its principles-based bond definition project, including updates to SSAP No. 26R, "*Bonds*," and SSAP No. 43R, which has been retitled "*Asset-Backed Securities*." The revised guidance establishes principles-based criteria to determine whether an investment qualifies for bond reporting under statutory accounting principles. Under the updated definitions, bonds are classified based on their economic substance rather than their legal form and are categorized as either issuer credit obligations or asset-backed securities. Issuer credit obligations represent bonds for which repayment is primarily supported by the general creditworthiness of an operating entity, while asset-backed securities are supported primarily by cash flows from underlying financial or cash-generating non-financial assets.

The revised guidance clarifies that certain investments previously reported as bonds may no longer qualify for bond classification if they do not represent a substantive creditor relationship, lack meaningful contractual cash flows of principal and interest, or do not expose the holder primarily to credit risk. Such investments are required to be reported in accordance with SSAP No. 21, "*Other Admitted Assets*." In connection with adoption, the Company evaluated all investments held as of January 1, 2025 that were previously classified as bonds to determine whether they continued to meet the revised definition of a bond. In addition, the NAIC introduced updated bond type classifications for reporting in the NAIC Annual Statement to enhance consistency and transparency in statutory investment reporting.

Based on this evaluation, management concluded that all investments previously reported as bonds continue to qualify for bond classification under the revised guidance. No reclassifications to other investment categories were required upon adoption, and the adoption of this guidance did not have an impact on the Company's statutory net income, statutory surplus, or risk-based capital.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the statutory financial statements were available to be issued.

(Continued)

NOTE 3 - INVESTMENTS

Investments, carried at amortized cost and fair value, as of December 31, 2025, are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost:				
U.S. government obligations	$ 52,220,341	$ 344,854	$ (1,934,934)	$ 50,630,261
Other U.S. government obligations	199,485	-	(455)	199,030
Municipal bonds - general obligations - direct & guaranteed	802,540	74,336	(3,387)	873,489
Municipal bonds - special revenue	3,961,878	-	(441,633)	3,520,245
Corporate bonds	85,498,454	2,185,036	(897,629)	86,785,861
Single entity backed obligations	39,480	446	-	39,926
Bonds issued by funds representing operating entities	4,104,232	111,395	(18,209)	4,197,418
Agency residential and commercial mortgage-backed securities - guaranteed	1,063,932	28,426	(31,095)	1,061,263
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	30,538,553	437,419	(1,244,735)	29,731,237
Non-agency residential and commercial mortgage-backed securities	12,607,525	81,002	(259,617)	12,428,910
Other financial asset-backed securities	9,902,727	114,591	(28,331)	9,988,987
Non-financial asset-backed securities	14,095,251	166,324	(191,202)	14,070,373
Other invested assets	745,000	-	(78,114)	666,886
Total debt securities, at amortized cost	215,779,398	3,543,829	(5,129,341)	214,193,886
Debt securities, at fair value:				
Corporate bonds	2,587,798	-	(44,948)	2,542,850
Total debt securities, at fair value	2,587,798	-	(44,948)	2,542,850
Equity securities, at fair value:				
Mutual funds	16,110,432	14,232,027	(1,140)	30,341,319
Other invested assets	11,000,000	573,258	-	11,573,258
Total equity securities, at fair value	27,110,432	14,805,285	(1,140)	41,914,577
Total	$ 245,477,628	$ 18,349,114	$ (5,175,429)	$ 258,651,313

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investments, carried at amortized cost and fair value, as of December 31, 2024, were as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost:				
U.S. government	$ 40,054,482	$ 30,350	$ (2,483,870)	$ 37,600,962
U.S. states, territories and possessions	340,864	13,657	(312)	354,209
U.S. political subdivisions of states, territories and possessions	575,563	48,204	(5,105)	618,662
U.S. special revenue and special assessment obligations	34,431,752	11,877	(2,664,955)	31,778,674
Industrial and miscellaneous	110,691,269	1,158,724	(2,578,092)	109,271,901
Hybrid securities	5,233,076	29,376	(185,468)	5,076,984
Other invested assets	745,000	-	(126,762)	618,238
Total debt securities, at amortized cost	192,072,006	1,292,188	(8,044,564)	185,319,630
Debt securities, at fair value:				
Industrial and miscellaneous	3,532,988	-	(159,023)	3,373,965
Total debt securities, at fair value	3,532,988	-	(159,023)	3,373,965
Equity securities, at fair value:				
Mutual funds	15,369,874	9,783,855	(15,477)	25,138,252
Total equity securities, at fair value	15,369,874	9,783,855	(15,477)	25,138,252
Total	$ 210,974,868	$ 11,076,043	$ (8,219,064)	$ 213,831,847

As of December 31, 2025 and 2024, the Company held $169,000 and $150,300 of FHLBB stock, respectively, which is carried at cost as further described in Note 2.

The amortized cost and fair value of debt securities are shown by contractual maturity as of December 31, 2025. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due to mature		
One year or less	$ 4,861,705	$ 4,853,344
After one year through five years	52,041,982	52,279,386
After five years through ten years	65,885,304	66,630,968
After ten years through twenty years	15,476,884	15,190,584
After twenty years	11,893,333	10,501,684
Collateralized debt obligations	23,997,978	24,059,360
Residential mortgage-backed securities	35,220,755	34,220,273
Commercial mortgage-backed securities	8,989,255	9,001,137
Total fixed income securities	$ 218,367,196	$ 216,736,736

Proceeds from sales of securities amounted to $43,165,085 and $48,281,566 in 2025 and 2024, respectively. Gross realized gains amounted to $541,507 and $367,736 on the sale of securities in 2025 and 2024, respectively. Gross realized losses amounted to $451,392 and $1,185,755 in 2025 and 2024, respectively.

NOTE 3 - INVESTMENTS (Continued)

The Company holds 362 securities that are in an unrealized loss position as of December 31, 2025, of which 294 of these securities have been in an unrealized loss position for a period of twelve months or greater. The following table shows the investments' unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2025:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S. government obligations	$ 15,369,270	$ (187,784)	$ 12,332,112	$ (1,747,150)
Other U.S. government obligations	-	-	199,030	(455)
Municipal bonds - general obligations - direct & guaranteed	-	-	56,408	(3,387)
Municipal bonds - special revenue	-	-	3,520,245	(441,633)
Corporate bonds	5,664,585	(46,517)	18,679,606	(896,060)
Bonds issued by funds representing operating entities	98,309	(270)	913,766	(17,939)
Agency residential and commercial mortgage-backed securities - guaranteed	-	-	310,303	(31,095)
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	466,344	(1,127)	9,537,548	(1,243,608)
Non-agency residential and commercial mortgage-backed securities	3,270,316	(12,328)	3,776,684	(247,289)
Other financial asset-backed securities	1,296,926	(3,532)	1,114,441	(24,799)
Non-financial asset-backed securities	1,780,003	(13,385)	3,117,788	(177,817)
Other invested assets	-	-	666,886	(78,114)
Total debt securities	27,945,753	(264,943)	54,224,817	(4,909,346)
Equity securities				
Mutual funds	124,111	(1,140)	-	-
Total	$ 28,069,864	$ (266,083)	$ 54,224,817	$ (4,909,346)

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company held 472 securities that were in an unrealized loss position as of December 31, 2024, of which 348 of these securities had been in an unrealized loss position for a period of twelve months or greater. The following table shows the investments' unrealized losses and fair value, aggregated by investment category and length of time that individual securities were in a continuous unrealized loss position, as of December 31, 2024:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S. government	$ 24,086,128	$ (744,745)	$ 9,455,295	$ (1,739,125)
U.S. states, territories and possessions	-	-	99,718	(312)
U.S. political subdivisions of states, territories and possessions	89,283	(236)	55,802	(4,869)
U.S. special revenue and special assessment obligations	16,695,818	(254,267)	14,003,753	(2,410,688)
Industrial and miscellaneous	25,392,108	(335,323)	39,029,476	(2,401,792)
Hybrid securities	397,466	(2,534)	3,156,869	(182,934)
Other invested assets	-	-	618,238	(126,762)
Total debt securities	66,660,803	(1,337,105)	66,419,151	(6,866,482)
Equity securities				
Mutual funds	461,284	(15,477)	-	-
Total	$ 67,122,087	$ (1,352,582)	$ 66,419,151	$ (6,866,482)

The Company had debt securities with amortized costs of $5,347,181 and $5,288,778 as of December 31, 2025 and 2024, respectively, deposited with state insurance departments and regulatory authorities and are restricted, as required by certain state statutes. These amounts are included in debt securities, at amortized cost or fair value, on the statutory statements of admitted assets, liabilities and capital and surplus.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Company measures fair value in accordance with SSAP No. 100, "*Fair Value Measurement,*" which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under SSAP No. 100 are described as follows:

> Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs to the valuation methodology include: (i) Quoted prices for similar assets or liabilities in active markets; (ii) Quoted prices for identical or similar assets or liabilities in inactive markets; (iii) Inputs other than quoted prices that are observable for the asset or liability; or (iv) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure financial instruments at fair value. The same methodologies were used as of December 31, 2025 and 2024.

The Company's valuation techniques used to measure the fair value of investments, including money market funds, mutual funds, and short-term investments, were derived from quoted prices in active markets for identical assets (level 1). The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices for either identical or similar instruments or model driven valuations using significant inputs derived from or corroborated by observable market data.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025:

		Fair Value				
	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value	Total
Financial instruments (carried at fair value)						
Money market funds	$ 10,841,607	$ 10,841,607	$ -	$ -	$ -	$ 10,841,607
Debt securities	2,542,850	-	2,542,850	-	-	2,542,850
Mutual funds	30,341,319	30,341,319	-	-	-	30,341,319
Total	43,725,776	41,182,926	2,542,850	-	-	43,725,776
Financial instruments (carried at amortized cost)						
Cash equivalents	4,281,853	-	4,282,511	-	-	4,282,511
Short-term investments	125,079	-	124,950	-	-	124,950
Other invested assets	745,000	-	666,886	-	-	666,886
Debt securities	215,034,398	-	213,527,000	-	-	213,527,000
Total	220,186,330	-	218,601,347	-	-	218,601,347
Financial instruments (carried at net asset value)						
Other invested assets	11,573,258	-	-	-	11,573,258	11,573,258
Total	$ 275,485,364	$ 41,182,926	$ 221,144,197	$ -	$ 11,573,258	$ 273,900,381

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Investments measured at net asset value as a practical expedient are not categorized within the fair value hierarchy, but are disclosed separately.

Other invested assets - Other invested assets consist of (i) an investment in a surplus note issued by an insurance entity, carried at amortized cost, and (ii) an investment in a diversified credit strategy fund, the Shenkman Multi-Asset Credit Fund (Fund). The investment in the Shenkman Multi-Asset Credit Fund is recorded at cost and adjusted for any earnings, losses, or distributions. The adjusted cost of these investments approximates net asset value. The values for underlying investments are estimates determined by an external fund manager and reflects the Company's ownership interest in the underlying net assets of the Fund. There were no redemptions of other invested assets during 2025.

At December 31, 2025, the Company's investment in the Fund is reported within other invested assets and is carried at fair value using the net asset value per share as a practical expedient in accordance with SSAP No. 100.

Shares in the Fund may generally be redeemed monthly, on the last calendar day of each month, subject to: at least 30 calendar days' prior written notice, payment generally within 30 days after redemption date, and redemption suspensions or postponements at the discretion of the Directors in certain circumstances. The Fund may suspend redemptions under conditions such as market disruption or valuation uncertainty.

As of December 31, 2025, the Company has no unfunded commitments.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2024:

	Admitted Assets	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial instruments (carried at fair value)					
Money market funds	$ 25,886,880	$ 25,886,880	$ -	$ -	$ 25,886,880
Mutual funds	25,138,252	25,138,252	-	-	25,138,252
Debt securities	3,373,965	-	3,373,965	-	3,373,965
Total	54,399,097	51,025,132	3,373,965	-	54,399,097
Financial instruments (carried at amortized cost)					
Cash equivalents	5,469,154	-	5,468,431	-	5,468,431
Short-term investments	84,545	-	84,471	-	84,471
Other invested assets	745,000	-	618,238	-	618,238
Debt securities	191,327,006	-	184,701,392	-	184,701,392
Total	197,625,705	-	190,872,532	-	190,872,532
Total	$ 252,024,802	$ 51,025,132	$ 194,246,497	$ -	$ 245,271,629

The fair values of the Company's level 2 investments are determined by management after considering prices received from third party services.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

A description of inputs used in the Company's level 2 measurements are listed below:

U.S. government obligations: Primary inputs include observations of credit default swap curves related to the issuer and political events.

Municipal bonds: Primary inputs include Municipal Securities Rulemaking Board reported trades and material event notices, and issuer financial statements.

Corporate bonds: Primary inputs include observations of credit default swap curves related to the issuer.

Collateralized debt obligations, residential and commercial mortgage-backed securities: Primary inputs include monthly payment information, collateral performance, which varies by vintage year and includes delinquency rates, collateral valuation loss severity rates, collateral refinancing assumptions, credit default swap indices and, for collateralized debt obligation and residential mortgage-backed securities, estimated prepayment rates.

As of December 31, 2025 and 2024, the Company held no level 3 investments.

NOTE 5 - INSURANCE ACTIVITY

The Company primarily provides property coverages that are written on both a direct basis and an assumed basis through a fronting agreement. For 2025 and 2024, HAPI retains the first $500,000 plus its pro rata share of loss adjustment expenses. All amounts in excess of $500,000 are reinsured up to the property value of the insured. The Company secured reinsurance for amounts in excess of their retained limits up to $300,000,000 per occurrence for property. The property limit of $300,000,000 per occurrence is a shared aggregate limit with HEIC.

The Company also provides boiler and machinery coverages and reinsurers 100% of policy limits. In addition, the Company assumes 100% of certain auto physical damage coverages written by Travelers Indemnity Company through a fronting arrangement.

Effective January 1, 2015, the Company began providing reinsurance coverage to HSIC, for commercial property coverage on public housing units insured by HSIC. In accordance with the reinsurance agreement, the Company assumes losses in excess of $250,000 each loss, each policy. Additionally, the Company provides coverage which limits HSIC's liability for losses arising out of any one loss occurrence to $750,000, exclusive of loss adjustment expenses. Loss adjustment expenses are shared on a pro-rata basis and are in addition to the per occurrence limits. During 2025 and 2024, the Company assumed $904,869 and $866,777, respectively, of premiums from HSIC related to this contract.

All the Company's policies cover certified terrorism losses (unless coverage is declined by the policyholder) as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent reauthorizations. The Terrorism Risk Insurance Program is a Federal program administered by the Department of the Treasury authorized through December 31, 2027, that provides for a system of shared public and private compensation for certain insured losses resulting from certified acts of terrorism.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

In order for a loss to be covered under the program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism. The annual aggregate industry loss minimum under the program is $200,000,000 for 2025 and 2024. Under the program, a participating insurer, in exchange for making terrorism insurance available, is entitled to be reimbursed by the Federal Government for 80% of subject losses in 2025 and 2024, after an insurer deductible, subject to an annual cap. This reimbursement percentage is scheduled to remain at 80% through December 31, 2027.

The deductible for any calendar year is equal to 20% of the insurer’s direct earned premiums for covered lines for the preceding calendar year. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100 billion. Once subject losses have reached the $100 billion aggregate during a program year, participating insurers will not be liable under the program for additional covered terrorism losses for that program year.

The Company, HARRG, HEIC, and HSIC (collectively called the Companies) entered into a reinsurance agreement, which provides reinsurance protection to the Companies for all insured losses resulting from acts of terrorism or sabotage (whether a certified act or not), for all direct business written by the Companies. With respect to acts of terrorism and acts of sabotage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $80,000,000 per loss occurrence. With respect to strikes, riots, civil commotion and malicious damage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $60,000,000 per loss occurrence. If a loss occurrence involves more than one of the Companies, the limits and retentions mentioned above will be divided between each of the Companies in the proportion of their individual losses to the total loss sustained by the Companies.

Reinsurance contracts do not discharge the primary liability of the Company as insurer of those risks reinsured. The failure of the reinsurer to honor its obligations could result in significant losses to the Company.

The Company evaluates the financial condition of potential reinsurers, and continually monitors the financial condition of present reinsurers. All rated reinsurers have an A.M. Best rating of A- or better.

Additionally, the Company evaluates current and prospective reinsurers as to concentrations of credit risk arising from similar activities or economic characteristics in order to minimize exposure to significant losses resulting from reinsurer insolvencies. There can be no assurance that reinsurance will continue to be available to the Company to the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk it cedes to reinsurers.

Direct, assumed, and ceded premiums written and earned by the Company for the years ended December 31, 2025 and 2024, are summarized as follows:

	Premiums Written		Premiums Earned	
	2025	2024	2025	2024
Direct premiums	$ 115,228,485	$ 109,165,438	$ 111,928,599	$ 102,628,734
Assumed premiums	3,743,788	3,423,241	3,575,103	3,220,351
Ceded premiums	(34,652,490)	(32,652,959)	(33,987,717)	(31,216,616)
Net premiums	$ 84,319,783	$ 79,935,720	$ 81,515,985	$ 74,632,469

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

A reconciliation of changes in unpaid losses and loss adjustment expenses for the years ended December 31, 2025 and 2024, are summarized as follows:

	2025	2024
Balance at beginning of year	$ 42,641,611	$ 43,283,531
Incurred related to:		
Current year	49,376,738	44,966,126
Prior years	(9,216,164)	(12,250,866)
Total incurred	40,160,574	32,715,260
Paid related to:		
Current year	(15,776,110)	(18,078,405)
Prior years	(20,415,367)	(15,278,775)
Total paid	(36,191,477)	(33,357,180)
Balance at end of year	$ 46,610,708	$ 42,641,611

As a result of changes in estimates of insured events in prior years, the provision for losses and loss adjustment expenses decreased by $9,216,164 and $12,250,866 in 2025 and 2024, respectively. The development during 2025 relates primarily to favorable development of accident years 2022 through 2024. The development during 2024 relates primarily to favorable development of accident years 2021 through 2023.

The Company recorded net reinsurance recovery activity of $5,909,397 and $1,744,386 in 2025 and 2024, respectively, which are reflected as a decrease in net losses and loss adjustment expenses incurred in the statutory statements of operations.

NOTE 6 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $13,251,845 and $12,220,466 for the years ended December 31, 2025 and 2024, respectively. The amounts due to HARRG under these agreements, which are included in due to affiliates, amounted to $1,410,135 and $1,294,548 as of December 31, 2025 and 2024, respectively.

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

(Continued)

NOTE 6 - AFFILIATE AND RELATED PARTY TRANSACTIONS (Continued)

The Company entered into an insurance management services agreement with Housing Insurance Services, Inc. (HIS), whereby HIS performs insurance agency activities for the Company's insurance programs. HIS is a subsidiary of HIG. Fees incurred under this agreement amounted to $141,372 and $127,823 for the years ended December 31, 2025 and 2024, respectively. Amounts due from HIS include amounts due under this agreement and losses incurred by the Company and paid by HIS on the Company's behalf related to its assumed auto program with Travelers Indemnity Company. The Company is also due certain amounts from HIS for surcharges paid directly by the Company. The net amount due for all of these services, which is included in due from affiliates, amounted to $9,967 and $6,573 as of December 31, 2025 and 2024, respectively.

The Company maintains a commission agreement with HIS for direct premium written. The commission agreement provides for a commission percentage to be paid based upon direct written premium, which is expensed on a pro-rata basis by the Company in line with the underlying policies to which they relate. For the years ended December 31, 2025 and 2024, commission expense under this agreement amounted to $5,761,575 and $5,458,349, respectively, which is included in underwriting expenses incurred on the statutory statement of operations. The amounts due to HIS under this agreement, which is included in accrued expenses and other liabilities, amounted to $1,226,405 and $1,360,713 as of December 31, 2025 and 2024, respectively.

The Company pays a membership fee to Housing Authority Insurance, Inc. (HAI), which provides membership services to HAPI's insureds. HAPI recognized HAI membership fee expenses of $2,875,000 and $1,496,003 for the years ended December 31, 2025 and 2024, respectively. No amounts were due to HAI as of December 31, 2025 and 2024.

