



HAI Group

**TURNING OBSTACLES
INTO OPPORTUNITIES**

for 30 Years

TABLE OF CONTENTS

| | |
|-----------|--|
| 1 | LETTER FROM THE PRESIDENT AND CEO |
| 2 | LETTER FROM THE BOARD CHAIR |
| 3 | TURNING OBSTACLES INTO OPPORTUNITIES FOR 30 YEARS |
| 5 | 2017 BOARD AND COMMITTEE MEMBERS |
| 10 | HAI GROUP COMPANIES |
| 11 | 2017 HAI GROUP FINANCIAL STATEMENTS |





As many of you know, I have worked at HAI Group since 1992. During those 25 years, I've seen quite a bit. Massive storms, changes in insurance policies and regulations, devastating fires, and more changes to the public and affordable housing industry than I can count. So when our Board of Directors appointed me as HAI Group's president and chief executive officer in July of 2017, I knew that these types of obstacles would be put in my path. Never did I think I would be presented with the number of barriers that 2017 threw at our industry. From major cybersecurity breaches, to three of the largest hurricanes in United States history, to volatility in commodity markets, and to the continued unfolding of political agendas; 2017 was certainly one for the record books. We faced these obstacles head-on and met our obligations to our members, while surpassing their expectations. As an insurance company, that is our promise.

As part of that promise, I am committed to building and maintaining the trust of our members. I see insurance as a transaction of trust; and by using our knowledgeable employees and dependable products to serve our members, we establish that profound reliability. When our members are struggling, we are here to lean on. When we are successful, we share in that success with our members. This is the true essence of partnership.

Some people expect their insurance company to get involved only when unforeseen circumstances arise. My philosophy is that we should get involved before trouble arises and help prepare our members for any situation. I worked with my Executive Management Team in 2017 to implement programs to help mitigate problems in advance. A great example of this is the emergency preparedness protocols and procedures that we instituted before landfall of Hurricane Harvey, our response amidst the hurricane, and the response-plan post-hurricane. We were able to keep a pulse on our membership throughout the catastrophe and ensure that they were taken care of when they needed it most.

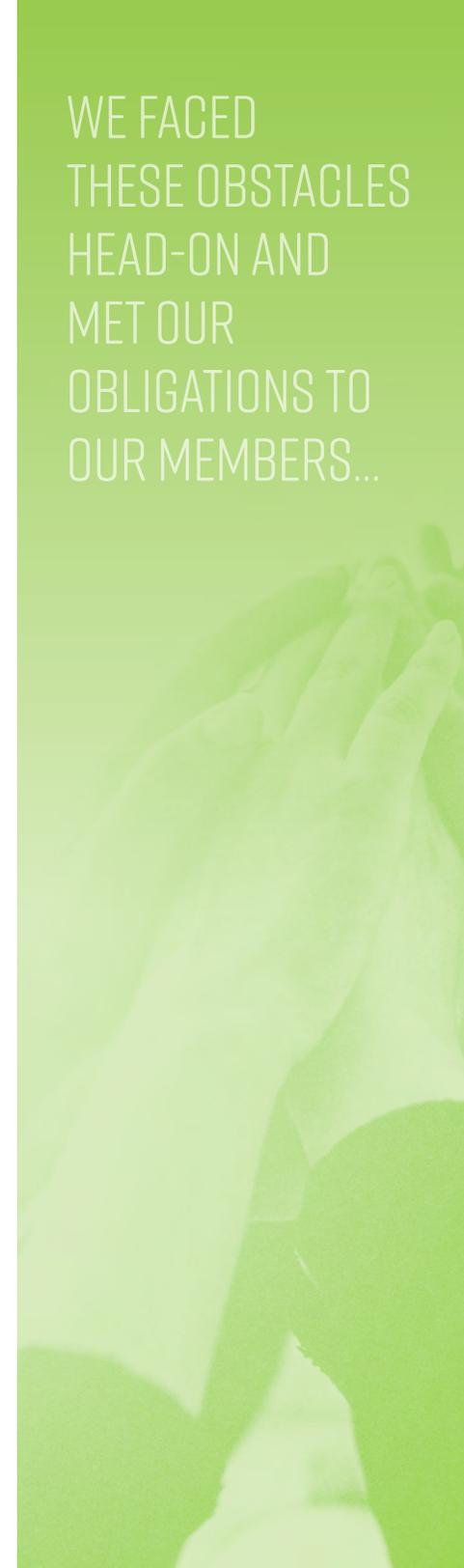
When faced with adversity in our industry and a change in leadership at HAI Group, our employees felt that impact as well. It was vital for me to show each one of them that they are appreciated for all of their contributions, both on a one-on-one level as well as through all employee communications. Bringing our employees on this journey with me is crucial. When they are appreciated and engaged, I know this is what ultimately makes the most significant difference in their service to our membership, and in fulfilling our mission. As 2017 concluded, the change in morale was salient. Employees were more engaged, their discretionary effort expanded, and that resonated from our campus to our members.

Despite everything that came our way in 2017, we ended the year on a positive note. We were able to stabilize our performance which resulted in positive financial results. We added to our surplus, strengthening our performance; and were also able to declare dividends to our members, further supporting their performance.

