



Housing Authority  
Insurance Group

# FRAMING THE FUTURE

ANNUAL REPORT 2011



## FRAMING THE FUTURE

**A**s a member driven organization, Housing Authority Insurance Group considers the needs of its members when making business decisions. Throughout the years, the company has added products and offered additional services to its members to help improve their efficiency, solve their problems, or better serve their needs. The year 2011 was no different. Members voiced their needs and Housing Authority Insurance Group expanded and evolved to meet those needs.

We asked our members what kept them up at night. In response, some of them expressed their concern over substantial gaps between their operational needs and the software products currently available in the market. Other members voiced their apprehension over drastic cuts in public housing budgets and the affect that these cuts would have on operations and on individuals who live in public housing.

After numerous conversations — which included extensive member input and engagement, as well as years of industry research — Housing Authority Insurance Group made a pioneering decision to develop and incorporate two new companies.

As a direct response to bridging the gap between operational needs and the software demands, Housing Systems Solutions, Inc. (HSS) was incorporated. The company provides business software and consulting solutions to public housing authorities and other affordable housing providers.

To give a voice to housing industry needs, Housing Authority Insurance Group created an advocacy and research arm, Public and Affordable Housing Research Corporation (PAHRC). PAHRC is a nonprofit organization dedicated to supporting the efforts of the public and affordable housing industries and enhancing the quality of life for its industry stakeholders.

Through this expansion, Housing Authority Insurance Group has shown its commitment and dedication to the public and affordable housing community, and we continue to leverage our reputation and financial resources in ways that help in *Framing the Future* of the housing industry.

It's interesting that a pair of retreats allowed Housing Authority Insurance Group to lead a charge.

In July 2011, members of senior management gathered to answer two questions; why are we successful and what is next for the company? At this retreat, we decided that our success stemmed from being an insurance company that went beyond issuing policies and settling claims. We likened ourselves to Starbucks Coffee Company, whose well-known business model is about selling an experience, rather than simply coffee. Similarly, Housing Authority Insurance Group's members receive insurance and innovative, value-added services, dividends, and advocacy. Best of all, they know that when something goes wrong, someone here will pick up the phone and help solve the problem.

At this retreat, management also considered the landscape facing the industry and agreed there were significant challenges. We agreed that our reputation for getting it right and our commitment to customer service creates an oasis for members and ultimately is what has made us successful. Therefore, we decided that developing ways to further enrich their experience and provide comfort during these troubled times would benefit not only our members, but the industry.

Apprised of these developments, Housing Authority Insurance Group Board Chair Edwin Lowndes convened a Board of Directors Retreat before the December 2011 Board Meeting. The Board of Directors were shown a presentation and endeavored to rewrite the company's Vision Statement. The new Vision states:

*"To be the insurer of choice for the public and affordable housing community; to provide products and services to stakeholders to facilitate greater effectiveness and independence."*

This new Vision illustrates the ongoing development and direction of our family of companies. Once, we were an insurance-focused business

working on behalf of public housing authorities. Then, we included the affordable housing community in our plans. Now, we consider industry stakeholders in charting a course and aspire to the role of established industry leader.

"Independence" and "effectiveness" are the key words in this Vision. Success affords us the opportunity to conceive and develop new opportunities, products, and services that increase the independence of our members. Sustainability is one of our

core values; we want this for our members as well. For effectiveness, we can help housing providers improve their operation, offer better technology, training, and research, and provide advocacy; all of which strengthen our value proposition.

Interestingly, the new Vision codifies what already was taking place. In 2011, Housing Systems Solutions, Inc. (HSS) and Public and Affordable Housing Research Corporation (PAHRC) were incorporated. Both are great examples of what we can do for members, policyholders, and the industry.

Insurance and more, indeed.

In asking what's next and writing this new Vision, we created a whole new set of questions. The answers will fundamentally change and reinvigorate our organization. As happens with any paradigm shift, there will be change. The end result, though, is a continued bright future for Housing Authority Insurance Group and for our industry stakeholders.