The Company has amounts due to HTI of $4,409 and $7,444 as of December 31, 2025 and 2024, respectively, which are included in due to affiliates on the statutory statements of admitted assets, liabilities and capital and surplus.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

NOTE 7 - EMPLOYEE BENEFITS

HAPI does not maintain a retirement plan, deferred compensation or other postretirement benefit plan. HAPI participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $340,036 and $366,788 and 401(k) expenses of $248,051 and $254,199 for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $599,075 and $845,540, for the years ended December 31, 2025 and 2024, respectively, which is included within other underwriting expenses incurred on the statutory statements of operations.

(Continued)

NOTE 8 - CAPITAL AND SURPLUS

The Company is owned by its members and each member makes an initial capital contribution upon membership. The Company currently maintains two types of members: Class “A” members and Class “B” members. Class “A” members make surplus contributions based on 50% of their first year’s premium. Class “B” members, contribute surplus in the amount of $100 during the first year of membership.

The Company provides its members with discretionary policyholder dividends, which are calculated based upon the underwriting experience of each member and their capital contribution. For the year ended December 31, 2025, policyholder dividends of $13,200,000 were declared by the Company with $12,672,000 related to Class “A” members. Dividends declared to Class “B” members amounted to $528,000, with $237,018 to be paid in cash and $290,982 to be recorded as members’ recapitalization dividends within the statements of changes in capital and surplus. For the year ended December 31, 2024, policyholder dividends of $14,000,000 were declared by the Company with $13,300,000 related to Class “A” members. Dividends declared to Class “B” members amounted to $700,000, with $329,572 to be paid in cash and $370,428 to be recorded as members’ recapitalization dividends within the statements of changes in capital and surplus. In total, policyholder dividends of $12,908,483 and $13,629,572 were expensed for the years ended December 31, 2025 and 2024, respectively, within the statutory statements of operations. Dividends were approved by the Board of Directors.

The Company may also provide its members with supplemental dividends, which are based upon a percentage of premium on policies with effective dates in the current calendar year. These dividends are paid to the members upon policy expiration. For the year ended December 31, 2025 and 2024, the Company declared and expensed $1,000,000 and $300,000, respectively, of supplemental dividends.

The membership agreement requires each member to remain a member for a minimum of three years. If a member withdraws prior to the three-year period, the member forfeits its initial surplus contribution and any additional surplus contributions. If a member withdraws subsequent to the three-year period, it may either withdraw its initial and any additional surplus contributions or maintain its surplus account with the Company, in which case, it shall share in all allocations to and from surplus accounts as if it continued to be a member. Distributions of member surplus will be made in accordance with the membership agreement.

As of December 31, 2025 and 2024, there were member PHAs that are no longer policyholders; however, they have not formally withdrawn their membership in the Company, nor formally requested a distribution of their surplus accounts. Should these members request a distribution of their surplus accounts, the Company will return the amounts in accordance with the provisions of the membership agreement and the policy on member withdrawal as described above and will classify the amounts as a liability on the statutory statements of admitted assets, liabilities and capital and surplus. There are no member surplus refunds payable as of December 31, 2025 and 2024.

The Company also provides its members with equity dividends, which are allowed to be used for the purchase of HAI Group products and services. Equity dividends used for approved company programs amounted to $386,594 and $284,194 in 2025 and 2024, respectively.

In accordance with the Department order dated July 10, 2003, the issuance of a Certificate of General Good and a Certificate of Authority to the Company is subject to the condition that the Commissioner’s written permission is required before the Company, or its Board of Directors directs the return or payment of a member’s paid-in surplus if the member’s paid-in surplus exceeds $25,000.

As an admitted property and casualty insurance company, HAPI is required by the Department to maintain a minimum statutory surplus of $5,000,000.

(Continued)

NOTE 8 - CAPITAL AND SURPLUS (Continued)

As part of its regulatory filings, the Company is required to disclose its risk-based capital (RBC) requirements. The NAIC develops the RBC program to enable regulators to take appropriate and timely regulatory actions with respect to insurers that show signs of weak or deteriorated financial condition. RBC is a series of dynamic surplus-related formulas that contain a variety of factors that are applied to financial balances based on a degree of certain risks, such as asset, credit and underwriting risks. The Company's statutory capital and surplus exceeded the NAIC's authorized control level risk based capital at December 31, 2025 and 2024.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

In most states, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund. In most states, in the event of the insolvency of an insurer writing any such class of insurance in the state, members of the funds are assessed to pay certain claims of the insolvent insurer. A particular state's fund assesses its members based on their respective written premiums in the state for the classes of insurance in which the insolvent insurer was engaged. Assessments are generally limited for any year to one or two percent of the premiums written per year depending on the state. The amount and timing of assessments related to past insolvencies is unpredictable. The Company records these assessments in accordance with SSAP No. 35, "*Guaranty Fund and Other Assessments.*" As of December 31, 2025 and 2024, the Company has not accrued for or been assessed by any state insurance department.

As of December 31, 2025 and 2024, the Company has an irrevocable standby letter of credit from BBH of $5,546,641 in both 2025 and 2024, for the Company's assumed auto physical damage program and boiler and machinery program. Travelers Indemnity Company is the beneficiary of the letter of credit. There were no draw downs on this letter of credit as of December 31, 2025 and 2024.

On April 20, 2010, the Company executed a guaranty for HEIC to benefit American Alternative Insurance Corporation (AAIC). AAIC will be provided credit protection by the Company in the event that HEIC is more than ninety days overdue on any reinsurance payment. During 2025 and 2024, such credit protection was not considered necessary as amounts due from HEIC are current.

NOTE 10 - NON-ADMITTED ASSETS

Certain assets designated as non-admitted, have been excluded from admitted assets and charged against capital and surplus. As of December 31, 2025 and 2024, amounts reflected as non-admitted assets were as follows:

	2025	2024
Non admitted assets of investment in affiliate	$ 13,432	$ 12,170
Prepaid expenses	15,468	18,661
	$ 28,900	$ 30,831

NOTE 11 - RECONCILIATION TO STATUTORY ANNUAL STATEMENT

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2025 and 2024.

HOUSING ENTERPRISE INSURANCE COMPANY, INC.

STATUTORY FINANCIAL STATEMENTS
December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Enterprise Insurance Company, Inc.

Opinions

We have audited the statutory financial statements of Housing Enterprise Insurance Company, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department) as described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2025 and 2024, or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

(Continued)

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplemental schedules, which include the schedule of investment risks interrogatories and the summary investment schedule, are presented for purposes of additional analysis and are not required parts of the statutory financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2025 and for the year ended. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the statutory financial statements as a whole.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING ENTERPRISE INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
December 31, 2025 and 2024

	2025	2024
ADMITTED ASSETS		
Cash and invested assets:		
Debt securities, at amortized cost or fair value	$ 139,331,826	$ 116,808,716
Equity securities, at fair value	7,647,703	6,290,519
Other invested assets	7,049,884	-
Cash, cash equivalents and short-term investments	14,141,432	19,390,620
Total cash and invested assets	168,170,845	142,489,855
Investment income due and accrued	1,112,654	816,499
Premiums receivable	19,758,232	30,901,612
Reinsurance recoverable on paid losses	4,463,925	7,560,621
Deferred tax asset	2,765,122	2,610,706
Due from affiliates	746,575	86,308
Other assets	91,365	68,476
Total admitted assets	$ 197,108,718	$ 184,534,077
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 69,596,183	$ 59,024,507
Taxes, licenses and fees	741,579	871,807
Unearned premiums	40,621,845	41,616,437
Advance premiums	235,664	23,102
Ceded reinsurance premium payable	888,681	1,430,341
Federal income tax payable	609,603	2,546,236
Due to affiliates	1,739,943	1,365,495
Funds held by company under reinsurance treaties	1,060,595	-
Payables for securities	-	4,577,271
Accrued expenses and other liabilities	2,124,221	3,868,277
Total liabilities	117,618,314	115,323,473
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	30,490,404	20,210,604
Total capital and surplus	79,490,404	69,210,604
Total liabilities and capital and surplus	$ 197,108,718	$ 184,534,077

The accompanying notes are an integral part of the statutory financial statements.

HOUSING ENTERPRISE INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2025 and 2024

	2025	2024
Underwriting income		
Net premiums earned	$ 76,747,983	$ 71,463,296
Losses and expenses		
Net losses and loss adjustment expenses incurred	46,765,233	40,485,893
Other underwriting expenses incurred	24,327,564	21,712,228
Total losses and expenses	71,092,797	62,198,121
Net underwriting gain	5,655,186	9,265,175
Investment income		
Net investment income earned	5,430,923	4,494,678
Net realized capital losses, net of taxes of $0 in 2025 and 2024	(60,850)	(87,479)
Total investment income	5,370,073	4,407,199
Other income, net	120,322	131,800
Net income before all other federal income taxes	11,145,581	13,804,174
Federal income taxes incurred	2,593,367	3,168,254
Net income	$ 8,552,214	$ 10,635,920

The accompanying notes are an integral part of the statutory financial statements.

STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

Years Ended December 31, 2025 and 2024

	2025	2024
Capital and surplus, beginning of year	$ 69,210,604	$ 57,891,827
Net income	8,552,214	10,635,920
Change in net unrealized capital gains	1,366,128	473,195
Change in net deferred income taxes	288,415	285,151
Change in non-admitted assets	73,043	(75,489)
Capital and surplus, end of year	$ 79,490,404	$ 69,210,604

The accompanying notes are an integral part of the statutory financial statements.

HOUSING ENTERPRISE INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operations		
Premiums collected, net of reinsurance	$ 86,567,674	$ 72,301,511
Net investment income	5,038,083	4,481,132
Miscellaneous income	120,322	131,800
Losses and loss related payments, net	(25,174,829)	(30,472,892)
Commissions, expenses paid and aggregate write-ins for deductions	(33,923,129)	(29,265,048)
Federal income taxes (paid) received	(4,530,000)	3,907
Net cash from operations	28,098,121	17,180,410
Cash flows from investments		
Proceeds from investments sold, matured and repaid	23,002,966	22,696,207
Cost of investments acquired	(56,863,497)	(30,061,885)
Net cash from investments	(33,860,531)	(7,365,678)
Cash flows from financing and miscellaneous sources		
Other cash provided	513,222	563,369
Net cash from financing and miscellaneous sources	513,222	563,369
Change in cash, cash equivalents and short-term investments	(5,249,188)	10,378,101
Cash, cash equivalents and short-term investments, beginning of year	19,390,620	9,012,519
Cash, cash equivalents and short-term investments, end of year	$ 14,141,432	$ 19,390,620

The accompanying notes are an integral part of the statutory financial statements.

NOTE 1 - GENERAL

Reporting Entity and Operations: Housing Enterprise Insurance Company, Inc. (the Company or HEIC) is a licensed domestic stock insurance company in the State of Vermont. HEIC was established to provide various lines of insurance coverage to for-profit low income and affordable housing units that are not in the public housing authority program.

The Company is owned by Housing Authority Property Insurance, A Mutual Company (HAPI) and Housing Authority Risk Retention Group, Inc. (HARRG), affiliates through common management. As of December 31, 2025 and 2024, HAPI owned 700 shares of voting common stock and HARRG owned 1,300 shares of voting common stock.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Department has adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting practices (SAP) as the basis of its statutory accounting practices.

Significant differences between NAIC SAP and GAAP as they apply to the Company are as follows:

Statements of Cash Flows - Cash and cash equivalents in the statutory statements of cash flows represent cash balances, money market funds and investments with initial maturities of three months or less. Short-term investments in the statutory statements of cash flows represent investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and certain investments with maturities of three months or less from the date of purchase. In addition, under NAIC SAP the use of a direct method cash flow does not require a reconciliation of net income to cash flows from operating activities as required under GAAP.

Investments - Investments in debt securities are reported at amortized cost or market value, if lower, based on their NAIC rating; for GAAP, debt securities would be designated at purchase as held-to-maturity, trading or available for sale under FASB ASC 320, *"Investments - Debt Securities"*, or accounted for under FASB ASC 825, *"Financial Instruments"*. For GAAP, held-to-maturity debt securities would be reported at amortized cost. For debt securities classified as trading, unrealized holding gains and losses would be reported in operations. For debt securities classified as available for sale, unrealized holding gains and losses would be reported as accumulated other comprehensive income as a component of equity. Under the FASB ASC 825 election, all investments would be reported at fair value with unrealized holding gains and losses reported in operations. Under NAIC SAP, investments in equity securities are reported at fair value with changes in fair value recognized in capital and surplus. Under GAAP, in accordance with FASB ASC 321, "*Investments in Equity Securities*", investments in equity securities are required to be reported at fair value with changes in fair value recognized in operations and as such, other-than-temporary impairments (OTTI) are not recorded. Under NAIC SAP, equities are assessed for declines in value that are other-than-temporary and are reported as realized capital losses in the statutory statements of operations.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Policy Acquisition Costs - For NAIC SAP, the costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs related to the successful placement of business, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policy.

Non-Admitted Assets - Certain assets designated as “non-admitted,” principally premiums receivable over 90 days old, prepaid expenses, deferred tax assets and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual are excluded from the accompanying statutory statements of admitted assets, liabilities and capital and surplus and are charged directly to capital and surplus. Under GAAP, such assets are included in the balance sheets, net of any valuation allowance.

Unpaid Losses, Loss Adjustment Expenses and Reinsurance Recoverables - For GAAP reporting purposes, these amounts are presented on a gross basis rather than being presented net of related reinsurance recoverables, as required by NAIC SAP.

Provision for Reinsurance - Under GAAP, reinsurance recoverables would be evaluated for collectability. Under NAIC SAP, a liability must be established with a corresponding reduction in surplus based upon specific formulas required by Schedule F of the Annual Statement.

Ceded Premium - GAAP requires that the unexpired portion of reinsurance premiums be reported on a gross basis, whereas NAIC SAP requires unexpired reinsurance premiums be netted against unearned premiums.

Advance Premium - GAAP allows for premium that has been billed but is not yet effective to be reported as a receivable on the balance sheets with a corresponding liability. NAIC SAP requires that premium collected before year end be reported as advance premium and for all uncollected advance premium to be netted against the corresponding premium receivable.

Income Taxes - For statutory purposes, net deferred income taxes are admitted following the application of certain criteria, with the resulting admitted tax asset being credited directly to unassigned surplus. The changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit. Under GAAP, deferred income tax assets and liabilities are recorded for temporary differences between the reported amounts of assets and liabilities and those in the Company’s income tax return. Changes to deferred income tax assets and liabilities are recorded in current operations under GAAP.

Income Tax Contingencies - Under Statement of Statutory Accounting Principle (SSAP) No. 101, “*Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*,” federal income tax contingencies are established pursuant to the same “more likely than not” recognition standard as GAAP. There is the same assumption that the reporting entity will be examined by a tax authority that has full knowledge of all relevant facts. For those tax positions with a probability of loss that is greater than the “more likely than not” level, a “best estimate” of the tax contingency is performed, as opposed to the probability analysis under GAAP. If the “best estimate” results in a tax loss contingency that is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency recognized is equal to 100 percent. Unlike GAAP, tax loss contingencies associated with temporary differences are required to be grossed-up only when a triggering event occurs. Grossed up tax loss contingencies associated with temporary differences would be subject to an admissibility test. Under statutory accounting, interest and penalties related to federal income tax are included in income taxes only. State tax contingencies are recognized to the extent that it is estimable and probable in accordance with SSAP No. 5R, *“Liabilities, Contingencies and Impairments of Assets - Revised.”*

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income - Comprehensive income and its components are not presented in the statutory financial statements.

Allowance for Credit Losses - Under GAAP, the accounting framework follows a current expected credit loss model for determining credit-related impairments for certain financial instruments (e.g. premiums receivable, reinsurance recoverables and held to maturity fixed income investment portfolios) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial instrument, with the net carrying value of the financial instrument presented on the financial statements at the amount expected to be collected. NAIC SAP utilizes an incurred loss impairment model, which requires recognition of credit losses on certain financial instruments when known events occur.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined, but are presumed to be material.

Cash, Cash Equivalents and Short-term Investments: For statutory financial statement purposes, the Company considers cash to be cash on hand and cash on deposit. Cash equivalents consist of money market instruments and investments with initial maturities of three months or less. Short-term investments include investments with initial maturities of one year or less at date of purchase and are valued in accordance with the Purposes and Procedures Manual prepared by the NAIC Securities Valuation Office (SVO).

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered short term cash equivalents.

The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company may maintain cash balances in excess of the FDIC insurance limit.

Investments: Debt securities are valued and reported in accordance with SSAP No. 26, "*Bonds, Excluding Loan-backed and Structured Securities,*" and SSAP No. 43R, "*Loan-backed and Structured Securities-Revised,*" under the guidance provided by the Purposes and Procedures Manual prepared by the SVO. Investment grade debt securities are stated at amortized cost. Non-investment grade debt securities with NAIC designations of three through six are reported at the lower of amortized cost or fair value. Within the mortgage-backed securities portfolio, the Company invests in commercial mortgage obligations and mortgage-backed security pools, which include both residential and commercial mortgages. Each security carries a varying degree of prepayment and interest risk, which can impact the fair value and the ultimate amount of investment income earned. Acceleration or deceleration of prepayments of the underlying mortgages can be caused by interest rate changes. Assumptions for collateralized mortgage obligations are reviewed annually. The amortized cost of debt securities are adjusted for amortization of premiums and accretion of discounts using the scientific interest method. Such amortization and accretion are included in investment income.

Equity securities and mutual funds are accounted for under SSAP No. 30, "*Unaffiliated Common Stock*," and are carried at fair value, and changes in net unrealized (losses) gains are reported within capital and surplus.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment income is recorded when earned. Realized investment gains and losses, determined on a specific identification basis, are included in investment income.

Other invested assets consist of an investment in a limited partnership that pursues a diversified credit strategy, primarily investing in high-yield corporate bonds, senior secured loans, and other credit-related instruments, with the objective of generating current income and capital appreciation through active credit management. The fund investment is carried at adjusted cost, which approximates net asset value, in accordance with SSAP No. 48, "*Joint Ventures, Partnerships and Limited Liability Companies*".

Other-Than-Temporary Impairments of Investments: The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer. The Company recognizes other-than-temporary impairments (OTTI) on bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statutory statements of operations.

For loan-backed securities, OTTI are recognized when the fair value is less than the amortized cost basis and the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery. When an OTTI is recognized because the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, the amortized cost basis of the loan-backed security is written down to the fair value and the amount of the write-down is recorded as a realized capital loss.

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cash flows discounted at the security's effective interest rate is less than the amortized cost basis as of the balance sheet date. When an OTTI is recognized the loan-backed security is written down to the discounted estimated future cash flows and is recorded as a realized capital loss.

The Company recognizes OTTI of equities for declines in value that are other-than-temporary and reports those adjustments as realized capital losses in the statutory statements of operations. The Company recognized no OTTI losses during 2025 or 2024.

Unpaid Losses and Loss Adjustment Expense Reserves: Unpaid losses and loss adjustment expense reserves, including reinsurance recoverables, represent estimated provisions for both reported and unreported claims incurred and related expenses. In determining unpaid losses and loss adjustment expense reserves and reinsurance recoverables, the Company annually reviews its overall position, its reserving techniques and its reinsurance on a monthly basis, and utilizes the findings of an independent consulting actuary's annual review. These reserves and recoverables represent the estimated ultimate cost of all incurred losses and loss adjustment expenses including related recoverables less amounts paid. Since the reserves are based upon estimates, the ultimate liability or asset may be more or less than such estimates. Such changes may be material and could occur in a future period. As these adjustments become necessary, such adjustments are reflected in current operations.

Revenue Recognition: Premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advance Premium: Premiums which have been billed and collected but are not yet effective before year end are reported as advance premiums on the statutory statements of admitted assets, liabilities and capital and surplus.

Premium Deficiency: The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiencies have been recognized in 2025 and 2024.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. As of December 31, 2025 and 2024, the Company recorded $25,000 and $58,506, respectively.