The theme of the 2017 Annual Report is *Turning Obstacles into Opportunities*, and as I reflect back on 2017, no words could ring truer. I am beyond proud of our Company and what we were able to accomplish when I think of everything that was stacked against us. I know that we are stronger for it.

A handwritten signature in black ink, appearing to read "Ed Malaspina".

WE FACED
THESE OBSTACLES
HEAD-ON AND
MET OUR
OBLIGATIONS TO
OUR MEMBERS...



...AS AN
INSURANCE
COMPANY,
THAT IS OUR
PROMISE.

Every year the housing industry faces a number of challenges that HAI Group, our members, and our Board of Directors, must address and overcome. 2017, my concluding year as Board Chair, was no different. Several obstacles were put in our path, but in true HAI Group fashion, we did not just overcome them but turned those obstacles into opportunities.

The year began with the opportunity to revamp. In 2016 we pivoted the focus of the Company; in retrospect, maybe more so than we should have. 2017 became a year of re-balancing. Finding the perfect harmony between new and innovative solutions without losing the core and mission of HAI Group, and the customer service focused mindset of our employees toward our membership.

We took action to remove the obstacles in our way. Our Board of Directors and our employees are innately strategic, and this has been showcased in the implementation of our decisions this year. By appointing new leadership with Ed Malaspina as the president and Chief Executive Officer, we were able to establish a new direction and boost morale. We continued to find solutions and operations to best fit the needs of our members, policyholders, and subscribers. We did a bit of belt-tightening and instituted a reworking of the financial positioning of our products, without sacrificing the mode of operations. To encourage greater diversity on the board, we introduced the Board Readiness Program. I'm proud to say, in my role as Board Chair, we were able to proactively approach our 2017 hurdles and overturn them to keep things moving smoothly and efficiently. The year concluded with HAI Group in a great place, positioning us to excel in years to come.

As we look to the future, I predict the continued success of an already successful Company. As long as HAI Group remains true to listening to their members' needs and engaging in the industry, our brand's eminence will flourish. If we are not afraid to try new things, experiment with new products, and maintain a good sense for our members, all the while making good decisions that make business sense for the Company, we will grow and exceed our own expectations. Wonderful opportunities await, and I am thrilled and eager to see how HAI Group will seize them.

Christine H. Hart

CHRISTINE HART, Board Chair



HAI GROUP – TURNING OBSTACLES INTO OPPORTUNITIES

for 30 Years

In 1987, our industry faced an obstacle; housing authorities confronted with steep rate increases, were unable to afford their insurance. This obstacle was the catalyst for the formation of HAI Group, and it turned out to be an opportunity for housing agencies to become more in control of their own destiny, and less at the mercy of the market.

As HAI Group celebrates its 30th anniversary, we look back on the past and reflect on the hard work, determination, and commitment of the employees, Board of Directors and Committee Members, business partners, and member housing organizations who made it all possible, and who continue to drive HAI Group's mission forward.

The Company may have gotten its start pioneering insurance solutions, but the vision of the founders was also about seizing opportunities to gain independence. Insurance was just the beginning. HAI Group continues to thrive three decades later, evolving with the industry and continuously focused on new ways to turn obstacles into opportunities.

In 2017, the Company saw leadership change, appointing President and Chief Executive Officer Ed Malaspina and a new Executive Management Team. Their strong roots in the Company reinvigorated the work we do.

This year was not without obstacles. Mother Nature tested the new leadership. Alongside most insurance companies, two 500-year mega storms barreled through the properties of our members. Although affected by the catastrophes, the combination of HAI Group's strong underwriting discipline and excellent risk management enabled the company to weather the storms and reaffirm its A.M Best rating of "A" (Excellent).

The Low Income Housing Tax Credit program stalled as investors waited for news on corporate tax changes. Despite this, HAI Group worked this year to break down barriers in the development world, responding to member's capital needs by launching the *RBC Tax Credit Equity-HAI National Fund 1, L.P.* This fund was the first of its kind, comprised only of public housing sponsored projects. The fund leveraged \$71.9 million in federal Low Income Housing Tax Credit equity to preserve and expand about 1,000 affordable housing units. "Housing authorities have become significant developers of affordable housing and can bring certain advantages to a deal," said HAI Group President and Chief Executive Officer Ed Malaspina. "Their ability to combine local powers and federal assistance make housing authorities uniquely positioned to play substantial roles in the development of affordable housing."

Negative stereotypes remain a challenge for the housing industry. In response, ground-breaking public service announcements were developed as part of HAI Group's national *ReThink: Why Housing Matters* initiative to help advocate.





Housing agencies will need many tools in their toolbox to meet the challenges ahead. The flexibilities provided by programs such as Moving to Work (MTW) can provide crucial support. The MTW program offers flexibility to design and test innovative, local strategies that use funds more efficiently, help residents become economically self-sufficient, and increase housing choices for low-income families. Recognizing the need for these new tools, HAI Group sponsored landmark MTW research, conducted by a global research leader, Abt Associates. The study is the first aggregate data analysis of the performance of the MTW demonstration since the program began. A set of agency-wide performance measures compare the outcomes of MTW agencies to peer agencies that are not part of the MTW program but are similar in service population, rental market, local economic conditions, region, and size.