Of course, one thing will never change. The management and employees of Housing Authority Insurance Group are grateful for the loyalty and participation of our members and policyholders. We pledge to provide the best experience possible, create programs that add value to your membership, and deliver excellent customer service whenever you call.



**Dan Labrie**, President and  
Chief Executive Officer

**T**he tough part in writing this Board Chair letter is including all the good news.

This year's theme centers on how dynamic the Housing Authority Insurance Group family of companies is. The Board of Directors, committee members, management, and employees figure out what our members need and work toward providing it. A good example is the creation of Housing Systems Solutions, Inc. (HSS). We heard from members that new software would improve their ability to deliver safe, decent, affordable housing to the public and affordable housing communities. Now, HSS employees are busy creating a system that meets the needs of our members, generates revenue, and makes us an asset to industry stakeholders.

This last piece, becoming an asset to industry stakeholders, is something of which I am proud. We are leading the effort by bringing advocacy groups together and working on joint initiatives. This is beyond the funding we provide for projects organized by Public Housing Authorities Directors Association (PHADA), Council of Large Public Housing Authorities (CLPHA), National Association of Housing and Redevelopment Officials (NAHRO), and other industry stakeholders.

We are at the forefront of the industry. We are an insurance industry leader in terms of risk retention and property insurance, both in the traditional public and affordable housing arenas. But Housing Authority Insurance Group is not just insurance, it is the total package. For this, we have the membership to thank. They drive the company forward and act as its loudest sales force. Without our members, we do not exist.

Better still, the future is bright. We have a wealth of talent across the board. New employees bring new ideas and fit into the corporate culture. That always impresses me, as does the commitment by management and employees to community involvement. Membership is more than a product people buy. With programs like the *Playground Safety Poster & Essay Contest* or the various fire safety initiatives, members get back much more. Dedication combined with how everyone and everything comes together makes ours a successful enterprise.

When discussing our company with industry colleagues, I remind them that we keep bucking the trend. We find new products, ways of doing things, and ways to be successful. Then, we return it to the members through dividends, training, and use of the CustomerCentric Strategy with its attention to detail. Once again, CustomerCentric team members ask, "Let's see what you need" and provide an answer.

You do not get that in the normal insurance world.

To ensure we continue down this successful path,

I convened a strategic Board of Directors Retreat in December 2011 as one of my final acts as Chair. The Board of Directors focused on their strategic role and wrote a new Vision Statement that called on Housing Authority Insurance Group, *"To be the insurer of choice for the public and affordable housing community; to provide products and services to stakeholders to facilitate greater effectiveness and independence."*

To these eyes, the retreat showed our Board of Directors' dedication. They grasp that asking, "How do we help Dan

Labrie and his employees?" is a critical function and that their responsibilities go beyond passing resolutions at quarterly meetings. As a group, they take a focused interest in deciding what we will do and how we will do it, and work together in a collegial atmosphere to find solutions.

The 2011 Board of Directors Retreat stands as the culmination of my term as Board Chair, which was a fun, gratifying experience marked by great accomplishments. In closing, I thank my fellow Board of Directors for their confidence in me as Board Chair. With Len Williams ascending to Board Chair and Linnie Willis becoming his Vice Chair, I am sure our success will continue. Finally, I thank President and CEO Dan Labrie for his leadership and the Housing Authority Insurance Group employees for their terrific dedication to the companies, our members, and the communities we serve.



**Edwin Lowndes**, Chairman of the Board

A handwritten signature in dark ink that reads "Edwin Lowndes". The signature is written in a cursive, flowing style.



**H**ousing Authority Insurance Group began operations in 1987. Back then, housing authorities were having trouble finding affordable insurance. They wanted to control the destiny of their insurance premiums, and to work with an insurance company that understood and supported their mission and operations. No one predicted this group of housing authorities, considered uninsurable at the time, would band together and form their own insurance company, but that is just what they did. Housing Authority Insurance Group is the direct result of their efforts. Today, our employees continue to provide the support and expertise needed to translate complex insurance matters into understandable and affordable insurance programs that are tailor-made for the public and affordable housing community.