Reinsurance: In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with SSAP No. 62R, "*Property and Casualty Reinsurance.*" Premiums ceded are expensed over the period of reinsurance protection provided. Anticipated reinsurance recoverables under these contracts are netted against unpaid losses and loss adjustment expenses.

Income Taxes: Federal income taxes are recorded in accordance with SSAP No. 101. The Company can admit deferred tax assets subject to the provisions under paragraphs 11.a, 11.b, and 11.c of SSAP 101. This guidance provides that the deferred tax asset reversal and surplus limitation parameters of the admissibility test are based on the risk-based capital level or other surplus limitation as defined under paragraph 11.b. It also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Finally, the guidance sets a more likely than not threshold for the recording of contingent tax liabilities.

The provision for federal income taxes is based on amounts estimated to be currently payable as a result of operations in the current period. A provision has been made for deferred federal income taxes on temporary differences in the basis of assets and liabilities for tax and financial reporting purposes, as required by the NAIC, and is presented as a change in capital and surplus. All tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

As of December 31, 2025 and 2024, the Company has recorded a deferred tax liability of $0 and $22,688, respectively, referred to as the Tax Cut and Jobs Act (TCJA) transition adjustment within the net deferred tax asset related to the re-measurement of the Company's discounted loss reserves as a result of IRS Revenue Procedure 2019-06 (RP 2019-06) and Revenue Procedure 2019-31 (RP 2019-31), which were issued in December 2018 and August 2019, respectively, and required the Company to amortize the impact of the retroactive change in discounting over eight years within taxable income. The additional loss reserve discount has been recorded as a deferred tax asset with an offsetting deferred tax liability representing the portion of the retroactive re-measurement of the tax discount to be amortized to income in future years.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Contingencies: Federal and foreign income tax contingencies are established pursuant to SSAP No. 5R with some modifications. The term probable under SSAP No. 5R is replaced by the term “more likely than not” for federal and foreign income tax contingencies only; it shall be assumed that the reporting entity will be examined by the tax authority that has full knowledge of all relevant information; if the estimated tax loss contingency is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency recorded shall be equal to 100 percent of the original tax benefit recognized; and if a tax loss contingency is grossed up for a temporary item due to a triggering event, the deferred tax asset would be subject to the admissibility test under SSAP No. 101. State tax contingencies are recognized to the extent that it can be estimated and is probable in accordance with SSAP No. 5R.

Interest and penalties related to foreign or federal income tax positions are included in income taxes.

The Company did not record any income tax contingencies or interest and penalties related to any income tax contingencies as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that the total liability for income tax contingencies would materially change in the next twelve months.

Use of Estimates: The preparation of the statutory financial statements in conformity with NAIC SAP requires the use of management’s estimates and assumptions that affect the reported amounts of admitted assets, liabilities, capital and surplus, revenues and expenses, at and during the reported period, along with the disclosure of contingent assets and liabilities at the date of the statutory financial statements. Actual results could differ from those estimates.

Adoption of Accounting Revisions: Effective January 1, 2025, the Company adopted revisions issued by the NAIC as part of its principles-based bond definition project, including updates to SSAP No. 26R, “*Bonds*,” and SSAP No. 43R, which has been retitled “*Asset-Backed Securities*.” The revised guidance establishes principles-based criteria to determine whether an investment qualifies for bond reporting under statutory accounting principles. Under the updated definitions, bonds are classified based on their economic substance rather than their legal form and are categorized as either issuer credit obligations or asset-backed securities. Issuer credit obligations represent bonds for which repayment is primarily supported by the general creditworthiness of an operating entity, while asset-backed securities are supported primarily by cash flows from underlying financial or cash generating non-financial assets.

The revised guidance clarifies that certain investments previously reported as bonds may no longer qualify for bond classification if they do not represent a substantive creditor relationship, lack meaningful contractual cash flows of principal and interest, or do not expose the holder primarily to credit risk. Such investments are required to be reported in accordance with SSAP No. 21, “*Other Admitted Assets*.” In connection with adoption, the Company evaluated all investments held as of January 1, 2025 that were previously classified as bonds to determine whether they continued to meet the revised definition of a bond. In addition, the NAIC introduced updated bond type classifications for reporting in the NAIC Annual Statement to enhance consistency and transparency in statutory investment reporting.

Based on this evaluation, management concluded that all investments previously reported as bonds continue to qualify for bond classification under the revised guidance. No reclassifications to other investment categories were required upon adoption, and the adoption of this guidance did not have an impact on the Company’s statutory net income, statutory surplus, or risk-based capital.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the statutory financial statements were available to be issued.

(Continued)

NOTE 3 - INVESTMENTS

Investments, carried at amortized cost and fair value, as of December 31, 2025, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S government obligations	$ 22,811,391	$ 133,287	$ (1,935,815)	$ 21,008,863
Non-U.S. sovereign jurisdiction securities	53,967	3,452	-	57,419
Municipal bonds - general obligations - direct & guaranteed	222,955	18,617	-	241,572
Municipal bonds - special revenue	3,233,373	59	(193,139)	3,040,293
Corporate bonds	51,034,671	887,683	(591,286)	51,331,068
Single entity backed obligations	7,896	89	-	7,985
Bonds issued by funds representing operating entities	3,828,915	43,042	(85,606)	3,786,351
Agency residential and commercial mortgage-backed securities - guaranteed	464,319	1,277	(39,155)	426,441
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	38,801,176	580,737	(1,403,514)	37,978,399
Non-agency residential and commercial mortgage-backed securities	9,675,452	16,286	(486,725)	9,205,013
Other financial asset-backed securities	598,241	112	(1,322)	597,031
Non-financial asset-backed securities	8,599,470	60,049	(26,091)	8,633,428
Total debt securities, at amortized cost	139,331,826	1,744,690	(4,762,653)	136,313,863
Equity securities, at fair value				
Mutual funds	6,137,559	1,510,396	(252)	7,647,703
Other invested assets	6,700,000	349,884	-	7,049,884
Total equity securities, at fair value	12,837,559	1,860,280	(252)	14,697,587
Total	$ 152,169,385	$ 3,604,970	$ (4,762,905)	$ 151,011,450

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Investments, carried at amortized cost and fair value, as of December 31, 2024, were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S. government	$ 27,236,752	$ 63,092	$ (2,446,787)	$ 24,853,057
All other governments	54,387	-	(106)	54,281
U.S. states, territories and possessions	424,091	12,704	(623)	436,172
U.S. special revenue and special assessment obligations	39,307,811	25,066	(2,695,144)	36,637,733
Industrial and miscellaneous	49,751,667	204,793	(2,291,538)	47,664,922
Hybrid securities	34,008	1,730	-	35,738
Total debt securities, at amortized cost	116,808,716	307,385	(7,434,198)	109,681,903
Equity securities, at fair value				
Mutual funds	5,946,851	361,134	(17,466)	6,290,519
Total	$ 122,755,567	$ 668,519	$ (7,451,664)	$ 115,972,422

The amortized cost and fair value of debt securities are shown by contractual maturity as of December 31, 2025. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$ 8,289,080	$ 8,255,712
After one year through five years	30,514,792	30,068,116
After five years through ten years	31,319,517	31,532,597
After ten years through twenty years	5,374,240	5,478,717
After twenty years	5,695,539	4,138,409
Collateralized debt obligations	9,197,711	9,230,459
Residential mortgage-backed securities	46,158,357	44,917,974
Commercial mortgage-backed securities	2,782,590	2,691,879
Total	$ 139,331,826	$ 136,313,863

Proceeds from sales of securities amounted to $6,610,998 and $6,783,429 in 2025 and 2024, respectively. Gross realized gains amounted to $11,351 and $19,268 on the sale of securities in 2025 and 2024, respectively. Gross realized losses amounted to $72,204 and $106,840 in 2025 and 2024, respectively.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company holds 272 securities that are in an unrealized loss position as of December 31, 2025, of which 208 of these securities have been in an unrealized loss position for a period of twelve months or greater. The following table shows the investments' unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2025:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S government obligations	$ 208,544	$ (68)	$ 15,543,549	$ (1,935,747)
Municipal bonds - special revenue	-	-	2,778,935	(193,139)
Corporate bonds	6,169,611	(21,046)	12,621,662	(570,240)
Bonds issued by funds representing operating entities	219,204	(523)	1,388,235	(85,083)
Agency residential and commercial mortgage-backed securities - guaranteed	-	-	391,199	(39,155)
Agency residential and commercial mortgage-backed securities - not/partially guaranteed	880,066	(2,116)	10,622,350	(1,401,398)
Non-agency residential and commercial mortgage-backed securities	2,817,658	(16,437)	4,728,669	(470,288)
Other financial asset-backed securities	409,437	(203)	22,500	(1,119)
Non-financial asset-backed securities	3,166,162	(14,576)	698,481	(11,515)
Total debt securities	13,870,682	(54,969)	48,795,580	(4,707,684)
Equity securities				
Mutual funds	27,513	(252)	-	-
Total	$ 13,898,195	$ (55,221)	$ 48,795,580	$ (4,707,684)

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company held 317 securities that were in an unrealized loss position as of December 31, 2024, of which 244 of these securities had been in an unrealized loss position for twelve months or greater. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities had been in a continuous unrealized loss position, as of December 31, 2024:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Debt securities				
U.S. government	$ 186,719	$ (10,265)	$ 21,971,935	$ (2,436,522)
All other governments	54,281	(106)	-	-
U.S. states, territories and possessions	-	-	199,436	(623)
U.S. special revenue and special assessment obligations	19,112,573	(379,633)	15,151,119	(2,315,511)
Industrial and miscellaneous	9,123,368	(96,665)	27,635,671	(2,194,873)
Total debt securities	28,476,941	(486,669)	64,958,161	(6,947,529)
Equity securities				
Mutual funds	1,233,619	(17,466)	-	-
Total	$ 29,710,560	$ (504,135)	$ 64,958,161	$ (6,947,529)

The Company had debt securities with amortized costs of $4,691,198 and $5,212,246 as of December 31, 2025 and 2024, respectively, deposited with state insurance departments and regulatory authorities and are restricted, as required by certain state statutes. These amounts are included in debt securities, at amortized cost or fair value on the statutory statements of admitted assets, liabilities and capital and surplus.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Company measures fair value in accordance with SSAP No. 100, "*Fair Value Measurement*," which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under SSAP No. 100 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include: (i) Quoted prices for similar assets or liabilities in active markets; (ii) Quoted prices for identical or similar assets or liabilities in inactive markets; (iii) Inputs other than quoted prices that are observable for the asset or liability; or (iv) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure financial instruments at fair value. The same methodologies were used as of December 31, 2025 and 2024.

The Company's valuation techniques used to measure the fair value of investments, including money market funds, mutual funds, and short-term investments, were derived from quoted prices in active markets for identical assets (level 1). The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices for either identical or similar instruments or model driven valuations using significant inputs derived from or corroborated by observable market data.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025:

	Admitted Assets	Fair Value Level 1	Level 2	Level 3	Net Asset Value	Total
Financial instruments (carried at fair value)						
Money market funds	$ 12,489,660	$ 12,489,660	$ -	$ -	$ -	$ 12,489,660
Mutual funds	7,647,703	7,647,703	-	-	-	7,647,703
Total	20,137,363	20,137,363	-	-	-	20,137,363
Financial instruments (carried at amortized cost)						
Cash equivalents	300,061	-	300,061	-	-	300,061
Debt securities	139,331,826	-	136,313,863	-	-	136,313,863
Total	139,631,887	-	136,613,924	-	-	136,613,924
Financial instruments (carried at net asset value)						
Other invested assets	7,049,884	-	-	-	7,049,884	7,049,884
Total	$166,819,134	$ 20,137,363	$ 136,613,924	$ -	$ 7,049,884	$163,801,171

Investments measured at net asset value as a practical expedient are not categorized within the fair value hierarchy, but are disclosed separately.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Other invested assets - Other invested assets consist of an investment in a limited partnership, the Shenkman Multi-Asset Credit Fund LP. The investments are recorded at cost and adjusted for any earnings, losses, or distributions. The adjusted cost of these investments approximates net asset value. The values for underlying investments are estimates determined by an external fund manager and reflects the Company's ownership interest in the underlying net assets of the Fund. There were no redemptions of other invested assets during 2025.

At December 31, 2025, the Company's investment is reported within other invested assets and is carried at fair value using the net asset value per share as a practical expedient in accordance with SSAP No. 100.

In accordance with the Partnership's First Amended and Restated Limited Partnership Agreement, a limited partner may withdraw all or a portion of its capital account on the last calendar day of each month upon at least 30 calendar days' prior written notice to the Administrator. Withdrawals are generally paid within 30 calendar days following the applicable withdrawal date. Redemptions are processed on a first-in, first-out basis. The General Partner may, in its sole discretion, suspend the right of withdrawal or postpone payment of withdrawal proceeds and may satisfy withdrawals in cash, securities, or a combination thereof.

As of December 31, 2025, the Company has no unfunded commitments.

The following table presents the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2024:

	Admitted Assets	Fair Value Level 1	Level 2	Level 3	Total
Financial instruments (carried at fair value)					
Money market funds	$ 17,998,027	$ 17,998,027	$ -	$ -	$ 17,998,027
Mutual funds	6,290,519	6,290,519	-	-	6,290,519
Total	24,288,546	24,288,546	-	-	24,288,546
Financial instruments (carried at amortized cost)					
Cash equivalents	4,612,699	-	4,612,084	-	4,612,084
Debt securities	116,808,716	-	109,681,903	-	109,681,903
Total	121,421,415	-	114,293,987	-	114,293,987
Total	$145,709,961	$ 24,288,546	$ 114,293,987	$ -	$ 138,582,533

The fair values of the Company's level 2 investments are determined by management after considering prices received from third party services.

A description of inputs used in the Company's level 2 measurements are listed below:

U.S. government obligations: Primary inputs include observations of credit default swap curves related to the issuer and political events.

Municipal bonds: Primary inputs include Municipal Securities Rulemaking Board reported trades and material event notices, and issuer financial statements.

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Corporate bonds: Primary inputs include observations of credit default swap curves related to the issuer.

Collateralized debt obligations, residential and commercial mortgage-backed securities: Primary inputs include monthly payment information, collateral performance, which varies by vintage year and includes delinquency rates, collateral valuation loss severity rates, collateral refinancing assumptions, credit default swap indices and, for collateralized-debt obligations and residential mortgage-backed securities, estimated prepayment rates.

As of December 31, 2025 and 2024, the Company held no level 3 investments.

NOTE 5 - INSURANCE ACTIVITY

The Company writes both property and casualty coverages on a direct basis. In 2025 and 2024, the retained limits were $500,000 per loss occurrence for property coverage and $500,000 per loss occurrence for casualty coverage. The Company also writes excess liability coverage with retained limits of $1,000,000 per occurrence.

The Company secured reinsurance for amounts in excess of their retained limits up to $300,000,000 per occurrence for property in 2025 and 2024. The property limit of $300,000,000 per occurrence in 2025 and 2024, is a shared aggregate limit with HAPI. Additionally, the Company secured reinsurance for amounts in excess of their $500,000 retained limit up to $5,000,000 per occurrence for casualty as of July 1, 2025 and 2024.

In 2025 and 2024, the Company secured quota share reinsurance for losses covered under excess liability policies. The reinsurer retains an 85% quota share up to $5,000,000 in losses per policy excess of the Company’s retained limit. In addition to the coverage above, the Company cedes 90% of extra contractual obligations, as defined within the contract, and 90% of losses in excess of policy limits, as defined within the contract. The reinsurer retains an 85% quota share up to $5,000,000 of such losses.

Effective July 1, 2025, the Company entered into a structured casualty excess of loss reinsurance contract covering general liability, automobile liability (including non-owned and hired automobile liability), and umbrella liability policies for losses occurring during the contract period through July 1, 2026. The agreement provides excess of loss coverage for general liability and automobile liability and an 85% quota share of up to $5,000,000 per umbrella policy, subject to per policy limits. Coverage is provided above per member retentions of $4,500,000 for general liability (with $500,000 limits excess of that retention) and $500,000 for automobile liability (with $500,000 limits excess of retention). The reinsurer’s liability is subject to a per occurrence limit of $4,750,000 and an annual aggregate limit of 93.23% of gross net earned premium income, estimated at $15,000,000, with a minimum of $12,000,000 and a maximum of $18,000,000. Assault and battery losses are further subject to a $3,000,000 shared aggregate with a related affiliate agreement.

The Company funds the arrangement on a deposit premium basis, with an initial deposit of $6,500,000 and an ultimate premium calculated at 40.40% of gross net earned premium income, subject to a minimum of $5,200,000 and a maximum of $7,800,000. The agreement includes a concentration provision limiting umbrella premium to 20% of gross net earned premium income, with pro rata adjustment of premium and losses if exceeded. A funds withheld account is maintained as collateral for the reinsurer’s obligations, earns interest at an effective annual rate of 4.0%, and is reduced by paid losses and expenses.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

Twenty percent of the structured coverage was placed with a single reinsurer under similar terms, subject to a margin ranging from $1,040,000 to $1,560,000, with an initial margin of $1,300,000. The agreement includes commutation provisions through 2035, including unilateral and mandatory commutation mechanisms, and contains customary termination and security provisions in the event of specified adverse developments, including a ratings downgrade.

For the year ended December 31, 2025, the Company recorded ceded premiums of $678,376 within net premiums earned on the statutory statements of operations and a funds withheld balance of $1,060,595 within funds held under reinsurance treaties on the statutory statements of admitted assets, liabilities and capital and surplus related to this agreement. The Company did not record ceded losses or loss adjustment expenses under this contract during 2025.

Effective January 1, 2015, the Company began providing reinsurance coverage to Housing Specialty Insurance Company, Inc. (HSIC), an affiliate through common management, for commercial property coverage on affordable housing units insured by HSIC. In accordance with the reinsurance agreement, the Company assumes losses in excess of $250,000 each loss, each policy. Additionally, the Company provides coverage which limits HSIC's liability for losses arising out of any one loss occurrence to $750,000, exclusive of loss adjustment expenses. Loss adjustment expenses are shared on a pro-rata basis and are in addition to the per occurrence limits. During 2025 and 2024, the Company assumed $95,927 and $77,738 of premiums, respectively, from HSIC related to this contract. There were no ceded losses recorded for the years ended December 31, 2025 and 2024, under this contract.

All the Company's policies cover certified terrorism losses (unless coverage is declined by the policyholder) as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent reauthorizations. The Terrorism Risk Insurance Program is a Federal program administered by the Department of the Treasury authorized through December 31, 2027, that provides for a system of shared public and private compensation for certain insured losses resulting from certified acts of terrorism.

In order for a loss to be covered under the program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism. The annual aggregate industry loss minimum under the program is $200,000,000 for 2025 and 2024. Under the program, a participating insurer, in exchange for making terrorism insurance available, is entitled to be reimbursed by the Federal Government for 80% of subject losses in 2025 and 2024, after an insurer deductible, subject to an annual cap. This reimbursement percentage is scheduled to remain at 80% through December 31, 2027.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100 billion. Once subject losses have reached the $100 billion aggregate during a program year, participating insurers will not be liable under the program for additional covered terrorism losses for that program year.

The Company, HARRG, HAPI, and HSIC (collectively called the Companies) entered into a reinsurance agreement, which provides reinsurance protection to the Companies for all insured losses resulting from acts of terrorism or sabotage (whether a certified act or not), for all direct business written by the Companies. With respect to acts of terrorism and acts of sabotage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $80,000,000 per loss occurrence. With respect to strikes, riots, civil commotion and malicious damage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $60,000,000 per loss occurrence. If a loss occurrence involves more than one of the Companies, the limits and retentions mentioned above will be divided between each of the Companies in the proportion of their individual losses to the total loss sustained by the Companies.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

Reinsurance contracts do not discharge the primary liability of the Company as insurer of those risks reinsured. The failure of the reinsurers to honor their obligations could result in significant losses to the Company. The Company evaluates the financial condition of potential reinsurers, and continually monitors the financial condition of present reinsurers. All rated reinsurers have an A.M. Best rating of A- or better.

Additionally, the Company evaluates current and prospective reinsurers as to concentrations of credit risk arising from similar activities or economic characteristics in order to minimize exposure to significant losses resulting from reinsurer insolvencies. There can be no assurance that reinsurance will continue to be available to the Company to the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk it cedes to reinsurers.