Exploring emerging claims issues were on the agenda at the Housing Authority Defense Attorney's event. The event brings defense attorneys and the housing industry together annually to discuss ways to strengthen defense positions and reduce and mitigate claims. This year's attendance was record-breaking.

This year a summit, *The Art of Possible: Innovations in Housing*, was hosted to encourage housing professionals to have conversations about home, affordability, and independence. Presenters discussed ways to innovate using disruptive thinking, creating solutions to road-blocks, and how to find and craft health partnerships.

Innovation continues to play a role in our products and services. HAI Group's online training provider, HTVN, took training to a new level this year with its first learning safety game, *Beat the Blaze*. In the game, housing professionals and residents challenge themselves to learn more about fire safety by answering questions to escape the fire; trying to beat the clock, avoid obstacles, and out-score friends. The risk control team also launched the *Preventable Loss Management Program* to more than 200 agencies. Customized plans for each agency worked to reduce claims, and protect assets for the future.

As we move forward, into the next 30 years and beyond, HAI Group remains dedicated to protecting, preserving, and promoting the sustainability of affordable housing. We are thankful for 30 successful years, and proud to continue making a difference by turning obstacles the industry faces into opportunities to better serve our communities and the lives of our residents.

HAI GROUP

Board of Directors and Committee Members Photos



AUDIT COMMITTEE
(AS PICTURED LEFT TO RIGHT)

Top: Len Williams; Ed Hinojosa
Bottom: James DiPaolo, *Chair*; Douglas Dzema;
John Foos, *Vice Chair*



BOARD OF DIRECTORS
(AS PICTURED LEFT TO RIGHT)

Top: Scott Bertrand; Tony Love; L. Glen Redding;
Christine Hart, *Chair*; J. Len Williams; Ed Hinojosa;
Janaka Casper; Vince Pearson
Bottom: Russell Young; John Foos; Douglas Dzema;
Gary Wasson; James DiPaolo, *Vice Chair*;
Tyrone Garrett; Edwin Loundes; Joseph Shuldiner





(AS PICTURED LEFT TO RIGHT)

COMPENSATION COMMITTEE (TOP LEFT)

Top: J. Len Williams, *Vice Chair*; Edwin Lowndes; Christine Hart, *Chair*

Bottom: Douglas Dzema; James DiPaolo; Tyrone Garrett

CORPORATE OFFICERS (BOTTOM LEFT)

Ed Malaspina; Sarah Rodriguez; Courtney Rice; Jerry Williams

Not Pictured: Amy Galvin

ENTERPRISE RISK MANAGEMENT COMMITTEE (TOP RIGHT)

Top: L. Glen Williams, *Vice Chair*; Tony Love

Bottom: Ed Hinojosa; Russell Young; Tyrone Garrett, *Chair*

(AS PICTURED LEFT TO RIGHT)

FINANCE COMMITTEE (BOTTOM LEFT)

Top: Helen Kipplen; Diana Fiedler; Fernando Aniban, *Vice Chair*;
Chelsea Johnson; Margarita Shif; Tonia Ramos

Middle: Ed Hinojosa, *Chair*; Dale Jones; Maria Zissimos; Dennis Nicholson; Jacquelyn Robberson;
Thomas Henderson; David Paccone

Bottom: Bernard McGinley; Blake Farris; Mark Abernathy; Samuel Sally; Marlene Garza; Jane Smith

GOVERNANCE COMMITTEE (TOP RIGHT)

Top: J. Len Williams, *Chair*; Ed Hinojosa; Christine Hart

Bottom: Douglas Dzema; James DiPaolo; Tyrone Garrett; Edwin Lowndes, *Vice Chair*

INSURANCE COMMITTEE (BOTTOM RIGHT)

Top: Vince Pearson, *Chair*; Barbara Berg, *Vice Chair*; Sophie George;
Gary Evangelista; Patricia Duffy; Anthony Goodson Jr.

Middle: Alissa Italiano; Janis Holt; Stephanie Lovett; Dale Priester; Anthony Johnson; Jeffrey Wade

Bottom: Edward Mauk; Matt Mills; Jim Eigenberger; Tom Callahan;
Hurricane Hardaway; Orthneil Palmer; Richard Mountsier

Not Pictured: Audrey Davis; Charles Williamson; Joy Fitzgerald





(AS PICTURED LEFT TO RIGHT)

LEARNING AND INFORMATION TECHNOLOGY SOLUTIONS COMMITTEE (TOP LEFT)

Top: Alison Toy; Anthony Greene; Christi McNeil; Donna Conway; Carolyn Nichter; Caster Binion

Middle: Charisse McGeachy; Lori Hoppe; Anthony Senerchia; Scott Bertrand, *Chair*;

Steven Sapp; Adam Ragsdale

Bottom: Larry Williams; Arthur Martin; Kevin Loso, *Vice Chair*; Kevin Schaack; Kenneth Christie;