Direct, assumed, and ceded premiums written and earned by the Company for the years ended December 31, 2025 and 2024, are summarized as follows:

	Premiums Written		Premiums Earned	
	2025	2024	2025	2024
Direct premiums	$ 113,005,418	$ 107,228,950	$ 113,331,145	$ 106,896,330
Assumed premiums	95,927	77,738	92,970	66,587
Premiums ceded	(37,347,954)	(34,033,781)	(36,676,132)	(35,499,621)
Net premiums	$ 75,753,391	$ 73,272,907	$ 76,747,983	$ 71,463,296

A reconciliation of changes in the Company's unpaid losses and loss adjustment expenses, for the years ended December 31, 2025 and 2024, is summarized as follows:

	2025	2024
Balance at beginning of year	$ 59,024,507	$ 52,545,031
Incurred related to:		
Current year	51,963,968	47,168,062
Prior years	(5,198,735)	(6,682,169)
Total incurred	46,765,233	40,485,893
Paid related to:		
Current year	(16,100,628)	(15,992,784)
Prior years	(20,092,929)	(18,013,633)
Total paid	(36,193,557)	(34,006,417)
Balance at end of year	$ 69,596,183	$ 59,024,507

As a result of changes in loss development, the provision for loss and loss adjustment expenses decreased by $5,198,735 and $6,682,169 in 2025 and 2024, respectively. The decrease in 2025 is related to the favorable loss development on property claims related to the 2024 and 2023 accident years. The decrease in 2024 is related to the favorable loss development on property claims related to the 2023 and 2022 accident years.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

The Company recorded net reinsurance recovery activity of $10,062,647 and $24,256,713 in 2025 and 2024, respectively, which is reflected as a decrease in losses and loss adjustment expenses incurred in the statutory statements of operations.

NOTE 6 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $15,780,191 and $12,550,048 for the years ended December 31, 2025 and 2024, respectively. The net amounts due to HARRG under these agreements, which are included in due to affiliates, amounted to $1,595,800 and $1,335,509 as of December 31, 2025 and 2024, respectively.

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

The Company maintains a commission agreement with Housing Insurance Services, Inc. (HIS), a subsidiary of Housing Investment Group, Inc. (HIG), an affiliate through common management, for direct premium written. The commission agreement provides for a commission percentage to be paid based upon the direct written premium, which is expensed on a pro-rata basis by the Company in line with the underlying policies to which they relate. The commission percentage varies based on several underlying factors. For the years ended December 31, 2025 and 2024, commission expense under this agreement amounted to $1,863,533 and $1,961,021, respectively, which is included within other underwriting expenses incurred on the statutory statements of operations. The Company has commission payable to HIS of $223,499 and $541,434 as of December 31, 2025 and 2024, respectively, which is included in accrued expenses and other liabilities. As of December 31, 2025 and 2024, the Company has additional amounts due to HIS of $602,432 and $56,322, respectively, which is included in due to affiliates.

The Company pays a membership fee to Housing Authority Insurance, Inc. (HAI), an affiliated entity through common management, which provides certain services to HEIC's insureds. HEIC recognized expenses for these services of $0 and $6,150 for the years ended December 31, 2025 and 2024, respectively.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

NOTE 7 - EMPLOYEE BENEFITS

HEIC does not maintain a retirement plan, deferred compensation or other post retirement benefit plan. HEIC participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

(Continued)

NOTE 7 - EMPLOYEE BENEFITS (Continued)

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $438,238 and $394,710 and 401(k) expenses of $313,753 and $275,992 for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $778,546 and $925,041, for the years ended December 31, 2025 and 2024, respectively, which is included within other underwriting expenses incurred on the statutory statements of operations.

NOTE 8 - CAPITAL AND SURPLUS

As part of its regulatory filings, the Company is required to disclose its risk-based capital (RBC) requirements. The NAIC develops the RBC program to enable regulators to take appropriate and timely regulatory actions with respect to insurers that show signs of weak or deteriorated financial condition. RBC is a series of dynamic surplus related formulas that contain a variety of factors that are applied to financial balances based on a degree of certain risks, such as asset, credit and underwriting risks. The Company's statutory capital and surplus exceeded the NAIC's authorized control level risk based capital as of December 31, 2025 and 2024.

No dividends were declared or paid in 2025 and 2024.

As an admitted property and casualty insurance company, HEIC is required by the Department to maintain minimum statutory surplus of $5,000,000.

NOTE 9 - FEDERAL INCOME TAXES

The components of the net deferred tax asset recognized in the Company's statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024 are as follows:

	2025			2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 3,110,580	$ 51,471	$ 3,162,051	$ 2,857,216	$ 39,108	$ 2,896,324
Statutory valuation allowance adjustment	-	-	-	-	-	-
Adjusted gross deferred tax asset	3,110,580	51,471	3,162,051	2,857,216	39,108	2,896,324
Deferred tax asset non-admitted	79,799	-	79,799	190,760	-	190,760
Net deferred tax asset	3,030,781	51,471	3,082,252	2,666,456	39,108	2,705,564
Deferred tax liabilities	-	317,130	317,130	22,688	72,170	94,858
Net admitted deferred tax asset (liability)	$ 3,030,781	$ (265,659)	$ 2,765,122	$ 2,643,768	$ (33,062)	$ 2,610,706

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The components of the admissibility calculation under paragraphs 11.a., 11.b. and 11.c. as of December 31, 2025 and 2024, are as follows:

	2025			2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted pursuant to 11.a.	$ 2,600,153	$ -	$ 2,600,153	$ 2,497,093	$ -	$ 2,497,093
Admitted pursuant to 11.b.	164,969	-	164,969	113,613	-	113,613
Admitted pursuant to 11.c.	265,659	51,471	317,130	55,750	39,108	94,858
Admitted deferred tax asset	$ 3,030,781	$ 51,471	$ 3,082,252	$ 2,666,456	$ 39,108	$ 2,705,564

The change in the components of the net deferred tax asset recognized in the Company's statutory statements of admitted assets, liabilities and capital and surplus from December 31, 2024 to December 31, 2025, are as follows:

	Change During 2025		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 253,364	$ 12,363	$ 265,727
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	253,364	12,363	265,727
Deferred tax asset non-admitted	(110,961)	-	(110,961)
Net deferred tax asset	364,325	12,363	376,688
Deferred tax liabilities	(22,688)	244,960	222,272
Net admitted deferred tax asset	$ 387,013	$ (232,597)	$ 154,416
Admitted pursuant to 11.a.	$ 103,060	$ -	$ 103,060
Admitted pursuant to 11.b.	51,356	-	51,356
Admitted pursuant to 11.c.	209,909	12,363	222,272
Admitted deferred tax asset	$ 364,325	$ 12,363	$ 376,688

The threshold used by the Company for amounts admitted pursuant to 11.b. as of December 31, 2025 and 2024, is as follows:

	2025	2024
Ratio percentage used to determine recovery period and threshold limitation amount	704.01%	747.62%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 76,725,282	$ 66,599,898

In 2025, the Company did not implement any tax planning strategies which would have an impact on adjusted gross and net admitted deferred tax assets.

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The provisions for incurred taxes on earnings for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Federal	$ 2,593,367	$ 3,168,254
Foreign	-	-
Subtotal	2,593,367	3,168,254
Federal income tax on net capital gains	-	-
Capital loss carryback	-	-
Federal income taxes incurred	$ 2,593,367	$ 3,168,254

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and the deferred tax liabilities as of December 31, 2025 and 2024, are as follows:

	2025	2024	Change
Deferred tax assets			
Ordinary:			
Unearned premiums	$ 1,706,117	$ 1,747,890	$ (41,773)
Discounting of unpaid losses	1,231,634	969,613	262,021
Treasury inflation protected securities	146,376	124,871	21,505
Other	26,453	14,842	11,611
Subtotal	3,110,580	2,857,216	253,364
Statutory valuation allowance adjustment	-	-	-
Non-admitted deferred tax assets	(79,799)	(190,760)	110,961
Admitted ordinary deferred tax assets	3,030,781	2,666,456	364,325
Capital:			
Investments	178	593	(415)
Capital loss carryforward	51,293	38,515	12,778
Subtotal	51,471	39,108	12,363
Statutory valuation allowance adjustment	-	-	-
Admitted deferred tax assets	$ 3,082,252	$ 2,705,564	$ 376,688
Deferred tax liabilities			
Ordinary:			
TCJA transition adjustment	$ -	$ (22,688)	$ 22,688
Capital:			
Unrealized gain	(317,130)	(72,170)	(244,960)
Deferred tax liabilities	(317,130)	(94,858)	(222,272)
Net admitted deferred tax assets	$ 2,765,122	$ 2,610,706	$ 154,416

The Company has no net operating loss carry-forwards as of December 31, 2025. The Company has capital loss carry-forwards of $244,253 and $183,404 as of December 31, 2025 and 2024, respectively. The Company has no AMT Credits available.

The Company has no federal or foreign tax loss contingencies as determined in accordance with SSAP No. 5R, with the modifications provided in SSAP No. 101, for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

SSAP No. 101 requires that a valuation allowance be established to reduce gross deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. A valuation allowance on the deferred tax assets is evaluated based on management's assessment of the recoverability. Based on its projections of future taxable income, the Company has not recorded a valuation allowance against its net deferred tax asset, as management anticipates that it is more likely than not that the Company will be able to recover these deferred tax assets.

In 2025 and 2024, there were no temporary differences for which a deferred tax liability was not established.

The change in net deferred income taxes for the years ended December 31, 2025 and 2024, are comprised of the following:

	2025	2024	Change
Total deferred tax assets	$ 3,162,051	$ 2,896,324	$ 265,727
Total deferred tax liabilities	(317,130)	(94,858)	(222,272)
Net deferred tax asset	2,844,921	2,801,466	43,455
Statutory valuation allowance adjustment allocation	-	-	-
Net deferred tax asset after statutory valuation allowance	2,844,921	2,801,466	43,455
Tax effect of unrealized gains	317,130	72,170	244,960
Statutory valuation allowance adjustment allocated to unrealized	-	-	-
Change in net deferred income tax	$ 3,162,051	$ 2,873,636	$ 288,415

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows for the years ended December 31, 2025 and 2024:

	2025		2024	
Provision computed at statutory rate	$ 2,344,959	21.00 %	$ 2,907,095	21.00 %
Meals and entertainment	2,704	0.02	1,900	0.01
Tax exempt interest	(12,473)	(0.11)	(13,791)	(0.10)
Proration	5,928	0.05	5,743	0.04
Tax exempt expenses	404	0.01	553	0.01
Dividends received deduction	(11,643)	(0.10)	(9,733)	(0.07)
Change in nonadmitted assets	(7,963)	(0.07)	(921)	(0.01)
State income tax	(6,324)	(0.06)	(8,267)	(0.06)
Other	(10,640)	(0.10)	524	0.01
Total federal income taxes incurred	$ 2,304,952	20.64 %	$ 2,883,103	20.83 %
Reconciliation:				
Federal income taxes	$ 2,593,367	23.22 %	$ 3,168,254	22.89 %
Change in net deferred income taxes	(288,415)	(2.58)	(285,151)	(2.06)
Total statutory income taxes	$ 2,304,952	20.64 %	$ 2,883,103	20.83 %

The following are federal income taxes incurred in the current and prior years that will be available for recoupment in the event of future losses:

	Ordinary	Capital	Total
December 31, 2025 (current year)	$ 2,567,839	$ -	$ 2,567,839
December 31, 2024 (first preceding year)	$ 3,193,658	$ -	$ 3,193,658
December 31, 2023 (second preceding year)	$ 1,092,795	$ -	$ 1,092,795

The Company has not made any deposits regarding the suspension of running interest pursuant to Internal Revenue Code Section 6603.

The Company does not file as part of a consolidated return and is not a party to any tax sharing agreement.

(Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In most states, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund. In most states, in the event of the insolvency of an insurer writing any such class of insurance in the state, members of the funds are assessed to pay certain claims of the insolvent insurer. A particular state's fund assesses its members based on their respective written premiums in the state for the classes of insurance in which the insolvent insurer was engaged. Assessments are generally limited for any year to one or two percent of the premiums written per year depending on the state. The amount and timing of assessments related to past insolvencies is unpredictable. The Company records these assessments in accordance with SSAP No. 35, "*Guaranty Fund and Other Assessments*." As of December 31, 2025 and 2024, the Company has not accrued for or been assessed by any state insurance department.

The Company maintained a $5,000,000 secured demand line of credit with Brown Brothers Harriman (BBH) for the purpose of meeting short-term operating cash requirements as needed. The line of credit was unused and upon expiration on December 31, 2024 was not renewed.

NOTE 11 - NON-ADMITTED ASSETS

Certain assets designated as non-admitted, have been excluded from admitted assets and charged against capital and surplus. As of December 31, 2025 and 2024, amounts reflected as non-admitted assets were as follows:

	2025	2024
Prepaid insurance	$ 10,087	$ 12,169
Deductible receivable over 90 days	40,000	-
Deferred tax assets	79,799	190,760
	$ 129,886	$ 202,929

NOTE 12 - RECONCILIATION TO THE STATUTORY ANNUAL STATEMENT

There are no material differences between net income and capital and surplus as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2025 and 2024.

HOUSING SPECIALTY INSURANCE COMPANY, INC.

STATUTORY FINANCIAL STATEMENTS

December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Specialty Insurance Company, Inc.

Opinions

We have audited the statutory financial statements of Housing Specialty Insurance Company, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024, and the related statutory statements of operations, changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2025 and 2024, and results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department) as described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2025 and 2024, or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statutory Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared by the Company in accordance with accounting practices prescribed or permitted by the Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

(Continued)

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in conformity with accounting practices prescribed or permitted by the Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the statutory financial statements are issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The supplemental schedules, which include the schedule of investment risks interrogatories and the summary investment schedule, are presented for purposes of additional analysis and are not required parts of the statutory financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2025 and for the year ended. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the statutory financial statements as a whole.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING SPECIALTY INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
December 31, 2025 and 2024

	2025	2024
ADMITTED ASSETS		
Cash and invested assets		
Investments, at amortized cost or fair value	$ 54,293,622	$ 50,810,276
Other invested assets	175,000	175,000
Cash, cash equivalents and short-term investments	1,181,596	1,461,413
Total cash and invested assets	55,650,218	52,446,689
Investment income due and accrued	503,839	592,271
Premiums receivable	660,581	716,023
Due from affiliates	-	11,981
State income tax receivable	-	21,440
Federal income tax receivable	75,573	373,430
Deferred tax asset	65,632	57,721
Total admitted assets	$ 56,955,843	$ 54,219,555
LIABILITIES AND CAPITAL AND SURPLUS		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 1,877,662	$ 1,463,508
Unearned premiums	1,063,978	1,060,296
Ceded reinsurance premiums payable	176,634	191,564
Due to affiliates	159,370	146,532
Accrued expenses and other liabilities	102,595	133,869
Total liabilities	3,380,239	2,995,769
Capital and surplus		
Common stock, $10,000 stated value, 10,000 shares authorized and 200 shares issued and outstanding	2,000,000	2,000,000
Contributed surplus	44,800,000	44,800,000
Unassigned funds	6,775,604	4,423,786
Total capital and surplus	53,575,604	51,223,786
Total liabilities and capital and surplus	$ 56,955,843	$ 54,219,555

The accompanying notes are an integral part of the statutory financial statements.

	2025	2024
Underwriting income		
Net premiums earned	$ 2,903,710	$ 2,676,030
Losses and expenses		
Net losses and loss adjustment expenses incurred	954,836	1,388,723
Other underwriting expenses incurred	1,601,065	1,413,378
Total losses and expenses	2,555,901	2,802,101
Net underwriting gain (loss)	347,809	(126,071)
Investment income		
Net investment income earned	2,546,835	1,363,199
Net realized capital gain (loss), net of taxes of $10,044 and $0 in 2025 and 2024, respectively	37,786	(224,120)
Total investment gain	2,584,621	1,139,079
Net income before provision for federal income taxes	2,932,430	1,013,008
Federal income taxes incurred	614,549	228,474
Net income	$ 2,317,881	$ 784,534

The accompanying notes are an integral part of the statutory financial statements.

HOUSING SPECIALTY INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
Years Ended December 31, 2025 and 2024

	2025	2024
Capital and surplus, beginning of year	$ 51,223,786	$ 26,385,620
Net income	2,317,881	784,534
Change in net unrealized capital losses	22,559	33,994
Change in non-admitted assets	2,005	2,825
Change in net deferred income tax	9,373	16,813
Paid in capital	-	24,000,000
Capital and surplus, end of year	$ 53,575,604	$ 51,223,786

The accompanying notes are an integral part of the statutory financial statements.

HOUSING SPECIALTY INSURANCE COMPANY, INC.
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash from operations		
Premiums collected, net of reinsurance	$ 2,947,905	$ 2,867,606
Net investment income	2,559,817	977,408
Losses and loss related payments, net	(232,795)	(347,272)
Commissions, expenses paid and aggregate write-ins for deductions	(1,911,075)	(1,754,458)
Federal and foreign income taxes paid	(326,737)	(350,000)
Net cash from operations	3,037,115	1,393,284
Cash from investments		
Proceeds from investments sold, matured and repaid	41,361,352	17,917,710
Costs of investments acquired	(44,693,726)	(43,162,328)
Net cash from investments	(3,332,374)	(25,244,618)
Cash from financing and miscellaneous sources		
Capital and paid in surplus	-	24,000,000
Other cash provided	15,442	31,045
Net cash from financing and miscellaneous sources	15,442	24,031,045
Change in cash, cash equivalents and short-term investments	(279,817)	179,711
Cash, cash equivalents and short-term investments, beginning of year	1,461,413	1,281,702
Cash, cash equivalents and short-term investments, end of year	$ 1,181,596	$ 1,461,413

The accompanying notes are an integral part of the statutory financial statements.

NOTE 1 - GENERAL

Reporting Entity and Operations: Housing Specialty Insurance Company, Inc. (the Company or HSIC) was incorporated in the State of Vermont as a domestic stock insurance company and commenced business on December 9, 2013. HSIC was established to operate as a surplus lines insurer for certain insurance risks that are difficult to place in traditional markets. The Company offers its insurance products as a non-admitted carrier where necessary to public housing authorities and low income and affordable housing units not already covered by the policies of Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance Company, A Mutual Company (HAPI), and Housing Enterprise Insurance Company, Inc. (HEIC), related parties through common management.

As of December 31, 2025 and 2024, HARRG and HAPI owned 100 shares of $10,000 per share stated value common stock in the amount of $1,000,000 each.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the Vermont Department of Financial Regulation (the Department), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Department has adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting practices (SAP) as the basis of its statutory accounting practices.

Significant differences between NAIC SAP and GAAP as they apply to the Company are as follows:

Statements of Cash Flows - Cash and cash equivalents in the statutory statements of cash flows represent cash balances, money market funds and investments with initial maturities of three months or less. Short-term investments in the statutory statements of cash flows represent investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and certain investments with maturities of three months or less from the date of purchase. In addition, under NAIC SAP, the use of a direct method cash flow does not require a reconciliation of net income to cash flows from operating activities as required under GAAP.

Investments - Investments in debt securities are reported at amortized cost or market value, if lower, based on their NAIC rating; for GAAP, debt securities would be designated at purchase as held-to-maturity, trading, or available for sale under FASB ASC 320, *"Investments - Debt Securities",* or accounted for under FASB ASC 825, "*Financial Instruments"*. For GAAP, held-to-maturity debt securities would be reported at amortized cost. For debt securities classified as trading, unrealized holding gains and losses would be reported in operations. For debt securities classified as available for sale, unrealized holding gains and losses would be reported as accumulated other comprehensive income as a component of equity. Under the FASB ASC 825 election, all investments would be reported at fair value with unrealized holding gains and losses reported in operations.

Policy Acquisition Costs - For NAIC SAP, the costs of acquiring and renewing business are expensed when incurred. Under GAAP, such costs related to the successful placement of business, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policy.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Admitted Assets - Certain assets designated as “non-admitted,” principally premiums receivable over 90 days old, prepaid expenses, deferred tax assets and other assets not specifically identified as an admitted asset within the NAIC Accounting Practices and Procedures Manual are excluded from the accompanying statutory statements of admitted assets, liabilities and capital and surplus and are charged directly to capital and surplus. Under GAAP, such assets are included in the balance sheets, net of any valuation allowance.

Unpaid Losses, Loss Adjustment Expenses and Reinsurance Recoverables - For GAAP reporting purposes, these amounts are presented on a gross basis rather than being presented net of related reinsurance recoverables, as required by NAIC SAP.

Provision for Reinsurance - Under GAAP, reinsurance recoverables would be evaluated for collectability. Under NAIC SAP, a liability must be established with a corresponding reduction in surplus based upon specific formulas required by Schedule F of the Annual Statement.

Ceded Premium - GAAP requires that the unexpired portion of reinsurance premiums be reported on a gross basis, whereas NAIC SAP requires unexpired reinsurance premiums be netted against unearned premiums.

Advance Premium - GAAP allows for premium that has been billed but is not yet effective to be reported as a receivable on the balance sheets with a corresponding liability. NAIC SAP requires that premium collected before year end be reported as advance premium and for all uncollected advance premium to be netted against the corresponding premium receivable.

Income Taxes - For statutory purposes, net deferred income taxes are admitted following the application of certain criteria, with the resulting admitted tax asset being credited directly to unassigned surplus. The changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit. Under GAAP, deferred income tax assets and liabilities are recorded for temporary differences between the reported amounts of assets and liabilities and those in the Company’s income tax return. Charges to deferred income tax assets and liabilities are recorded in current operations under GAAP.

Income Tax Contingencies - Under Statement of Statutory Accounting Principle (SSAP) No. 101, *“Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10,”* federal income tax contingencies are established pursuant to the same “more likely than not” recognition standard as GAAP. There is the same assumption that the reporting entity will be examined by a tax authority that has full knowledge of all relevant facts. For those tax positions with a probability of loss that is greater than the “more likely than not” level, a “best estimate” of the tax contingency is performed, as opposed to the probability analysis under GAAP. If the “best estimate” results in a tax loss contingency that is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency recognized is equal to 100 percent. Unlike GAAP, tax loss contingencies associated with temporary differences are required to be grossed-up only when a triggering event occurs. Grossed up tax loss contingencies associated with temporary differences would be subject to an admissibility test. Under statutory accounting, interest and penalties related to federal income tax are included in income taxes only. State tax contingencies are recognized to the extent that it is estimable and probable in accordance with SSAP No. 5R, “*Liabilities, Contingencies and Impairments of Assets - Revised*.”

Comprehensive Income - Comprehensive income and its components are not presented in the statutory financial statements.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Under GAAP, the accounting framework follows a current expected credit loss model for determining credit-related impairments for certain financial instruments (e.g. premiums receivable, reinsurance recoverables and held to maturity fixed income investment portfolios) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses considers historical information, current information as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial instrument, with the net carrying value of the financial instrument presented on the financial statements at the amount expected to be collected. NAIC SAP utilizes an incurred loss impairment model, which requires recognition of credit losses on certain financial instruments when known events occur.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined but are presumed to be material.

Reclassifications: Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. There was no impact on the Company’s total admitted assets, liabilities, capital and surplus, or net income.

Cash, Cash Equivalents and Short-term Investments: For statutory financial statement purposes, the Company considers cash to be cash on hand and cash on deposit. Cash equivalents consist of money market instruments and investments with initial maturities of three months or less. Short-term investments include investments with initial maturities of one year or less at date of purchase and are valued in accordance with the Purposes and Procedures Manual prepared by the NAIC Securities Valuation Office (SVO).

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered short term cash equivalents.

The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company’s policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

Investments: Debt securities are valued and reported in accordance with SSAP No. 26, “*Bonds, Excluding Loan-backed and Structured Securities*,” and SSAP No. 43R, “*Loan-backed and Structured Securities-Revised,*” under the guidance provided by the Purposes and Procedures Manual prepared by the SVO. Investment grade debt securities are stated at amortized cost. Non-investment grade debt securities with NAIC designations of three through six are reported at the lower of amortized cost or fair value. Within the mortgage-backed securities portfolio, the Company invests in commercial mortgage obligations and mortgage-backed security pools, which include both residential and commercial mortgages. Each security carries a varying degree of prepayment and interest risk, which can impact the fair value and the ultimate amount of investment income earned. Acceleration or deceleration of prepayments of the underlying mortgages can be caused by interest rate changes. Assumptions for collateralized mortgage obligations are reviewed annually. The amortized cost of debt securities are adjusted for amortization of premiums and accretion of discounts using the scientific interest method. Such amortization and accretion are included in investment income.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment income is recorded when earned. Realized investment gains and losses, determined on a specific identification basis, are included in investment income.

Other invested assets consist of an investment in a surplus note issued by an insurance entity. The surplus note is carried at amortized cost, net of any applicable impairment.

Other-Than-Temporary Impairments of Investments: The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer. The Company recognizes other-than-temporary impairments (OTTI) on bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statutory statements of operations.

For loan-backed securities, OTTI are recognized when the fair value is less than the amortized cost basis and the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery. When an OTTI is recognized because the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, the amortized cost basis of the loan-backed security is written down to the fair value and the amount of the write-down is recorded as a realized capital loss.

If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cash flows discounted at the security's effective interest rate is less than the amortized cost basis as of the balance sheet date. When an OTTI is recognized, the loan-backed security is written down to the discounted estimated future cash flows and is recorded as a realized capital loss.

The Company recognized no OTTI losses during 2025 or 2024.

Revenue Recognition: Premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Premium Deficiency: The Company recognizes premium deficiencies when there is a probable loss on an insurance contract. Premium deficiencies are recognized if the sum of expected losses and loss adjustment expenses, expected dividends to policyholders and maintenance costs exceed unearned premiums and anticipated investment income. No premium deficiencies have been recognized in 2025 and 2024.

Unpaid Losses and Loss Adjustment Expense Reserves: Unpaid losses and loss adjustment expense reserves net of the related reinsurance recoverables represent estimated provisions for both reported and unreported claims incurred and related expenses. In determining unpaid losses and loss adjustment expense reserves and reinsurance recoverables, the Company reviews its overall position, its reserving techniques and its reinsurance on a monthly basis, and utilizes the findings of an independent consulting actuary's annual review. These reserves and recoverables represent the estimated ultimate cost of all incurred losses and loss adjustment expenses including related recoverables less amounts paid. Since the reserves are based upon estimates, the ultimate liability or asset may be more or less than such estimates. Such changes may be material and could occur in a future period. As these adjustments become necessary, such adjustments are reflected in current operations.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: Federal income taxes are recorded in accordance with SSAP No. 101. The Company can admit deferred tax assets subject to the provisions under paragraphs 11.a, 11.b, and 11.c of SSAP 101. This guidance provides that the deferred tax asset reversal and surplus limitation parameters of the admissibility test are based on the risk-based capital level or other surplus limitation as defined under paragraph 11.b. It also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Finally, the guidance sets a more likely than not threshold for the recording of contingent tax liabilities.

The provision for federal income taxes is based on amounts estimated to be currently payable as a result of operations in the current period. A provision has been made for deferred federal income taxes on temporary differences in the basis of assets and liabilities for tax and financial reporting purposes, as required by the NAIC, and is presented as a change in capital and surplus. All tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

As of December 31, 2025 and 2024, the Company has recorded a deferred tax liability of $0 and $519, respectively, referred to as the Tax Cut and Jobs Act (TCJA) transition adjustment, within the net deferred tax asset related to the re-measurement of the Company’s discounted loss reserves as a result of IRS Revenue Procedure 2019-06 (RP 2019-06) and Revenue Procedure 2019-31 (RP 2019-31), which were issued in December 2018 and August 2019, respectively, and required the Company to amortize the impact of the retroactive change in discounting over eight years within taxable income. The additional loss reserve discount has been recorded as a deferred tax asset with an offsetting deferred tax liability representing the portion of the retroactive re-measurement of the tax discount to be amortized to income in future years.

Income Tax Contingencies: Federal and foreign income tax contingencies are established pursuant to SSAP No. 5R with some modifications. The term probable under SSAP No. 5R is replaced by the term “more likely than not” for federal and foreign income tax contingencies only; it shall be assumed that the reporting entity will be examined by the tax authority that has full knowledge of all relevant information; if the estimated tax loss contingency is greater than 50 percent of the tax benefit originally recognized, the tax loss contingency reported shall be equal to 100 percent of the original tax benefit recognized; and if a tax loss contingency is grossed up for a temporary item due to a triggering event, the deferred tax asset would be subject to the admissibility test under SSAP No. 101. State tax contingencies are recognized to the extent that it can be estimated and is probable in accordance with SSAP No. 5R.

Interest and penalties related to foreign or federal income tax positions are included in income taxes.

The Company did not record any income tax contingencies or interest and penalties related to any income tax contingencies as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that the total liability for income tax contingencies would materially change in the next twelve months.

Reinsurance: In the normal course of business, the Company seeks to reduce its loss exposure by reinsuring certain levels of risk with reinsurers. Reinsurance is accounted for in accordance with SSAP No. 62R, “*Property and Casualty Reinsurance*.” Premiums ceded are expensed over the period of reinsurance protection provided. Anticipated reinsurance recoverables under these contracts are netted against unpaid losses and loss adjustment expenses.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. As of December 31, 2025 and 2024, there were no contingent liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of the statutory financial statements in conformity with NAIC SAP requires the use of management's estimates and assumptions that affect the reported amounts of admitted assets, liabilities, capital and surplus, revenues and expenses, at and during the reported period, along with the disclosure of contingent assets and liabilities at the date of the statutory financial statements. Actual results could differ from those estimates.

Adoption of Accounting Revisions: Effective January 1, 2025, the Company adopted revisions issued by the NAIC as part of its principles-based bond definition project, including updates to SSAP No. 26R, "*Bonds*," and SSAP No. 43R, which has been retitled "*Asset-Backed Securities*." The revised guidance establishes principles-based criteria to determine whether an investment qualifies for bond reporting under statutory accounting principles. Under the updated definitions, bonds are classified based on their economic substance rather than their legal form and are categorized as either issuer credit obligations or asset-backed securities. Issuer credit obligations represent bonds for which repayment is primarily supported by the general creditworthiness of an operating entity, while asset-backed securities are supported primarily by cash flows from underlying financial or cash-generating non-financial assets.

The revised guidance clarifies that certain investments previously reported as bonds may no longer qualify for bond classification if they do not represent a substantive creditor relationship, lack meaningful contractual cash flows of principal and interest, or do not expose the holder primarily to credit risk. Such investments are required to be reported in accordance with SSAP No. 21, "*Other Admitted Assets*." In connection with adoption, the Company evaluated all investments held as of January 1, 2025 that were previously classified as bonds to determine whether they continued to meet the revised definition of a bond. In addition, the NAIC introduced updated bond type classifications for reporting in the NAIC Annual Statement to enhance consistency and transparency in statutory investment reporting.

Based on this evaluation, management concluded that all investments previously reported as bonds continue to qualify for bond classification under the revised guidance. No reclassifications to other investment categories were required upon adoption, and the adoption of this guidance did not have an impact on the Company's statutory net income, statutory surplus, or risk-based capital.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the statutory financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments, carried at amortized cost and fair value, as of December 31, 2025 and 2024, are as follows:

2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S government obligations	$ 14,088,930	$ 143,588	$ (237,654)	$ 13,994,864
Municipal bonds - general obligations - direct & guaranteed	227,116	-	(12,865)	214,251
Municipal bonds - special revenue	697,739	-	(87,630)	610,109
Corporate bonds	23,779,196	645,930	(97,652)	24,327,474
Bonds issued by funds representing operating entities	438,413	18,265	(88)	456,590
Non-agency residential and commercial mortgage-backed securities	4,465,909	16,992	(13,870)	4,469,031
Other financial asset-backed securities	5,244,059	50,877	(7,413)	5,287,523
Non-financial asset-backed securities	4,734,310	65,072	(9,403)	4,789,979
Other invested assets	175,000	-	(18,349)	156,651
Total debt securities, at amortized cost	53,850,672	940,724	(484,924)	54,306,472
Debt securities, at fair value				
Corporate bonds	629,617	-	(11,667)	617,950
Total debt securities, at fair value	629,617	-	(11,667)	617,950
Total	$ 54,480,289	$ 940,724	$ (496,591)	$ 54,924,422

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities, at amortized cost				
U.S. government	$ 27,203,718	$ 2,365	$ (554,222)	$ 26,651,861
U.S. political subdivisions of states, territories and possessions	236,670	-	(18,992)	217,678
U.S. special revenue and special assessment obligations	699,604	-	(119,393)	580,211
Industrial and miscellaneous	20,915,922	256,919	(283,166)	20,889,675
Hybrid securities	925,971	8,652	(17,978)	916,645
Other invested assets	175,000	-	(29,776)	145,224
Total debt securities, at amortized cost	50,156,885	267,936	(1,023,527)	49,401,294
Debt securities, at fair value				
Industrial and miscellaneous	867,749	-	(39,358)	828,391
Total debt securities, at fair value	867,749	-	(39,358)	828,391
Total	$ 51,024,634	$ 267,936	$ (1,062,885)	$ 50,229,685

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The amortized cost and fair value of debt securities are shown by contractual maturity as of December 31, 2025. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due to mature		
One year or less	$ 354,970	$ 354,464
After one year through five years	14,767,605	14,979,525
After five years through ten years	15,414,562	15,769,754
After ten years through twenty years	6,666,107	6,640,327
After twenty years	2,832,767	2,633,819
Collateralized debt obligations	9,978,369	10,077,502
Commercial mortgage-backed securities	4,465,909	4,469,031
Total	$ 54,480,289	$ 54,924,422

Proceeds from sales of securities amounted to $39,837,006 and $15,594,676 in 2025 and 2024, respectively. Gross realized gains amounted to $357,335 and $89,761 on the sale of securities in 2025 and 2024, respectively. Gross realized losses amounted to $309,505 and $313,947 in 2025 and 2024, respectively.

The Company holds 61 securities that are in an unrealized loss position as of December 31, 2025, of which 39 securities have been in an unrealized loss position for a period of twelve months or greater. The following table shows the investments' unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, as of December 31, 2025:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S government obligations	$ 5,427,344	$ (72,371)	$ 1,443,766	$ (165,283)
Municipal bonds - general obligations - direct & guaranteed	-	-	214,251	(12,865)
Municipal bonds - special revenue	-	-	610,109	(87,630)
Corporate bonds	1,035,530	(14,094)	2,524,949	(95,225)
Bonds issued by funds representing operating entities	-	-	104,903	(88)
Non-agency residential and commercial mortgage-backed securities	2,787,009	(12,248)	338,292	(1,622)
Other financial asset-backed securities	488,247	(1,445)	248,994	(5,968)
Non-financial asset-backed securities	94,465	(2,087)	483,809	(7,316)
Other invested assets	-	-	156,651	(18,349)
Total	$ 9,832,595	$ (102,245)	$ 6,125,724	$ (394,346)

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The Company held 96 securities that were in an unrealized loss position as of December 31, 2024, of which 54 securities had been in an unrealized loss position for a period of twelve months or greater. The following table shows the investments' unrealized losses and fair value, aggregated by investment category and length of time that the individual securities had been in a continuous unrealized loss position, as of December 31, 2024:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government	$ 20,903,839	$ (494,554)	$ 313,053	$ (59,668)
U.S. political subdivisions of states, territories and possessions	-	-	217,678	(18,992)
U.S. special revenue and special assessment obligations	-	-	580,211	(119,393)
Industrial and miscellaneous	5,444,417	(65,030)	5,484,597	(257,494)
Hybrid securities	198,733	(1,267)	261,503	(16,711)
Other invested assets	-	-	145,224	(29,776)
Total	$ 26,546,989	$ (560,851)	$ 7,002,266	$ (502,034)

NOTE 4 - FAIR VALUE MEASUREMENTS

The Company measures fair value in accordance with SSAP No. 100, "*Fair Value Measurement,*" which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under SSAP No. 100 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include: (i) Quoted prices for similar assets or liabilities in active markets; (ii) Quoted prices for identical or similar assets or liabilities in inactive markets; (iii) Inputs other than quoted prices that are observable for the asset or liability; or (iv) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure financial instruments at fair value. The same methodologies were used as of December 31, 2025 and 2024.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Company's valuation techniques used to measure the fair value of investments, including money market funds and short-term investments, were derived from quoted prices in active markets for identical assets (level 1). The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices for either identical or similar instruments or model driven valuations using significant inputs derived from or corroborated by observable market data.

The following tables present the financial instruments, measured at fair value, by valuation hierarchy, as well as the carrying value of those instruments in the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024:

	Admitted	Fair Value			
2025	Assets	Level 1	Level 2	Level 3	Total
Financial instruments (carried at fair value)					
Money market funds	$ 912,245	$ 912,245	$ -	$ -	$ 912,245
Debt securities	617,950	-	617,950	-	617,950
Total	1,530,195	912,245	617,950	-	1,530,195
Financial instruments (carried at amortized cost)					
Cash equivalents	279,787	-	279,787	-	279,787
Other invested assets	175,000	-	156,651	-	156,651
Debt securities	53,675,672	-	54,149,821	-	54,149,821
Total	54,130,459	-	54,586,259	-	54,586,259
Total	$ 55,660,654	$ 912,245	$ 55,204,209	$ -	$ 56,116,454

	Admitted	Fair Value			
2024	Assets	Level 1	Level 2	Level 3	Total
Financial instruments (carried at fair value)					
Money market funds	$ 1,461,413	$ 1,461,413	$ -	$ -	$ 1,461,413
Debt securities	828,391	-	828,391	-	828,391
Total	2,289,804	1,461,413	828,391	-	2,289,804
Financial instruments (carried at amortized cost)					
Other invested assets	175,000	-	145,224	-	145,224
Debt securities	49,981,885	-	49,256,070	-	49,256,070
Total	50,156,885	-	49,401,294	-	49,401,294
Total	$ 52,446,689	$ 1,461,413	$ 50,229,685	$ -	$ 51,691,098

Other invested assets - Other invested assets consist of an investment in a surplus note issued by an insurance entity, carried at amortized cost.

The fair values of the Company's level 2 investments are determined by management after considering prices received from third party services.

(Continued)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

A description of inputs used in the Company's level 2 measurements are listed below:

U.S. government obligations: Primary inputs include observations of credit default swap curves related to the issuer and political events.

Municipal bonds: Primary inputs include Municipal Securities Rulemaking Board reported trades and material event notices, and issuer financial statements.

Corporate bonds: Primary inputs include observations of credit default swap curves related to the issuer.

Collateralized debt obligations, residential and commercial mortgage-backed securities: Primary inputs include monthly payment information, collateral performance, which varies by vintage year and includes delinquency rates, collateral valuation loss severity rates, collateral refinancing assumptions, credit default swap indices and, for collateralized debt obligations and residential mortgage-backed securities, estimated prepayment rates.

As of December 31, 2025 and 2024, the Company held no level 3 investments.

NOTE 5 - INSURANCE ACTIVITY

The Company primarily writes commercial property coverage to public and affordable housing entities on a direct basis as an excess and surplus lines insurance company.

HAPI and HEIC provide reinsurance coverage to the Company for commercial property coverage on public and affordable housing units, respectively. In accordance with the reinsurance agreement, the Company cedes losses in excess of $250,000 each loss, each policy. Loss adjustment expenses are shared on a pro-rata basis and are in addition to the per occurrence limits. The Company's liability is limited to $750,000 per loss occurrence, exclusive of loss adjustment expenses. During 2025, the Company ceded $904,869 and $95,927 of premium to HAPI and HEIC, respectively, related to this contract. During 2024, the Company ceded $866,777 and $77,738 of premium to HAPI and HEIC, respectively, related to this contract.