Richard Dowe; Joseph Macaluso; Kenneth Martin

SALES, MARKETING, AND RESEARCH COMMITTEE (BOTTOM LEFT)

Top: Liane Ward; Kathleen Sulsky; Bonnie Latting; Cheyanne Spoto; Rita Ruiz; Boyd Fetterolf

Middle: Mark Ouellet; Mark Gillett; Jeffery Patterson; Pamela Kemp; Rufus Myers; Williams Morlock

Bottom: Karl Jones; Terrance Brady; Earline Davis, *Vice Chair*; W. Christopher White;

Joseph Shuldiner, *Chair*; Michael Hagemeyer

Not Pictured: Karl Opheim; Dawn Sanders-Garrett; Michael Santangelo

STRATEGIC CAPITAL SOLUTIONS COMMITTEE (TOP RIGHT)

Top: John Thaniel; Lori Davidson; Eliana Jones; Donald Emerson; J. Len Williams, *Chair*; Laurel Robinson

Bottom: June Parker; Duane Hopkins, *Vice Chair*; George Guy; Alan Feinstein; Herman Hill; Raju Abraham

Not Pictured: Modesto Candelario

HAI GROUP

Our Companies

HOUSING ALLIANCE GROUP, LLC (HAGL)

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

HOUSING AUTHORITY INSURANCE, INC. (HAI)

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

HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY (HAPI)

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

HOUSING AUTHORITY RISK RETENTION GROUP, INC. (HARRG)

HARRG provides liability insurance to public housing authorities. Available coverages include general liability, public officials' errors and omissions, employment practices, law enforcement, lead-based paint, employee benefit, auto, hired and non-owned auto, mold, and terrorism. HARRG is owned by the members it insures. HARRG is a nonprofit, tax-exempt captive mutual risk retention group, operating under the Federal Risk Retention Act, licensed and domiciled in Vermont. HARRG began operation on June 1, 1987, and was incorporated on March 20, 1987.

HOUSING ENTERPRISE INSURANCE COMPANY, INC. (HEIC)

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

HOUSING INSURANCE SERVICES, INC. (HIS)

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

HOUSING INVESTMENT GROUP, INC. (HIG)

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

HOUSING SPECIALTY INSURANCE COMPANY, INC. (HSIC)

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

HOUSING TELECOMMUNICATIONS, INC. (HTI)

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

INNOVATIVE HOUSING INSURANCE COMPANY, INC. (IHIC)

Innovative Housing Insurance Company, Inc. (IHIC) is a captive insurance company owned by Housing Authority Risk Retention Group, Inc. (HARRG). It engages in the business of insuring and reinsuring various types of risks. IHIC is licensed and domiciled in Vermont. IHIC began operation on November 1, 2015 and was incorporated in July 2015.

PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION (PAHRC)

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

HAI GROUP

Financial Statements

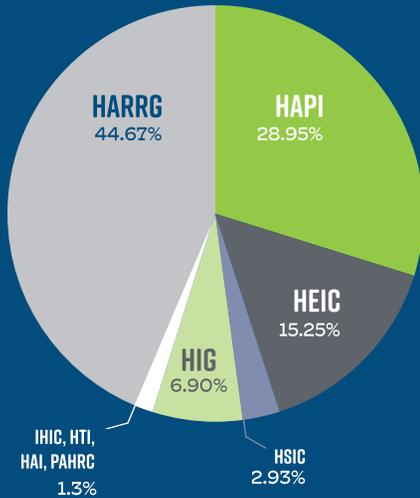
(AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016)

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2017 Audited Financial Statements supplement. This can be found on our website at www.housingcenter.com/wp-content/uploads/2018/12/2017-Audited-Financials.pdf.

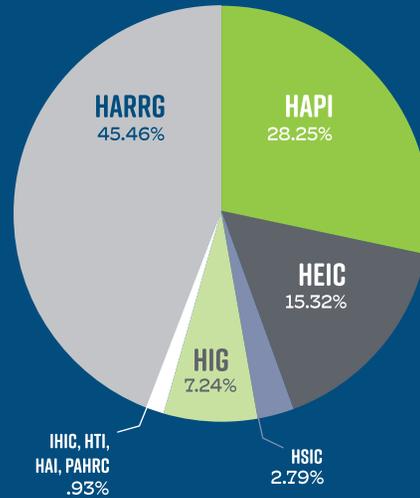
| | | | |
|----|---|----|---|
| 12 | FINANCIAL SUMMARY | 17 | INNOVATIVE HOUSING INSURANCE COMPANY, INC. (IHIC) Balance Sheets Statement of Operations |
| 13 | HOUSING AUTHORITY RISK RETENTION GROUP, INC. AND SUBSIDIARIES (HARRG) Consolidated Balance Sheets Consolidated Statements of Comprehensive Income (Loss) | 18 | HOUSING INVESTMENT GROUP, INC. AND SUBSIDIARIES (HIG) Consolidated Balance Sheet Consolidated Statement of Operations |
| 14 | HOUSING AUTHORITY PROPERTY INSURANCE, A MUTUAL COMPANY (HAPI) Balance Sheets Statements of Comprehensive Income (Loss) | 19 | HOUSING TELECOMMUNICATIONS, INC. (HTI) Statements of Financial Position Statements of Activities and Changes in Net Assets |
| 15 | HOUSING ENTERPRISE INSURANCE COMPANY, INC. (HEIC) Balance Sheets Statements of Comprehensive Income (Loss) | 20 | HOUSING AUTHORITY INSURANCE, INC. (HAI) Statements of Financial Position Statements of Activities and Changes in Net Assets |
| 16 | HOUSING SPECIALTY INSURANCE COMPANY, INC. (HSIC) Balance Sheets Statements of Comprehensive Income (Loss) | 21 | PUBLIC AND AFFORDABLE HOUSING RESEARCH CORPORATION (PAHRC) Statements of Financial Position Statements of Activities and Changes in Net Assets |