Effective December 31, 2024, the Company entered into a novation agreement with Innovative Housing Insurance Company (IHIC) and began providing contractual liability insurance coverage to Housing Investment Group, Inc. (HIG), an affiliated company through common management, on a claims made basis. The Company will indemnify HIG against losses arising out of the payment of contractual reimbursement benefits to any of HIG's associates in accordance with the certificate of benefits issued to such associates. Policy limits are defined in each individual certificate of benefit issued. Under the novation agreement, HSIC assumed $156,338 of premium for the outstanding liabilities at December 31, 2024. No gain or loss was recorded as a result of the novation.

All the Company's policies cover certified terrorism losses (unless coverage is declined by the policyholder) as defined under the Terrorism Risk Insurance Act of 2002 (TRIA) and the subsequent reauthorizations. The Terrorism Risk Insurance Program is a Federal program administered by the Department of the Treasury authorized through December 31, 2027, that provides for a system of shared public and private compensation for certain insured losses resulting from certified acts of terrorism.

(Continued)

NOTE 5 - INSURANCE ACTIVITY (Continued)

In order for a loss to be covered under the program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism. The annual aggregate industry loss minimum under the program is $200,000,000 for 2025 and 2024. Under the program, a participating insurer, in exchange for making terrorism insurance available, is entitled to be reimbursed by the Federal Government for 80% of subject losses in 2025 and 2024, after an insurer deductible, subject to an annual cap. This reimbursement percentage is scheduled to remain at 80% through December 31, 2027.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100 billion. Once subject losses have reached the $100 billion aggregate during a program year, participating insurers will not be liable under the program for additional covered terrorism losses for that program year.

The Company, HARRG, HAPI, and HEIC (collectively called the Companies) entered into a reinsurance agreement, which provides reinsurance protection to the Companies for all insured losses resulting from acts of terrorism or sabotage (whether a certified act or not), for all direct business written by the Companies. With respect to acts of terrorism and acts of sabotage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $80,000,000 per loss occurrence. With respect to strikes, riots, civil commotion and malicious damage the agreement provides reinsurance for all losses and loss adjustment expenses in excess of $2,000,000 up to an aggregate limit of $60,000,000 per loss occurrence. If a loss occurrence involves more than one of the Companies, the limits and retentions mentioned above will be divided between each of the Companies in the proportion of their individual losses to the total loss sustained by the Companies.

Reinsurance contracts do not discharge the primary liability of the Company as insurer of those risks reinsured. The failure of the reinsurer to honor its obligations could result in significant losses to the Company.

The Company evaluates the financial condition of potential reinsurers, and continually monitors the financial condition of present reinsurers. All rated reinsurers have an A.M. Best rating of A or better.

Additionally, the Company evaluates current and prospective reinsurers as to concentrations of credit risk arising from similar activities or economic characteristics in order to minimize exposure to significant losses resulting from reinsurer insolvencies. There can be no assurance that reinsurance will continue to be available to the Company to the same extent, and at the same cost, as it has in the past. The Company may choose in the future to reevaluate the use of reinsurance to increase or decrease the amounts of risk it cedes to reinsurers.

NOTE 5 - INSURANCE ACTIVITY (Continued)

Direct, assumed, and ceded premiums written and earned by the Company for the years ended December 31, 2025 and 2024, are summarized as follows:

	Premiums Written		Premiums Earned	
	2025	2024	2025	2024
Direct premiums	$ 3,928,899	$ 3,720,495	$ 3,849,290	$ 3,568,155
Assumed premiums	-	156,338	55,453	-
Ceded premiums	(1,021,507)	(963,333)	(1,001,033)	(892,125)
Net premiums	$ 2,907,392	$ 2,913,500	$ 2,903,710	$ 2,676,030

A reconciliation of changes in unpaid losses and loss adjustment expenses, for the years ended December 31, 2025 and 2024, are summarized as follows:

	2025	2024
Balance at beginning of year	$ 1,463,508	$ 757,527
Incurred related to		
Current year	1,309,854	1,749,254
Prior years	(355,018)	(360,531)
Total incurred	954,836	1,388,723
Paid related to:		
Current year	(298,443)	(340,673)
Prior years	(242,239)	(342,069)
Total paid	(540,682)	(682,742)
Balance at end of year	$ 1,877,662	$ 1,463,508

As a result of changes in loss development, the provision for losses and loss adjustment expenses decreased by $355,018 and $360,531 in 2025 and 2024, respectively. The decrease in 2025 is mainly related to favorable loss development on property claims related to the 2024 accident year. The decrease in 2024 is mainly related to favorable loss development on property claims related to the 2023 and 2022 accident years.

The Company recorded net reinsurance recovery activity of $0 and $(175,354) in 2025 and 2024, respectively, which is reflected as an increase (decrease) in losses and loss adjustment expenses incurred in the statutory statements of operations. All losses ceded for the years ended December 31, 2025 and 2024, related to the Company's reinsurance contract with HAPI.

(Continued)

NOTE 6 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $1,317,809 and $1,158,458 for the years ended December 31, 2025 and 2024, respectively. The net amounts due to HARRG under these agreements, which are included in due to affiliates, amounted to $149,413 and $124,356 as of December 31, 2025 and 2024, respectively.

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

The Company pays Housing Authority Insurance, Inc. (HAI) fees for the development of public and affordable housing insurance programs, research and government affairs activities under a Membership Agreement. The Company incurred expenses of $1,845 under this agreement in the year ended December 31, 2024. The Company did not incur any expenses under this agreement in 2025.

The Company maintains a commission agreement with Housing Insurance Services, Inc. (HIS), a subsidiary of HIG for direct premium written. The commission agreement provides for a commission percentage to be paid based upon direct written premium, which is expensed on a pro-rata basis by the Company in line with the underlying policies to which they relate. The commission percentage varies based on several underlying factors. For the years ended December 31, 2025 and 2024, commission expense under this agreement amounted to $196,448 and $186,026, respectively, which is included in underwriting expenses incurred on the statutory statement of operations. The Company has commission payable to HIS of $33,036 and $35,805, respectively, as of December 31, 2025 and 2024, which is included in accrued expenses and other liabilities. As of December 31, 2025 and 2024, the Company has additional amounts due to HIS of $9,957 and $10,195, respectively, which is included in due to affiliates.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

NOTE 7 - EMPLOYEE BENEFITS

HSIC does not maintain a retirement plan, deferred compensation or other postretirement benefit plan. HSIC participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $34,402 and $36,046 and 401(k) expenses of $25,272 and $25,992, for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $57,920 and $83,953, for the years ended December 31, 2025 and 2024, respectively, which is included within other underwriting expenses incurred on the statutory statements of operations.

(Continued)

NOTE 8 - CAPITAL AND SURPLUS

As part of its regulatory filings, the Company is required to disclose its risk-based capital (RBC) requirements. The NAIC develops the RBC program to enable regulators to take appropriate and timely regulatory actions with respect to insurers that show signs of weak or deteriorated financial condition. RBC is a series of dynamic surplus related formulas that contain a variety of factors that are applied to financial balances based on a degree of certain risks, such as asset, credit and underwriting risks. The Company's statutory capital and surplus exceeded the NAIC's authorized control level risk based capital as of December 31, 2025 and 2024.

As a property and casualty insurance company, HSIC is required by the Department to maintain minimum statutory surplus of $5,000,000.

During 2024, the Company received capital contributions in the amount of $12,000,000 from HARRG and $12,000,000 from HAPI. The capital contributions were provided to assist HSIC in expanding into states with high capital requirements. There were no capital contributions in 2025.

No dividends were declared or paid in 2025 or 2024.

NOTE 9 - FEDERAL INCOME TAXES

The components of the net deferred tax asset recognized in the Company's statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2025 and 2024 are as follows:

	2025			2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 67,912	$ 1,989	69,901	$ 59,058	$ 7,125	$ 66,183
Statutory valuation allowance adjustment	-	-	-	-	-	-
Adjusted gross deferred tax assets	67,912	1,989	69,901	59,058	7,125	66,183
Deferred tax asset non-admitted	2,280	1,989	4,269	818	7,125	7,943
Net deferred tax asset	65,632	-	65,632	58,240	-	58,240
Deferred tax liabilities	-	-	-	(519)	-	(519)
Net admitted deferred tax asset	$ 65,632	$ -	$ 65,632	$ 57,721	$ -	$ 57,721

The components of the admissibility calculation under paragraphs 11.a., 11.b. and 11.c. as of December 31, 2025 and 2024, are as follows:

	2025			2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted pursuant to 11.a.	$ 63,746	$ -	$ 63,746	$ 56,431	$ -	$ 56,431
Admitted pursuant to 11.b.	1,886	-	1,886	1,290	-	1,290
Admitted pursuant to 11.c.	-	-	-	519	-	519
Admitted deferred tax asset	$ 65,632	$ -	$ 65,632	$ 58,240	$ -	$ 58,240

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The change in the components of the net deferred tax asset recognized in the Company's statutory statements of admitted assets, liabilities and capital and surplus from December 31, 2024 to December 31, 2025, are as follows:

	Change During 2025		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 8,854	$ (5,136)	$ 3,718
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	8,854	(5,136)	3,718
Deferred tax asset non-admitted	1,462	(5,136)	(3,674)
Net deferred tax asset	7,392	-	7,392
Deferred tax liabilities	519	-	519
Net admitted deferred tax asset	$ 7,911	$ -	$ 7,911
Admitted pursuant to 11.a.	$ 7,315	$ -	$ 7,315
Admitted pursuant to 11.b.	596	-	596
Admitted pursuant to 11.c.	(519)	-	(519)
Admitted deferred tax asset	$ 7,392	$ -	$ 7,392

In 2025 and 2024, the Company did not implement any tax planning strategies which would have an impact on adjusted gross and net admitted deferred tax assets.

The threshold used by the Company for amounts admitted pursuant to 11.b. as of December 31, 2025 and 2024 is as follows:

	2025	2024
Ratio percentage used to determine recovery period and threshold limitation amount	4484%	4481%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 53,509,972	$ 51,166,065

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The provisions for incurred taxes on earnings for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024	Change
Federal	$ 614,549	$ 275,539	$ 339,010
Foreign	-	-	-
Subtotal	614,549	275,539	339,010
Federal income tax on net capital gains	10,044	-	10,044
Capital loss carryback	-	(47,065)	47,065
Federal income taxes incurred	$ 624,593	$ 228,474	$ 396,119

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of December 31, 2025 and 2024, are as follows:

	2025	2024	Change
Deferred tax assets			
Ordinary			
Discounting of unpaid losses	$ 19,757	$ 14,105	$ 5,652
Unearned premium reserves	44,687	44,532	155
Other	3,282	171	3,111
Organization costs	186	250	(64)
Subtotal	67,912	59,058	8,854
Non-admitted ordinary deferred tax assets	(2,280)	(818)	(1,462)
Admitted ordinary deferred tax assets	65,632	58,240	7,392
Capital			
Unrealized loss	1,989	7,125	(5,136)
Subtotal	1,989	7,125	(5,136)
Non-admitted capital deferred tax assets	(1,989)	(7,125)	5,136
Admitted capital deferred tax assets	-	-	-
Admitted deferred tax assets	65,632	58,240	7,392
Deferred tax liabilities			
Ordinary			
TCJA transition adjustment	-	(519)	519
Deferred tax liabilities	-	(519)	519
Net admitted deferred tax assets	$ 65,632	$ 57,721	$ 7,911

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

The Company has no net operating loss carry-forwards as of December 31, 2025. The Company has no capital loss carry-forwards as of December 31, 2025. During 2025 and 2024, the Company utilized $0 and $224,119, respectively, of capital loss carrybacks. The Company has no AMT Credits available.

The Company has no federal or foreign tax loss contingencies as determined in accordance with SSAP No. 5R, with the modifications provided in SSAP No. 101, for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

SSAP No. 101 requires that a valuation allowance be established to reduce gross deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. A valuation allowance on the deferred tax assets is evaluated based on management's assessment of the recoverability. Based on its projections of future taxable income, the Company has not recorded a valuation allowance against its net deferred tax asset, as management anticipates that it is more likely than not that the Company will be able to recover these deferred tax assets.

In 2025 and 2024, there were no temporary differences for which a deferred tax liability was not established.

The change in net deferred income taxes for the years ended December 31, 2025 and 2024, are comprised of the following:

	2025	2024	Change
Total deferred tax assets	$ 69,901	$ 66,183	$ 3,718
Total deferred tax liabilities	-	(519)	519
Net deferred tax asset	69,901	65,664	4,237
Tax effect of unrealized losses	(1,989)	(7,125)	5,136
Change in net deferred income tax	$ 67,912	$ 58,539	$ 9,373

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to net income before income taxes. The significant items causing this difference are as follows for the years ended December 31, 2025 and 2024:

	2025		2024	
Provision computed at statutory rate	$ 643,931	21.00 %	$ 223,768	21.00 %
Meals and entertainment	487	0.02	199	0.02
Tax exempt interest	(1,051)	(0.03)	(1,052)	(0.10)
Tax exempt expenses	38	-	36	-
Proration	253	0.01	254	0.02
State income taxes	(28,772)	(0.94)	(11,218)	(1.05)
Change in nonadmitted assets	(350)	(0.01)	(61)	(0.01)
True up	684	0.02	(265)	(0.02)
Total federal income taxes incurred	$ 615,220	20.07 %	$ 211,661	19.86 %

(Continued)

NOTE 9 - FEDERAL INCOME TAXES (Continued)

	2025			2024		
Reconciliation						
Federal income taxes	$ 614,549	20.04	%	$ 228,474	21.44	%
Federal income tax on net capital gains	10,044	0.33		-	-	
Change in net deferred income taxes	(9,373)	(0.30)		(16,813)	(1.58)	
Total statutory income taxes	$ 615,220	20.07	%	$ 211,661	19.86	%

The following are federal income taxes incurred in the current year that will be available for recoupment in the event of future losses:

	Ordinary	Capital	Total
December 31, 2025 (current year)	$ 622,629	$ 10,044	$ 632,673
December 31, 2024 (first preceding period)	$ 277,291	$ -	$ 277,291
December 31, 2023 (second preceding period)	$ -	$ -	$ -

The Company has not made any deposits regarding the suspension of running interest pursuant to Internal Revenue Code Section 6603.

The Company does not file as part of a consolidated return and is not a party to any tax sharing agreement.

NOTE 10 - NON-ADMITTED ASSETS

Certain assets designated as non-admitted, have been excluded from admitted assets and charged against capital and surplus. As of December 31, 2025 and 2024, amounts reflected as non-admitted assets were as follows:

	2025	2024
Prepaid insurance	$ 2,480	$ 811
Deferred tax assets	4,269	7,943
	$ 6,749	$ 8,754

NOTE 11 - RECONCILIATION TO THE STATUTORY ANNUAL STATEMENT

There are no material differences between net income and capital and surplus, as reported herein and the Annual Statement as previously filed with the Department for the years ended December 31, 2025 and 2024.

HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Investment Group, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Housing Investment Group, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets, statements of operations, and cash flows are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. The supplemental schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,513,941	$ 39,701,483
Agency and commission accounts receivables	25,478,166	33,749,428
Due from related parties	141,087	483,771
Prepaid contractual liability insurance (Note 2)	100,885	156,338
Income taxes receivable	184,650	-
Other assets	87,427	168,139
Total current assets	50,506,156	74,259,159
Deferred tax asset	2,326,704	2,805,747
Total assets	$ 52,832,860	$ 77,064,906
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Commission payable and accounts current	$ 36,179,549	$ 58,183,584
Deferred commissions and other revenues	2,078,246	2,063,559
Accounts payable and accrued expenses	803,677	783,950
Due to related parties	1,334,136	1,763,915
Income taxes payable	-	55,502
Total current liabilities	40,395,608	62,850,510
Stockholders' equity		
Common stock, Class A, no par value, $5,000 per share stated value, 2 shares authorized, issued and outstanding in 2025 and 2024	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 2025 and 2024	39,400,000	39,400,000
Additional paid-in capital	482,234	482,234
Retained deficit	(27,454,982)	(25,677,838)
Total stockholders' equity	12,437,252	14,214,396
Total liabilities and stockholders' equity	$ 52,832,860	$ 77,064,906

The accompanying notes are an integral part of these consolidated financial statements.

HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2025 and 2024

	2025	2024
Net revenues		
Commission income	$ 10,545,153	$ 10,610,877
Insurance management services	526,918	483,218
Interest income	1,323,049	1,892,816
Other income	146,578	54,829
Total revenues	12,541,698	13,041,740
Costs and expenses		
Salaries and benefits	5,069,123	3,971,867
General and administrative	2,455,960	1,932,031
Other expense	91,125	-
Total costs and expenses	7,616,208	5,903,898
Income before provision for income taxes	4,925,490	7,137,842
Income tax expense	702,634	1,943,089
Net income	$ 4,222,856	$ 5,194,753

The accompanying notes are an integral part of these consolidated financial statements.

HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2025 and 2024

	Common Stock Class A		Common Stock Class B (1)		Additional Paid-In	Retained	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance as of January 1, 2024	2	$ 10,000	198,700	$ 39,400,000	$ 482,234	$ (23,372,591)	$ 16,519,643
Dividends paid	-	-	-	-	-	(7,500,000)	(7,500,000)
Net income	-	-	-	-	-	5,194,753	5,194,753
Balance as of December 31, 2024	2	10,000	198,700	39,400,000	482,234	(25,677,838)	14,214,396
Dividends paid	-	-	-	-	-	(6,000,000)	(6,000,000)
Net income	-	-	-	-	-	4,222,856	4,222,856
Balance as of December 31, 2025	2	$ 10,000	198,700	$ 39,400,000	$ 482,234	$ (27,454,982)	$ 12,437,252

(1) 182,000 shares issued and outstanding at $100 per share stated value as of December 31, 2025 and 2024, 500 shares issued and outstanding at $10,000 per share stated value as of December 31, 2025 and 2024, 16,200 shares issued and outstanding at $1,000 per share stated value as of December 31, 2025 and 2024.

The accompanying notes are an integral part of these consolidated financial statements.

HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income	$ 4,222,856	$ 5,194,753
Adjustments to reconcile net income to		
net cash (used in) provided by operating activities:		
Deferred federal income taxes	479,043	1,592,419
Changes in assets and liabilities		
Agency and commission accounts receivables	8,271,262	15,688,423
Due from related parties	342,684	2,856,241
Prepaid contractual liability insurance (Note 2)	55,453	60,787
Other assets	80,712	88,138
Commission payable and accounts current	(22,004,035)	(7,988,622)
Deferred commissions and other revenues	14,687	102,340
Accounts payable and accrued expenses	19,727	(425,641)
Due to related parties	(429,779)	667,851
Income taxes receivable (payable)	(240,152)	16,439
Net cash (used in) provided by operating activities	(9,187,542)	17,853,128
Cash flows from financing activities		
Dividends paid to shareholders	(6,000,000)	(7,500,000)
Net cash used in financing activities	(6,000,000)	(7,500,000)
Net change in cash and cash equivalents	(15,187,542)	10,353,128
Cash and cash equivalents, beginning of year	39,701,483	29,348,355
Cash and cash equivalents, end of year	$ 24,513,941	$ 39,701,483
Supplemental cash flow disclosure:		
Income taxes paid during the year	$ 463,743	$ 334,231

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - GENERAL

Reporting Entity: Housing Investment Group, Inc. (HIG) and Subsidiaries (the Company) was incorporated on June 13, 1995, as a Delaware Corporation. The Company is a holding company, which governs the related for-profit businesses of Housing Authority Risk Retention Group, Inc. (HARRG) and Housing Authority Property Insurance, A Mutual Company (HAPI), affiliated entities through common management. The Company has two classes of stock, voting class (Class A) and non-voting class (Class B), which are owned 50% by HARRG and 50% by HAPI. The Company is governed by the same Board of Directors as HARRG, HAPI, and other affiliated companies through common management. As of January 1, 2024, the Company had two wholly owned subsidiaries: Housing Insurance Services, Inc. (HIS) and Housing Alliance Group, LLC (HAGL). As of December 31, 2024, HAGL was dissolved, leaving HIS as the only remaining subsidiary.

HIS was organized pursuant to the laws of the State of Connecticut and provides agency and brokerage services for HAPI, HARRG, Housing Enterprise Insurance Company, Inc. (HEIC), Housing Specialty Insurance Company, Inc. (HSIC), and other unaffiliated entities. During 2025 and 2024, HIS paid a dividend in the amount of $4,000,000 and $8,000,000, respectively, to HIG, which reduced the investment in HIS on the consolidated balance sheets.