FINANCIAL SUMMARY

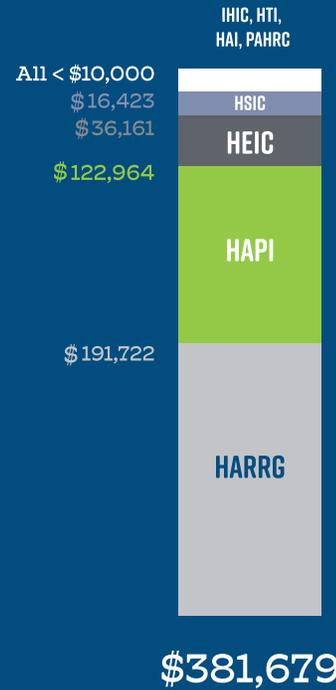
2017 CONSOLIDATED ASSETS



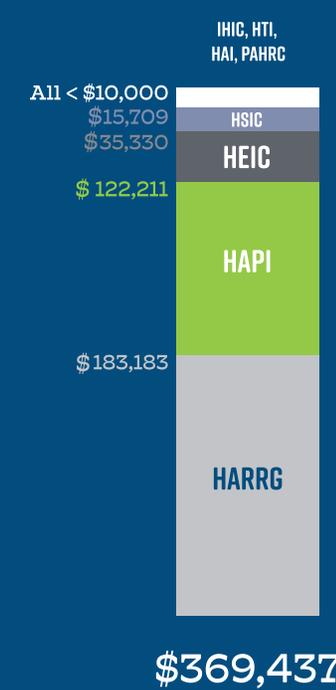
2016 CONSOLIDATED ASSETS



2017 CONSOLIDATED SURPLUS (thousands)



2016 CONSOLIDATED SURPLUS (thousands)



2017 CONSOLIDATED NET INCOME (thousands)



2017 INSURANCE *
COMPANY REVENUE
\$149,187,303

2017 NON-INSURANCE
COMPANY REVENUE
\$12,285,849

2016 INSURANCE *
COMPANY REVENUE
\$127,538,176

2016 NON-INSURANCE
COMPANY REVENUE
\$12,952,950

* (core insurance revenue)

2016 CONSOLIDATED NET INCOME (thousands)



Housing Authority Risk Retention Group, Inc. And Subsidiaries

CONSOLIDATED BALANCE SHEETS

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Investments available for sale, at fair value | \$ 305,941,535 | \$ 293,959,537 |
| Federal Home Loan Bank of Boston stock, at cost | 240,300 | 240,300 |
| Investment in Affiliates | 12,386,062 | 12,599,184 |
| Total Investments | 318,567,897 | 306,799,021 |
| Premiums receivable | 23,065,436 | 22,017,691 |
| Property and equipment, net | 14,242,646 | 20,287,606 |
| Other assets | 40,452,260 | 34,852,230 |
| Total assets | <u>\$ 396,328,239</u> | <u>\$ 383,956,548</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 129,143,347 | \$ 127,584,448 |
| Unearned premiums | 32,555,961 | 33,360,289 |
| Term loan | 6,510,934 | 7,011,156 |
| Other liabilities | 23,158,847 | 19,871,995 |
| Total liabilities | 191,369,089 | 187,827,888 |
| Equity: | | |
| Members' contributions | 10,961,905 | 10,952,114 |
| Accumulated other comprehensive income | 10,121,456 | 5,765,173 |
| Retained earnings | 170,638,960 | 166,465,299 |
| Total equity before non-controlling interest | 191,722,321 | 183,182,586 |
| Non-controlling interest | 13,236,829 | 12,946,074 |
| Total equity | 204,959,150 | 196,128,660 |
| Total liabilities and equity | <u>\$ 396,328,239</u> | <u>\$ 383,956,548</u> |

Housing Authority Risk Retention Group, Inc. And Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| REVENUES | | |
| Net earned premiums | \$ 59,699,760 | \$ 56,041,037 |
| Investment income, net | 8,035,325 | 7,720,784 |
| Other income | 503,991 | (4,430,794) |
| Total revenues | 68,239,076 | 59,331,027 |
| EXPENSES | | |
| Losses and loss adjustment expenses | 31,170,638 | 51,360,065 |
| Operating expenses | 28,554,148 | 22,286,373 |
| Policyholder dividends | 3,469,538 | 708,234 |
| Federal tax income (benefit) expense | (76,028) | 2,362,586 |
| Total expenses | 63,118,296 | 76,717,258 |
| Net income (loss) | 5,120,780 | (17,386,231) |