HAGL was incorporated in July 2015 under the laws of the State of Vermont. HAGL engaged in the business of assisting public housing authorities and their affiliates by sponsoring funding and assisting in transformation of their housing portfolio. HAGL was a limited liability company whose sole member was HIG. During 2024, prior to the dissolution of HAGL, HIG contributed capital in the amount of $500,000 to HAGL. As a result of the dissolution, the net assets of HAGL were transferred to HIG as of December 31, 2024.

The Company declared and paid dividends of $3,000,000 and $3,750,000 each to HARRG and HAPI during 2025 and 2024, respectively.

The Company is part of an affiliated group of companies and has entered into various transactions with the group members. The accompanying consolidated financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

Concentrations of Risk: The Company provides services to Public Housing Authorities (PHAs), which are governed and funded by the U.S. Department of Housing and Urban Development and also to affiliated entities. A majority of the Company’s revenue is derived from transactions with affiliated entities which have common management. Changes in public policy, funding, or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company’s operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of HIG and its wholly owned subsidiaries, HIS and HAGL. All material intercompany transactions and accounts have been eliminated in the consolidated financial statements.

The operations of the Company are primarily determined by the activities and contractual relationships with HARRG, HAPI, HEIC, and HSIC, related parties through common management. HIG charges its wholly owned subsidiaries a service fee to act on the behalf of its subsidiaries in a holding company function, which is eliminated in consolidation.

Revenue Recognition: The Company recognizes revenue in accordance with FASB ASC 606, "*Revenue from Contracts with Customers*" (ASC 606). Commission, agency and brokerage services, program administration and management services revenues, paid by insurance carriers for the binding of insurance coverage, are recognized as performance obligations are satisfied. Typically, the Company earns a percentage of commission income upon the effective date of the policy with the remaining amount earned on a pro-rata basis over the life of the underlying policy to which it relates. The amount earned at effective date varies by line of business based on the performance obligations associated with that line of business and the performance obligations agreed to with the insurance carriers. Payments are due within 30 days of invoice date, which typically coincides with the binding of coverage. Certain insureds may elect for payments to be made on an installment basis. The portion of income that will be earned in the future is deferred and reported as deferred commissions and other revenues on the consolidated balance sheets.

HAGL program fees are recorded upon finalization and approval of the anticipated project investment and no amounts are deferred. For the year ended December 31, 2024, HAGL did not earn any revenue from program fees. Other income, which consists primarily of HAGL association benefit fees, were earned ratably over the benefit period to which they relate. The portion of unearned association benefit fees was deferred and reported within deferred commissions and other revenues within the consolidated balance sheets. As a result of the dissolution, the unearned association benefit fees were transferred to HIG.

Agency and Commission Accounts Receivable: Agency and commission accounts receivable consist of earned and uncollected commission and agency income. As of December 31, 2025 and 2024, management has not recorded a credit loss against its outstanding accounts receivable as the balance is considered to be fully collectible.

Commission Payable and Accounts Current: Commission payable consists of billed premium, net of retained commission, due to the insurance carriers the Company performs agency and brokerage services for.

Cash and Cash Equivalents: Cash is comprised of cash on hand and cash on deposit with financial institutions. Cash equivalents consist of money market accounts. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered cash equivalents.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Contractual Liability Insurance: HAGL entered into a contractual liability insurance agreement with Innovative Housing Insurance Company, Inc. (IHIC), an affiliated company through common management. During 2024, IHIC was dissolved and HSIC assumed the contractual liability insurance provided to HAGL. HAGL is indemnified against losses arising out of the payment of contractual reimbursement benefits to any associates in accordance with the certificate of benefits issued to such associates. The portion of unexpired insurance premiums paid by HAGL is deferred and reported as prepaid contractual liability insurance within the consolidated balance sheets. As a result of the dissolution, the prepaid contractual liability insurance was transferred to HIG.

Income Taxes: The Company accounts for income taxes in accordance with FASB ASC 740, "*Income Taxes*" (ASC 740). ASC 740 is an asset and liability method, which requires the recognition of deferred tax assets and liabilities. The Company, under certain provisions of ASC 740, accounts for how uncertain tax positions should be recognized, measured, presented and disclosed within their consolidated financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company did not have any unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next twelve months.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. As of December 31, 2025 and 2024, the Company did not record any penalties or interest associated with unrecognized tax benefits. Tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

The Company has a formal tax sharing agreement, whereby the subsidiaries settle taxes on a standalone basis. If losses are generated, the subsidiaries will receive the benefit, to the extent the losses are used in the consolidation, in the year used.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period, along with the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Current Expected Credit Losses: The Company measures expected credit losses in accordance with FASB ASC 326, "*Financial Instruments - Credit Losses*" (ASC 326). ASC 326 applies a credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected. As of December 31, 2025 and 2024, management determined that no allowance for credit losses was necessary for its in-scope financial instruments.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the consolidated financial statements were available to be issued.

NOTE 3 - REVENUES

HIS maintains commission agreements with HAPI, HEIC, and HSIC for policies issued on a direct basis. The commission agreement provides for a commission percentage to be paid based upon gross direct written premium. The commission percentage varies based on several underlying factors. During 2025 and 2024, commission income under these agreements amounted to $7,732,920 and $7,833,552, respectively, and the Company has recorded deferred commission income of $1,619,925 and $1,531,291, respectively, as of December 31, 2025 and 2024.

In addition, HIS provides agency and brokerage services to unaffiliated insurance carriers. Commission percentages vary by carrier and line of business. For the years ended December 31, 2025 and 2024, commission income related to unaffiliated carriers amounted to $2,673,818 and $2,656,129, respectively, and the Company has deferred $178,673 and $226,966, respectively.

HIS entered into a program administration agreement with The Travelers Indemnity Company, Inc. (Travelers), a fronting company, as part of the HAPI insurance program and the HARRG auto insurance program. HIS has agreed to underwrite, rate, quote and bind risks, solicit from and market to brokers, issue policies, collect premiums, and account for the premiums of the book of business being reinsured by HAPI and HARRG. HIS collects a 1% commission from Travelers on all bound premiums. For the years ended December 31, 2025 and 2024, program administration income amounted to $138,415 and $121,196, respectively, and the Company has recorded deferred program administration income of $36,174 and $29,158, respectively, as of December 31, 2025 and 2024.

HIS has insurance management services agreements with HAPI and HARRG to provide various insurance agency activities relating to the auto coverages provided. Fees for these services in 2025 and 2024 amounted to $526,918 and $483,218, respectively, and the Company has recorded deferred management fee revenues of $142,589 and $119,806, respectively, as of December 31, 2025 and 2024. These fees are calculated based upon a percentage of gross written premium for the years ended December 31, 2025 and 2024. All business associated with these insurance management service agreements originates from the service agreement as discussed in the previous paragraph.

HAGL maintained a program agreement with RBC Tax Credit Equity (RBC) to issue Certificates of Association Benefits (CAB) for multifamily residential rental projects seeking to enhance credit for development purposes. During the year ended December 31, 2025, the Company recorded $91,125 of contractual reimbursements related to a post-stabilization operating deficit guaranty associated with a multifamily housing property assumed upon the dissolution of HAGL, which was recorded in accounts payable and accrued expenses on the consolidated balance sheets and other expense on the consolidated statements of operations. The amount represents management's estimate of projected operating cash flow deficits for the period December 2025 through March 2026, based on projections prepared by RBC Capital Markets and information provided by management. As of December 31, 2025, the Company recorded a receivable from HSIC within due from related parties on the consolidated balance sheets and corresponding revenue of $91,125 within other income on the consolidated statements of operations, relating to amounts due under the contractual liability insurance agreement between HSIC and HIG. The estimate is based on contractual guaranty provisions and may be adjusted upon final review and approval. For December 31, 2024, there were no contractual reimbursements recorded by the Company.

NOTE 3 - REVENUES (Continued)

Association benefit fees and consulting fees amounted to $55,453 and $54,829, respectively, as of December 31, 2025 and 2024, and are recorded within other income on the consolidated statements of operations. Deferred revenue related to these fees amounted to $100,885 and $156,338, respectively, for the years ended December 31, 2025 and 2024. As a result of the dissolution, the HAGL deferred revenue was transferred to HIG.

NOTE 4 - INCOME TAXES

The provision for income tax expense consists of the following for the years ended December 31, 2025 and 2024:

	2025		2024	
	Amount	Percent	Amount	Percent
Federal tax at statutory rate	$ 1,034,353	21.00 %	$ 1,498,947	21.00 %
State taxes	(312,648)	(6.35)	423,203	5.93
Meals and entertainment	1,194	0.02	872	0.01
Other	(20,265)	(0.41)	20,067	0.28
Income tax expense	$ 702,634	14.26 %	$ 1,943,089	27.22 %

The tax effect of temporary differences, which result in deferred tax assets, as of December 31, 2025 and 2024, are as follows:

	2025	2024
Deferred tax assets:		
Net operating loss	$ 972,547	$ 1,933,481
Charitable carry forward	18	18
State taxes	688,519	201,740
Accrued retirement benefits	23,364	28,252
Research and development	642,256	642,256
Gross deferred tax asset	2,326,704	2,805,747
Net deferred tax asset	$ 2,326,704	$ 2,805,747

The 2025 and 2024 provision for income taxes differs from the amount of income tax expense determined by applying the 21% U.S. statutory federal income tax rate, as follows:

(Continued)

NOTE 4 - INCOME TAXES (Continued)

The Company has a net operating loss carry-forward of $4,631,176 as of December 31, 2025, that will begin to expire in 2036. The Company has no AMT credits available and no capital loss carryovers available. The Company has $642,256 of research and development credit carry-forwards that will begin to expire in 2032. The Company has $84 of charitable contribution carry forwards that will begin to expire in 2037.

The Company has not recorded a valuation allowance against the deferred tax asset, as the Company believes it is more likely than not that all of the deferred tax asset will be realized.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services are as follows:

	2025	2024
HIS	$ 6,902,726	$ 5,242,577
HIG	345,637	321,925
Total	$ 7,248,363	$ 5,564,502

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

The Company is party to various intercompany agreements and activities, which from time to time result in amounts receivable from and payable to affiliated entities. As of December 31, 2025 and 2024, the Company had the following amounts receivable from and payable to affiliated entities:

	2025		2024	
	Amounts Receivable	Amounts Payable	Amounts Receivable	Amounts Payable
HARRG	$ 21,339	$ 703,071	$ 418,125	$ 1,668,094
HAPI	2,668	12,635	2,940	9,513
HEIC	15,998	618,430	29,986	86,308
HSIC	101,082	-	10,195	-
Housing Authority Insurance, Inc.	-	-	22,525	-
Total	$ 141,087	$ 1,334,136	$ 483,771	$ 1,763,915

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

NOTE 6 - EMPLOYEE BENEFITS

The Company does not maintain a retirement plan, deferred compensation, or other postretirement benefit plan. The Company participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $263,485 and $197,827 and 401(k) expenses of $189,914 and $135,525, for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $481,547 and $492,310, for the years ended December 31, 2025 and 2024, respectively, which is included within salaries and benefits within the consolidated statements of operations.

HOUSING TELECOMMUNICATIONS, INC.

FINANCIAL STATEMENTS
December 31, 2025 and 2024

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Telecommunications, Inc.

Opinion

We have audited the financial statements of Housing Telecommunications, Inc. (the Company), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING TELECOMMUNICATIONS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,045,356	$ 934,291
Accounts receivable	55,521	43,760
Prepaid expenses and other assets	3,233	3,240
Due from affiliates	9,656	22,336
Total assets	$ 1,113,766	$ 1,003,627
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 226,601	$ 333,466
Due to affiliates	196,733	208,119
Unearned subscription fees	709,265	537,657
Total liabilities	1,132,599	1,079,242
Net assets without donor restrictions	(18,833)	(75,615)
Total liabilities and net assets	$ 1,113,766	$ 1,003,627

The accompanying notes are an integral part of these financial statements.

HOUSING TELECOMMUNICATIONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue without donor restrictions:		
Subscription fees	$ 1,080,793	$ 1,102,608
Contribution revenue	1,000,000	1,000,000
Pay per view fees	760,214	843,452
Other income	61,374	40,984
Total revenue without donor restrictions	2,902,381	2,987,044
Expenses		
Salaries and benefits	1,677,972	1,733,888
Program costs	484,496	567,747
Donation expense	-	1,198,000
General and administrative expenses	683,131	704,911
Total expenses	2,845,599	4,204,546
Change in net assets without donor restrictions	56,782	(1,217,502)
Net assets without donor restrictions, beginning of year	(75,615)	1,141,887
Net assets without donor restrictions, end of year	$ (18,833)	$ (75,615)

The accompanying notes are an integral part of these financial statements.

HOUSING TELECOMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 56,782	$ (1,217,502)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(11,761)	48,793
Prepaid expenses and other assets	7	6,110
Due from affiliates	12,680	330
Accounts payable	(106,865)	117,534
Due to affiliates	(11,386)	31,798
Unearned subscription fees	171,608	8,412
Net cash provided by (used in) operating activities	111,065	(1,004,525)
Net change in cash and cash equivalents	111,065	(1,004,525)
Cash and cash equivalents, beginning of year	934,291	1,938,816
Cash and cash equivalents, end of year	$ 1,045,356	$ 934,291

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Reporting Entity and Operations: Housing Telecommunications, Inc. (the Company) was incorporated on September 15, 1993, as a non-stock Connecticut corporation. The Company is a nonprofit organization, which has been organized to provide education through a variety of media to employees and residents of public and low income and affordable housing authorities throughout the United States. The Company's main programming delivery method is through a web-based service. The operations of the Company are dependent on its affiliations with Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance, A Mutual Company (HAPI), Housing Enterprise Insurance Company, Inc. (HEIC), and Housing Specialty Insurance Company, Inc. (HSIC), which are affiliated through common management and common ownership. The Company is governed by the same Board of Directors as HARRG, HAPI, HEIC, HSIC (collectively, the Related Companies), and other affiliated companies.

The Company is part of an affiliated group of companies and has entered into various transactions with the group members. The accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

Concentrations of Risk: A portion of the Company's revenue is derived from a donation received from Housing Authority Insurance, Inc. (HAI). HAI is an affiliated entity through common management, which provides the development of programs and public relations through advocacy services on member risk management, information on sponsored insurance programs and other member related services.

Public Housing Authorities (PHAs) are governed and funded by the United States Department of Housing and Urban Development. Changes in public policy, funding, or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Cash and Cash Equivalents: Cash and cash equivalents are comprised of investment sweep accounts and one cash account as of December 31, 2025 and 2024. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered cash equivalents.

Accounts Receivable: Accounts receivable consists of subscription fees billed and uncollected as of year-end. The Company does not charge interest or late fees to its customers. As of December 31, 2025 and 2024, management has not recorded a credit loss against its outstanding accounts receivable as the balance is considered to be fully collectible.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued**)**

Net Assets: The Company follows the provisions of FASB ASC 958, "*Not-for-Profit Entities"* (ASC 958). ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Within the financial statements, net assets that have similar characteristics are combined into the following categories:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets that are subject to donor-imposed restrictions.

There were no net assets with donor restrictions as of December 31, 2025 and 2024.

Revenue Recognition: Revenue is recognized in the period services are rendered and performance obligations are met. The Company enters into subscription agreements with public and low income and affordable housing providers. Subscription fees are recorded as revenue on a pro rata basis over the period of the subscription agreement. The portion of revenue not recognized is deferred and reported as unearned subscription fees on the statements of financial position. Pay per view revenue is earned as services are provided. Sponsorship fees are recorded based on the underlying contractual agreements and earned over their respective periods. Other income consists of professional services fees, which are recorded as revenue when the certification courses are completed, and interest income, which is recorded as revenue as earned.

Contribution revenue is recorded when an unconditional promise to give cash and other assets is made.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period, along with the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Current Expected Credit Losses: The Company measures expected credit losses in accordance with FASB ASC 326, *"Financial Instruments - Credit Losses"* (ASC 326). ASC 326 applies a credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected. As of December 31, 2025 and 2024, management determined that no allowance for credit losses was necessary for its in scope financial instruments.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the financial statements were available to be issued.

(Continued)

NOTE 3 - INCOME TAXES

The Company has received a determination letter from the Internal Revenue Service indicating that the Company qualifies under the provisions of 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Company accounts for income taxes in accordance with FASB ASC 740, "*Income Taxes*", with respect to how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. The Company did not record any unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next twelve months. All tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

The Company's policy is to include interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. As of December 31, 2025 and 2024, the Company did not record any penalties or interest associated with unrecognized tax benefits.

NOTE 4 - AFFILIATES AND RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $2,317,547 and $2,297,014 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, $196,733 and $208,119, respectively, was due to HARRG under these agreements and is reflected within due to affiliates on the statements of financial position.

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

As of December 31, 2025 and 2024, on the statements of financial position within due from affiliates, are receivables from HARRG in the amount of $5,247 and $14,892, respectively, and from HAPI in the amount of $4,409 and $7,444, respectively, related to equity dividends declared by HARRG and HAPI that have been applied to the PHAs' current subscription fees.

The Company recorded a contribution of $1,000,000 from HAI during 2025 and 2024. These donations were made in furtherance of the Company's charitable pursuits and mission. The Company is able to utilize these funds as it sees fit so long as the funding is used within the scope of carrying out its non-profit charitable activities.

The Company recorded a donation expense during 2024 in the amount of $1,198,000 to Public and Affordable Housing Research Corporation (PAHRC). The donation was made to support PAHRC's primary function of carrying out research projects, on behalf of the Company, for residents, owners, operators, developers, vendors and regulators of public and affordable housing throughout the United States. The Company did not make any donations during 2025.

NOTE 5 - EMPLOYEE BENEFITS

HTI does not maintain a retirement plan, deferred compensation or other postretirement benefit plan. HTI participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

(Continued)

NOTE 5 - EMPLOYEE BENEFITS (Continued)

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $88,912 and $87,449 and 401(k) expenses of $67,508 and $60,762, for the years ended December 31, 2025 and 2024. In addition, the Company recorded an expense for incentive compensation of $157,009 and $212,470, for the years ended December 31, 2025 and 2024, respectively, which is included within salaries and benefits within the statements of activities and changes in net assets.

NOTE 6 - AVAILABLE RESOURCES AND LIQUIDITY

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Company's main sources of liquidity at its disposal consists of cash and cash equivalents, accounts receivable, and amounts due from affiliates. At December 31, 2025 and 2024, the Company has financial assets available within one year of the statement of financial position date for general expenditure of $1,110,533 and $1,000,387, respectively.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Company considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Company plans to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows, which identify the sources and uses of the Company's cash.

NOTE 7 - FUNCTIONAL EXPENSES

The Company provides education through a variety of media to employees and residents of public and low income and affordable housing throughout the United States. The table below presents expenses by both their nature and their function for the year ended December 31, 2025.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 1,179,761	$ 498,211	$ 1,677,972
Program costs	484,496	-	484,496
Office and occupancy	231,015	168,220	399,235
Depreciation	26,715	11,207	37,922
Services and professional fees	52,369	68,754	121,123
Travel, meetings and professional development	66,444	32,899	99,343
Other	4,237	21,271	25,508
Total expenses	$ 2,045,037	$ 800,562	$ 2,845,599

(Continued)

NOTE 7 - FUNCTIONAL EXPENSES (Continued)

The table below presents expenses by both their nature and their function for the year ended December 31, 2024.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 1,216,890	$ 516,998	$ 1,733,888
Donations	1,198,000	-	1,198,000
Program costs	567,747	-	567,747
Office and occupancy	206,132	180,902	387,034
Depreciation	27,890	11,747	39,637
Services and professional fees	66,886	71,465	138,351
Travel, meetings and professional development	80,846	30,482	111,328
Other	5,812	22,749	28,561
Total expenses	$ 3,370,203	$ 834,343	$ 4,204,546

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are allocated on a FTE basis, as well as salaries and benefits, services and professional fees, and travel, meetings and professional development, which are allocated on the basis of estimates of time and effort.

HOUSING AUTHORITY INSURANCE, INC.

FINANCIAL STATEMENTS
December 31, 2025 and 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Housing Authority Insurance, Inc.

Opinion

We have audited the financial statements of Housing Authority Insurance, Inc. (the Company), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

HOUSING AUTHORITY INSURANCE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,964,095	$ 718,348
Prepaid expenses and other assets	29,415	26,571
Total assets	$ 1,993,510	$ 744,919
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 205,204	$ 116,387
Due to affiliates	70,688	81,000
Total liabilities	275,892	197,387
Net assets without donor restrictions	1,717,618	547,532
Total liabilities and net assets	$ 1,993,510	$ 744,919

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY INSURANCE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue without donor restrictions:		
Membership fees	$ 5,750,000	$ 3,000,001
Other income	125,840	121,104
Total revenues without donor restrictions	5,875,840	3,121,105
Expenses:		
Salaries and benefits	226,016	378,497
General and administrative expenses	133,828	229,129
Donations	2,277,983	1,129,249
Loss prevention fund expenses	1,788,485	1,912,884
Member benefits	279,442	275,146
Total expenses	4,705,754	3,924,905
Change in net assets without donor restrictions	1,170,086	(803,800)
Net assets without donor restrictions, beginning of year	547,532	1,351,332
Net assets without donor restrictions, end of year	$ 1,717,618	$ 547,532

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY INSURANCE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 1,170,086	$ (803,800)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Prepaid expenses and other assets	(2,844)	3,470
Accounts payable	88,817	43,061
Due to affiliates	(10,312)	(295,487)
Net cash provided by (used in) operating activities	1,245,747	(1,052,756)
Net change in cash and cash equivalents	1,245,747	(1,052,756)
Cash and cash equivalents, beginning of year	718,348	1,771,104
Cash and cash equivalents, end of year	$ 1,964,095	$ 718,348

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Reporting Entity and Operations: Housing Authority Insurance, Inc. (the Company or HAI) was incorporated on October 26, 1987, as a non-stock District of Columbia corporation. The Company is a nonprofit organization, which has undertaken the responsibility for the development of public housing insurance programs. The programs of the Company are funded by Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance, A Mutual Company (HAPI), Housing Enterprise Insurance Company, Inc. (HEIC), and Housing Specialty Insurance Company, Inc. (HSIC) through membership fees. The Company provides the development of programs and public relations through advocacy services on member risk management, information on sponsored insurance programs and other member related services. In addition, the Company sponsors an internship program, a scholarship program and provides life insurance benefits, through a third party, to its members' employees. The Company is governed by the same Board of Directors of HARRG, HAPI, HEIC, HSIC, and other affiliated companies.

The Company is part of an affiliated group of companies and has entered into various transactions with the group members. The accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

Concentrations of Risk: The Company develops public housing insurance programs and public relations programs for HARRG, HAPI, HEIC and HSIC. Public Housing Authorities (PHAs) are governed and funded by the United States Department of Housing and Urban Development. Changes in public policy, funding, or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Cash and Cash Equivalents: Cash and cash equivalents are comprised of investment sweep accounts and one cash account as of December 31, 2025 and 2024. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered cash equivalents.

Net Assets: The Company follows the provisions of FASB ASC 958, "*Not-for-Profit Entities*" (ASC 958). ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Within the financial statements, net assets that have similar characteristics are combined into the following categories:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets that are subject to donor-imposed restrictions.

There were no net assets with donor restrictions as of December 31, 2025 and 2024.

Revenue Recognition: Revenue is recognized in the period services are rendered and performance obligations met. Membership fees are recorded as revenue based on the underlying contractual agreements and earned over their respective periods. Other income consists of interest income, which is recorded as revenue as earned.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period, along with the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Current Expected Credit Losses: The Company measures expected credit losses in accordance with FASB ASC 326, "*Financial Instruments - Credit Losses*" (ASC 326). ASC 326 applies a credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected. As of December 31, 2025 and 2024, management determined that no allowance for credit losses was necessary for its in-scope financial instruments.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Company has received a determination letter from the Internal Revenue Service indicating that the Company qualifies under the provisions of Section 501(c)(4) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Company accounts for income taxes in accordance with FASB ASC 740, *"Income Taxes"*, with respect to how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. The Company did not record any unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next twelve months. All tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

The Company's policy is to include interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. As of December 31, 2025 and 2024, the Company did not record any penalties or interest associated with unrecognized tax benefits.

(Continued)

NOTE 4 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has a membership agreement with HARRG, HAPI, HEIC, and HSIC, which provides membership services to their insureds. The Company earned membership fees for the years ended December 31, 2025 and 2024, as follows:

	2025	2024
HARRG	$ 2,875,000	$ 1,496,003
HAPI	2,875,000	1,496,003
HEIC	-	6,150
HSIC	-	1,845
Total	$ 5,750,000	$ 3,000,001

The Company administers a program called the Loss Prevention Fund (LPF), relating to public housing loss prevention efforts that would result in a safer environment for their residents and mitigate losses for HAI individual members. HAI individual members have the ability to apply for and request reimbursement from the Company, subject to approval, for the purchase of risk management and loss prevention products or services.

LPF awards are issued on a conditional basis. Approved applicants are required to (i) complete the approved project within the prescribed timeframe, (ii) submit appropriate supporting documentation evidencing eligible expenses, and (iii) comply with all program terms and conditions. Reimbursements are made only after the Company reviews and accepts the required documentation. Awards may be approved for part or all of the amount requested, and funding is not guaranteed until all conditions are met. During 2025 and 2024, approved LPF award applications amounted to $3,654,562 and $2,227,325, respectively, which will be reimbursed by the Company once all conditions have been met.

The Company is able to use amounts received from membership fees to provide reimbursements to members through the LPF. Distributions from the LPF were $1,788,485 and $1,912,884 for the years ended December 31, 2025 and 2024, respectively. No amounts were due from HARRG and HAPI as of December 31, 2025 and 2024.

In accordance with ASC 958, amounts are recognized as LPF expenses on the statements of activities and changes in net assets when the conditions for reimbursement have been substantially met and the reimbursement becomes payable. Because awards are conditional and subject to compliance and documentation requirements, no liability is recorded until the conditions are satisfied. As of December 31, 2025, there was an accrued LPF reimbursement recorded in the amount of $184,000, which is recorded in accounts payable on the statements of financial position. There were no accrued LPF reimbursements as of December 31, 2024.

During 2025, the Company recorded donation expenses of $1,000,000 to Housing Telecommunications, Inc. (HTI) and $1,100,000 to Public and Affordable Housing Research Corporation (PAHRC), affiliated entities through common management. During 2024, the Company recorded a donation expense in the amount of $1,000,000 to HTI. These donations were made in furtherance of HTI and PAHRC's charitable pursuits and mission and are reflected in donations on the statements of activities and changes in net assets. HTI and PAHRC are able to utilize the funds as they see fit so long as the funding is used within the scope of carrying out their non-profit charitable activities.

(Continued)

NOTE 4 - AFFILIATE AND RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2024, $22,525 was due to Housing Insurance Services, Inc. (HIS), an affiliated entity through common management, for expenses paid on behalf of the Company and is reflected within due to affiliates on the statements of financial position. As of December 31, 2025, no amount was due to HIS.

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $360,736 and $591,552 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, $70,688 and $58,475, respectively, was due to HARRG under these agreements and is reflected within due to affiliates on the statements of financial position.

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

NOTE 5 - EMPLOYEE BENEFITS

HAI does not maintain a retirement plan, deferred compensation or other postretirement benefit plan. HAI participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $10,489 and $18,392 and 401(k) expenses of $8,126 and $13,094, for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $17,652 and $39,844, for the years ended December 31, 2025 and 2024, respectively, which is included within salaries and benefits within the statements of activities and changes in net assets.

NOTE 6 - AVAILABLE RESOURCES AND LIQUIDITY

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Company's main source of liquidity at its disposal consists of cash. At December 31, 2025 and 2024, the Company has financial assets available within one year of the statement of financial position date for general expenditure of $1,964,095 and $718,348, respectively.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Company considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Company plans to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows, which identify the sources and uses of the Company's cash.

(Continued)

NOTE 7 - FUNCTIONAL EXPENSES

The Company develops public housing insurance programs for HARRG, HAPI, HEIC, and HSIC, which are affiliated entities through common management. In addition, the Company carries out research and funding for projects that will inform residents, owners, operators, developers, and vendors through grants. The table below presents expenses by both their nature and their function for the year ended December 31, 2025.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 41,414	$ 184,602	$ 226,016
Member benefits	279,137	305	279,442
Donations	2,277,983	-	2,277,983
Loss prevention fund expenses	1,788,485	-	1,788,485
Office and occupancy	11,323	34,702	46,025
Depreciation	771	3,538	4,309
Services and professional fees	7,518	33,646	41,164
Travel, meetings and professional development	3,069	28,567	31,636
Other	444	10,250	10,694
Total expenses	$ 4,410,144	$ 295,610	$ 4,705,754

The table below presents expenses by both their nature and their function for the year ended December 31, 2024.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 93,723	$ 284,774	$ 378,497
Member benefits	274,844	302	275,146
Grants and donations	1,129,249	-	1,129,249
Loss prevention fund expenses	1,912,884	-	1,912,884
Office and occupancy	14,717	51,589	66,306
Depreciation	1,827	5,583	7,410
Services and professional fees	24,830	84,301	109,131
Travel, meetings and professional development	4,703	27,042	31,745
Other	1,543	12,994	14,537
Total expenses	$ 3,458,320	$ 466,585	$ 3,924,905

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are allocated on a FTE basis, as well as salaries and benefits, member benefits, travel, meetings and professional development, and services and professional fees, which are allocated on the basis of estimates of time and effort.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION

FINANCIAL STATEMENTS

December 31, 2025 and 2024

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Public and Affordable Housing Research Corporation

Opinion

We have audited the financial statements of Public and Affordable Housing Research Corporation (the Company), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

__Auditor's Responsibilities for the Audit of the Financial Statements__

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

West Hartford, Connecticut
May 11, 2026

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	$ 524,170	$ 449,977
Prepaid expenses and other assets	2,871	2,545
Total assets	$ 527,041	$ 452,522
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 79,870	$ 109,587
Unearned revenue	25,781	37,916
Due to affiliate	103,154	108,554
Total liabilities	208,805	256,057
Net assets without donor restrictions	318,236	196,465
Total liabilities and net assets	$ 527,041	$ 452,522

The accompanying notes are an integral part of these financial statements.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2025 and 2024

	2025	2024
Revenue without donor restrictions:		
Contribution revenue	$ 1,120,500	$ 1,218,500
Other revenue	97,695	96,311
Total revenue without donor restrictions	1,218,195	1,314,811
Expenses:		
Salaries and benefits	773,614	807,530
General and administrative expenses	322,810	333,444
Total expenses	1,096,424	1,140,974
Change in net assets without donor restrictions	121,771	173,837
Net assets without donor restrictions, beginning of year	196,465	22,628
Net assets without donor restrictions, end of year	$ 318,236	$ 196,465

The accompanying notes are an integral part of these financial statements.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 121,771	$ 173,837
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	-	15,850
Prepaid expenses and other assets	(326)	(918)
Accounts payable	(29,717)	35,065
Unearned revenue	(12,135)	7,104
Due to affiliate	(5,400)	2,185
Net cash provided by operating activities	74,193	233,123
Net change in cash and cash equivalents	74,193	233,123
Cash and cash equivalents, beginning of year	449,977	216,854
Cash and cash equivalents, end of year	$ 524,170	$ 449,977

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Reporting Entity and Operations: Public and Affordable Housing Research Corporation (the Company or PAHRC) was incorporated on March 15, 2011, as a non-stock, State of Connecticut corporation. The Company is a nonprofit organization, which has undertaken the responsibility of carrying out research projects that will inform and educate residents, owners, operators, developers, vendors and regulators of public and affordable housing throughout the United States. The Company is governed by the same Board of Directors as Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance, A Mutual Company (HAPI), Housing Enterprise Insurance Company, Inc. (HEIC), Housing Specialty Insurance Company, Inc. (HSIC), and other affiliated companies.

The Company is part of an affiliated group of companies and has entered into various transactions with the group members. The accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

Concentrations of Risk: A majority of the Company's revenue was derived from contributions received from Housing Authority Insurance Inc. (HAI), an affiliated entity through common management, for the year ended December 31, 2025. HAI provides the development of programs and public relations through advocacy services on member risk management, information on sponsored insurance programs, and other member-related services. For the year ended December 31, 2024, a majority of the Company's revenue was derived from contributions received from Housing Telecommunications, Inc. (HTI), an affiliated entity through common management. HTI provides education through a variety of media to employees and residents of public, low-income, and affordable housing authorities throughout the United States.

Public Housing Authorities (PHAs) are governed and funded by the United States Department of Housing and Urban Development. Changes in public policy, funding, or reduction in revenue to PHAs or their affiliated entities could significantly impact the Company's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Cash and Cash Equivalents: Cash and cash equivalents are comprised of investment sweep accounts and one cash account as of December 31, 2025 and 2024. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. Amounts in excess of the FDIC limit are uninsured. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit.

The Company leverages sweep accounts, which transfer the operating cash balance at the close of each business day to a short-term investment option, typically a money market fund. These funds, while invested, are considered cash equivalents.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets: The Company follows the provisions of FASB ASC 958, "*Not-for-Profit Entities"* (ASC 958). ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Within the financial statements, net assets that have similar characteristics are combined into the following categories:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Net assets that are subject to donor-imposed restrictions.

There were no net assets with donor restrictions as of December 31, 2025 and 2024.

Revenue Recognition: Contribution revenue is recorded when an unconditional promise to give cash and other assets is made.

Other revenue includes subscriptions, sponsorships, and consulting fees. Subscription revenue is earned ratably over the subscription period and the portion of unexpired subscription revenue is deferred and reported as unearned revenue on the statements of financial position. Sponsorship revenue is recorded as revenue pro-rata over the term of the agreement. Consulting income is recognized as revenue as services are performed.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, at and during the reporting period, along with the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Current Expected Credit Losses: The Company measures expected credit losses in accordance with FASB ASC 326, *"Financial Instruments - Credit Losses*" (ASC 326). ASC 326 applies a credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected. As of December 31, 2025 and 2024, management determined that no allowance for credit losses was necessary for its in-scope financial instruments.

Subsequent Events: Subsequent events have been evaluated through May 11, 2026, which is the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Company received a determination letter from the Internal Revenue Service indicating that the Company qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a public charity and is exempt from federal and state income taxes.

(Continued)

NOTE 3 - INCOME TAXES (Continued)

The Company accounts for income taxes in accordance with FASB ASC 740, "*Income Taxes*", with respect to how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. The Company did not record any unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next twelve months. All tax years from 2022 forward are open and subject to examination by the Internal Revenue Service.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. As of December 31, 2025 and 2024, the Company did not record any penalties or interest associated with unrecognized tax benefits.

NOTE 4 - CONTRIBUTION REVENUE AND OTHER REVENUE

During 2025 and 2024, the Company received contributions from two donors amounting to $1,120,500 and $1,218,500, respectively. These contributions were intended to support the Company's mission of carrying out research projects that will inform and educate residents, owners, operators, developers, vendors, and regulators of public and affordable housing throughout the United States. The contributions were not subject to any donor-imposed stipulations.

For the years ended December 31, 2025 and 2024, the Company recorded $53,252 and $49,679, respectively, of earned subscription fee revenue, recorded within other revenue on the statements of activities and changes in net assets. The Company provides subscriptions and data licenses for use of the National Housing Preservation Database (NHPD). All subscriptions are for one year. As of December 31, 2025 and 2024, the Company recorded $25,781 and $29,783, respectively, of unearned subscription fee revenue, which represents the unexpired portion of the subscriptions at year-end and is included in unearned revenue on the statements of financial position.

For the years ended December 31, 2025 and 2024, the Company recorded $8,133 and $6,867, respectively, of earned consulting fees, recorded within other revenue on the statements of activities and changes in net assets. As of December 31, 2025 and 2024, the Company recorded $0 and $8,133, respectively, of unearned consulting revenue, which represents the unexpired portion of the agreement at year-end and is included in unearned revenue on the statements of financial position.

For the years ended December 31, 2025 and 2024, the Company recorded $36,310 and $39,765, respectively, of interest income relating to its sweep account, recorded within other revenue on the statements of activities and changes in net assets.

NOTE 5 - AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has common paymaster and facilities agreements with HARRG, in which HARRG is the common paymaster for the Company. HARRG provides various management services to the Company and charges the Company for its direct allocation of salaries, benefits and overhead, along with the use of its facility. Expenses incurred for HARRG's management services were $1,083,985 and $1,099,645 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, $103,154 and $108,554, respectively, was due to HARRG under these agreements and is reflected within due to affiliate on the statements of financial position.

(Continued)

NOTE 5 - AFFILIATE AND RELATED PARTY TRANSACTIONS (Continued)

The Company occupies office space in Cheshire, Connecticut, which is owned by HARRG. The cost of occupying the premises is part of the facilities agreement.

During 2025 and 2024, the Company recorded contributions of $1,100,000 from HAI and $1,198,000 from HTI, respectively. The donations were made in furtherance of the Company's charitable pursuits and mission. The Company is able to utilize the funds as it sees fit so long as the funding is used within the scope of carrying out its non-profit charitable activities.

NOTE 6 - EMPLOYEE BENEFITS

PAHRC does not maintain a retirement plan, deferred compensation or other postretirement benefit plan. PAHRC participates in the HARRG employee benefit plans through its common paymaster agreement with HARRG.

HARRG maintains a defined contribution profit sharing plan and is the sponsor of the Housing Authority Risk Retention Group 401(k) Plan, covering substantially all of its employees. The Company recorded profit sharing expenses of $39,737 and $40,033 and 401(k) expenses of $30,846 and $27,166, for the years ended December 31, 2025 and 2024, respectively. In addition, the Company recorded an expense for incentive compensation of $67,193 and $91,892, for the years ended December 31, 2025 and 2024, respectively, which is included within salaries and benefits within the statements of activities and changes in net assets.

NOTE 7 - AVAILABLE RESOURCES AND LIQUIDITY

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Company's main sources of liquidity at its disposal consist of cash and cash equivalents. At December 31, 2025 and 2024, the Company has financial assets available within one year of the statement of financial position date for general expenditure of $524,170 and $449,977, respectively.

The Company, along with other affiliated entities, maintains an Intercompany Loan Agreement with HARRG, by which the affiliated group may borrow from HARRG from time to time for a period not to exceed 12 months, an amount at a competitive market-based interest rate charged to HARRG by a third-party for borrowing funds. The maximum funds that may be lent or borrowed by the affiliated group will not exceed $20,000,000 outstanding in the aggregate at any time. As of December 31, 2025 and 2024, no funds were borrowed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Company considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Company plans to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows, which identify the sources and uses of the Company's cash.

(Continued)

NOTE 8 - FUNCTIONAL EXPENSES

The Company has the responsibility of carrying out research projects that inform and educate various members of public and affordable housing throughout the United States. The table below presents expenses by both their nature and their function for the year ended December 31, 2025.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 499,163	$ 274,451	$ 773,614
Services and professional fees	46,702	41,676	88,378
Travel, meetings and professional development	26,878	27,891	54,769
Office and occupancy	65,549	83,093	148,642
Depreciation	10,430	5,802	16,232
Other	1,047	13,742	14,789
Total expenses	$ 649,769	$ 446,655	$ 1,096,424

The table below presents expenses by both their nature and their function for the year ended December 31, 2024.

	Program Activities	Management and General Activities	Total Expenses
Salaries and benefits	$ 533,406	$ 274,124	$ 807,530
Services and professional fees	59,431	43,147	102,578
Travel, meetings and professional development	43,298	23,738	67,036
Office and occupancy	59,516	71,537	131,053
Depreciation	11,305	5,822	17,127
Other	1,049	14,601	15,650
Total expenses	$ 708,005	$ 432,969	$ 1,140,974

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are allocated on a FTE basis, as well as salaries and benefits, services and professional fees, and travel, meetings and professional development, which are allocated on the basis of estimates of time and effort.