HAPI

Housing Authority Property Insurance, A Mutual Company

BALANCE SHEETS

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Investments available for sale, at fair value | \$ 131,624,127 | \$ 120,857,873 |
| Federal Home Loan Bank of Boston stock, at cost | 158,900 | 158,900 |
| Investment in Affiliates | 25,622,888 | 25,545,260 |
| Total Investments | 157,405,915 | 146,562,033 |
| Premiums receivable | 25,826,179 | 23,606,382 |
| Other assets | 26,371,402 | 27,644,010 |
| Total assets | <u>\$ 209,603,496</u> | <u>\$ 197,812,425</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 44,615,116 | \$ 35,563,733 |
| Unearned premiums | 25,875,413 | 23,677,790 |
| Other liabilities | 16,149,371 | 16,359,474 |
| Total liabilities | 86,639,900 | 75,600,997 |
| Members' Equity: | | |
| Members' contributions | 10,106,515 | 10,075,797 |
| Accumulated other comprehensive income | 4,787,509 | 3,306,707 |
| Unassigned surplus | 108,069,572 | 108,828,924 |
| Total members' equity | 122,963,596 | 122,211,428 |
| Total liabilities and members' equity | <u>\$ 209,603,496</u> | <u>\$ 197,812,425</u> |

Housing Authority Property Insurance, A Mutual Company

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | 2017 | 2016 |
|-------------------------------------|---------------|---------------|
| REVENUES | | |
| Net earned premiums | \$ 47,351,522 | \$ 43,079,888 |
| Investment income, net | 3,207,346 | 3,057,887 |
| Other income | 573,194 | (5,693,809) |
| Total revenues | 51,132,062 | 40,443,966 |
| EXPENSES | | |
| Losses and loss adjustment expenses | 31,952,684 | 28,617,221 |
| Operating expenses | 19,756,000 | 15,375,705 |
| Total expenses | 51,708,684 | 43,992,926 |
| Net loss | (576,622) | (3,548,960) |

Housing Enterprise Insurance Company, Inc.

BALANCE SHEETS

| | 2017 | 2016 |
|--|----------------------|----------------------|
| ASSETS | | |
| Investments available for sale, at fair value | \$ 66,584,880 | \$ 60,414,386 |
| Premiums receivable | 13,675,701 | 14,085,838 |
| Other assets | 16,665,188 | 18,746,277 |
| Total assets | <u>\$ 96,925,769</u> | <u>\$ 93,246,501</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 38,217,092 | \$ 32,036,844 |
| Unearned premiums | 16,459,977 | 19,039,416 |
| Other liabilities | 6,087,856 | 6,840,117 |
| Total liabilities | 60,764,925 | 57,916,377 |
| Shareholders' equity: | | |
| 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 |
| Accumulated other comprehensive income | 326,973 | 243,195 |
| Retained deficit | (13,166,129) | (13,913,071) |
| Total shareholders' equity | 36,160,844 | 35,330,124 |
| Total liabilities and shareholders' equity | <u>\$ 96,925,769</u> | <u>\$ 93,246,501</u> |

Housing Enterprise Insurance Company, Inc.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| REVENUES | | |
| Net earned premiums | \$ 26,465,724 | \$ 24,786,662 |
| Investment income, net | 1,565,470 | 1,322,784 |
| Other income | 44,327 | 109,361 |
| Total revenues | 28,075,521 | 26,218,807 |
| EXPENSES | | |
| Losses and loss adjustment expenses | 17,316,593 | 16,017,489 |
| Operating expenses | 10,034,207 | 9,213,890 |
| Federal tax income (benefit) expense | (76,028) | 2,359,581 |
| Total expenses | 27,274,772 | 25,231,379 |
| Net income (loss) | 800,749 | (1,372,153) |

Housing Specialty Insurance Company, Inc.

BALANCE SHEETS

| | 2017 | 2016 |
|--|----------------------|----------------------|
| ASSETS | | |
| Investments available for sale, at fair value | \$ 16,252,181 | \$ 15,727,613 |
| Other assets | 2,343,468 | 1,272,598 |
| Total assets | <u>\$ 18,595,649</u> | <u>\$ 17,000,211</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unpaid losses and loss adjustment expenses | \$ 1,135,169 | \$ 599,310 |
| Unearned premiums | 548,571 | 496,529 |
| Other liabilities | 489,252 | 195,675 |
| Total liabilities | 2,172,992 | 1,291,514 |
| Shareholders' equity: | | |
| Common stock, \$10,000 stated value, 10,000 shares authorized and 200 issued and outstanding | 2,000,000 | 2,000,000 |
| Contributed surplus | 14,800,000 | 14,000,000 |
| Accumulated other comprehensive income (loss) | 35,368 | (12,149) |
| Retained deficit | (412,711) | (279,154) |
| Total shareholders' equity | 16,422,657 | 15,708,697 |
| Total liabilities and shareholders' equity | <u>\$ 18,595,649</u> | <u>\$ 17,000,211</u> |

Housing Specialty Insurance Company, Inc.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | 2017 | 2016 |
|-------------------------------------|--------------|--------------|
| REVENUES | | |
| Net earned premiums | \$ 1,306,778 | \$ 1,138,129 |
| Investment income | 384,982 | 338,592 |
| Other income | 48,884 | 67,655 |
| Total revenues | 1,740,644 | 1,544,376 |
| EXPENSES | | |
| Losses and loss adjustment expenses | 609,651 | 563,065 |
| Federal income tax benefit | (15,221) | 169,134 |
| Operating expenses | 1,273,949 | 812,177 |
| Total expenses | 1,868,379 | 1,375,242 |
| Net income (loss) | (127,735) | 169,134 |

Innovative Housing Insurance Company, Inc.

BALANCE SHEETS

| | 2017 | 2016 |
|---|---------------------|---------------------|
| ASSETS | | |
| Premiums receivable | 25,000 | - |
| Other assets | 3,783,360 | 1,654,420 |
| Total assets | <u>\$ 3,808,360</u> | <u>\$ 1,654,420</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unearned premiums | 95,295 | 15,587 |
| Other liabilities | 99,371 | 7,434 |
| Total liabilities | 194,666 | 23,021 |
| Shareholders' equity: | | |
| Common stock, \$10,000 stated value, 10,000 shares authorized and 50 issued and outstanding | 500,000 | 500,000 |
| Contributed surplus | 3,350,000 | 1,250,000 |
| Retained deficit | (236,306) | (118,601) |
| Total shareholders' equity | 3,613,694 | 1,631,399 |
| Total liabilities and shareholders' equity | <u>\$ 3,808,360</u> | <u>\$ 1,654,420</u> |

Innovative Housing Insurance Company, Inc.

STATEMENTS OF OPERATIONS

| | 2017 | 2016 |
|--|---------------------|---------------------|
| REVENUES | | |
| Premiums earned | \$ 26,378 | \$ 9,413 |
| Other income | 440 | 177 |
| Total revenues | 26,818 | 9,590 |
| EXPENSES | | |
| Operating expenses | 144,523 | 119,354 |
| Net loss before federal income tax expense | (117,705) | (109,764) |
| Federal tax expense | - | 3,005 |
| Net loss | <u>\$ (117,705)</u> | <u>\$ (112,769)</u> |

Housing Investment Group, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

| | 2017 | 2016 |
|--|----------------------|----------------------|
| ASSETS | | |
| Agency and commission accounts receivables | \$ 18,781,088 | \$ 19,082,124 |
| Other assets | <u>25,060,997</u> | <u>24,975,256</u> |
| Software and equipment | 11,805 | 20,139 |
| Total assets | <u>\$ 43,853,890</u> | <u>\$ 44,077,519</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Current liabilities | \$ 30,789,092 | \$ 29,494,487 |
| Other liabilities | <u>4,715,334</u> | <u>5,093,358</u> |
| Total liabilities | 35,504,426 | 34,587,845 |
| Shareholders' equity: | | |
| Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding in 2017 and 2016 | 10,000 | 10,000 |
| Common stock, Class B, no par value, various stated values, 300,000 shares authorized in 2017 and 2016, 198,700 and 198,000 shares issued and outstanding in 2017 and 2016, respectively | 39,400,000 | 39,400,000 |
| Additional paid-in-capital | 482,234 | 482,234 |
| Retained deficit | <u>(31,542,770)</u> | <u>(30,402,560)</u> |
| Total shareholders' equity | 8,349,464 | 9,489,674 |
| Total liabilities and shareholders' equity | <u>\$ 43,853,890</u> | <u>\$ 44,077,519</u> |

Housing Investment Group, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

| | 2017 | 2016 |
|-----------------------------------|-----------------------|------------------------|
| REVENUES | | |
| Commission income | \$ 5,548,432 | \$ 4,958,487 |
| Other income | <u>439,131</u> | <u>415,527</u> |
| Total revenues | 5,987,563 | 5,374,014 |
| EXPENSES | | |
| Income tax expense | 67,757 | 45,112 |
| Software research and development | - | 4,362,602 |
| Impairment of software asset | - | 2,984,088 |
| Cost and product revenue | - | 1,783,044 |
| Operating expenses | <u>7,060,016</u> | <u>6,889,465</u> |
| Total expenses | 7,127,773 | 16,064,311 |
| Net loss | <u>\$ (1,140,210)</u> | <u>\$ (10,690,297)</u> |

Housing Telecommunications, Inc.

STATEMENTS OF FINANCIAL POSITION

| | 2017 | 2016 |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Accounts receivable | \$ 30,255 | \$ 1,089 |
| Other assets | <u>1,779,291</u> | <u>1,853,782</u> |
| Total assets | <u>\$ 1,809,546</u> | <u>\$ 1,854,871</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unearned subscription fees | 563,410 | 605,265 |
| Other liabilities | <u>239,014</u> | <u>250,498</u> |
| Total liabilities | 802,424 | 855,763 |
| Unrestricted net assets | <u>1,007,122</u> | <u>999,108</u> |
| Total liabilities and net assets | <u>\$ 1,809,546</u> | <u>\$ 1,854,871</u> |

Housing Telecommunications, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | 2017 | 2016 |
|--|---------------------|-------------------|
| UNRESTRICTED REVENUES | | |
| Subscription fees | \$ 997,055 | \$ 879,776 |
| Other income | <u>827,803</u> | <u>773,127</u> |
| Total unrestricted revenues | 1,824,858 | 1,652,903 |
| EXPENSES | | |
| Operating expenses | 1,399,099 | 868,407 |
| Program costs | <u>417,745</u> | <u>362,419</u> |
| Total expenses | <u>1,816,844</u> | <u>1,230,826</u> |
| Change in unrestricted net assets | 8,014 | 422,077 |
| Unrestricted net assets, beginning of year | <u>999,108</u> | <u>577,031</u> |
| Unrestricted net assets, end of year | <u>\$ 1,007,122</u> | <u>\$ 999,108</u> |

Housing Authority Insurance, Inc.

STATEMENTS OF FINANCIAL POSITION

| | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| ASSETS | | |
| Total assets | \$ 2,472,908 | \$ 1,934,105 |
| LIABILITIES AND EQUITY | | |
| Total liabilities | 1,041,255 | 1,049,976 |
| Unrestricted net assets | 1,431,653 | 884,129 |
| Total liabilities and net assets | \$ 2,472,908 | \$ 1,934,105 |

Housing Authority Insurance, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| Year Ended December 31, 2017 and 2016 | 2017 | 2016 |
|--|--------------|--------------|
| UNRESTRICTED REVENUES | | |
| Membership fees | \$ 3,500,000 | \$ 4,000,000 |
| Other revenue | 301,412 | 995,585 |
| Total unrestricted revenues | 3,801,412 | 4,995,585 |
| EXPENSES | | |
| Operating expenses | 3,253,838 | 4,575,742 |
| Total expenses | 2,090,227 | 4,575,742 |
| Change in unrestricted net assets | 547,524 | 419,843 |
| Unrestricted net assets, beginning of year | 884,129 | 464,286 |
| Unrestricted net assets, end of year | \$ 1,431,653 | \$ 884,129 |

Public and Affordable Housing Research Corporation

STATEMENTS OF FINANCIAL POSITION

| | 2017 | 2016 |
|----------------------------------|-------------------|-------------------|
| ASSETS | | |
| Grant receivable from affiliate | \$ - | \$ 37,018 |
| Other assets | 140,131 | 148,995 |
| Total assets | <u>\$ 140,131</u> | <u>\$ 186,013</u> |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Unearned subscription revenues | 1,888 | - |
| Deferred grant revenue | 44,200 | - |
| Other liabilities | 86,431 | 186,013 |
| Total liabilities | <u>132,519</u> | <u>186,013</u> |
| Unrestricted net assets | 7,612 | - |
| Total liabilities and net assets | <u>\$ 140,131</u> | <u>\$ 186,013</u> |

Public and Affordable Housing Research Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | 2017 | 2016 |
|--|-----------------|----------------|
| UNRESTRICTED REVENUES | | |
| Grant revenue | \$ 608,782 | \$ 920,858 |
| Other income | 36,416 | - |
| Total revenues | <u>645,198</u> | <u>920,858</u> |
| EXPENSES | | |
| Operating expenses | 637,586 | 920,858 |
| Total expenses | <u>637,586</u> | <u>920,858</u> |
| Change in unrestricted net assets | 7,612 | - |
| Unrestricted net assets, beginning of year | - | - |
| Unrestricted net assets, end of year | <u>\$ 7,612</u> | <u>\$ -</u> |

CREDITS

Editor-in-Chief: Sherry Sullivan

Copy: Sherry Sullivan and Courtney Rice

Design: Samantha Mantiglia

Photography: Samantha Mantiglia

Printing: Paladin Commercial Printers, LLC (Hartford, CT)

 HAI Group 2 0 1 7 A N N U A L R E P O R T @HAIGROUP FACEBOOK.COM/HAIGROUPCT HAI GROUP

HAI Group® is a marketing name used to refer to insurers, a producer, and related service providers affiliated through a common mission, management, and governance. Property-casualty insurance and related services are written or provided by Housing Authority Property Insurance, A Mutual Company; Housing Enterprise Insurance Company, Inc.; Housing Specialty Insurance Company, Inc.; Innovative Housing Insurance Company; Housing Investment Group, Inc.; and Housing Insurance Services (DBA Housing Insurance Agency Services in NY and MI). Members of HAI Group provide commercial property and casualty insurance to affordable housing organizations, public housing authorities, and related entities. Not all products are available in all states. Coverage is subject to the terms of the policies actually issued. A risk retention group or surplus lines insurer may provide certain coverages. Risk retention groups and surplus lines insurers do not participate in state guaranty funds, and insureds are therefore not protected by such funds if insured by such entities. For a complete list of companies in the HAI Group family, visit www.housingcenter.com.