The success and growth of Housing Authority Insurance Group continued through 2011 as a result of the extraordinary efforts of its members and

employees. These efforts, along with our new companies, embrace the new Vision set forth by our Board of Directors:

*"To be the insurer of choice for the public and affordable housing community; to provide products and services to stakeholders to facilitate greater effectiveness and independence."*

Working together to serve the needs of our members and industry stakeholders is the common theme — it's what we're all about.

### Service Snapshots

Ideally, you want your service and solutions to match your customer's needs. The problem is that every customer is different. Housing Authority Insurance Group recognizes this and constantly strives to improve the consistency and quality of our

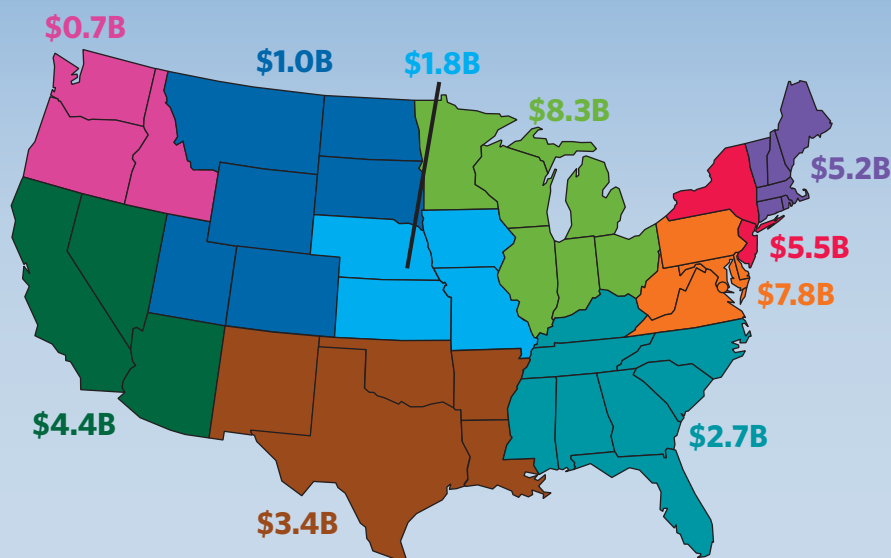
customer interactions. Being focused on our members is a clear service vision that permeates our organization. On-site visits with members are particularly important to us — the impression left behind is lasting. Rather than leaving this to chance, we've developed goals for our employees to exceed expectations and provide added value for our members. A CustomerCentric framework was developed to create an experience for our members that supports our Vision to become the insurer of choice. To this end, Housing Authority Insurance Group builds cross functional teams that utilize a sustainable and repeatable process to improve our visits and increase our chances for success. Our face-to-face meetings are conversations, not presentations. Our CustomerCentric visits

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**The Convent Hill housing complex, part of the Milwaukee Housing Authority (Wisconsin), features five "green" roofs totaling nearly 12,000 square feet, including a green terrace for residents' use. The units include a highly efficient central heating and cooling plant with individually-regulated climate controls, a high efficiency central hot water system, native-plant landscaping that requires less water, Energy Star refrigerators and front-loading washers and dryers, and flooring products that use natural and post-consumer materials.**



## Our Public Housing Program Insures Approximately \$40.8 B in Building Values Across the United States



Housing Authority Risk Retention Group, Inc. (HARRG) and Housing Authority Property Insurance, A Mutual Company (HAPI) insure more than \$40 billion of their members' public housing properties across 43 states. With membership extending to every HUD region, HARRG and HAPI provide their members with a broad range of expertise.

are just one more way Housing Authority Insurance Group displays its commitment to a standard of care that exceeds our members' expectations.

Employees of the Housing Authority Insurance Group family of companies take pride in effectively serving our members, improving our service levels, and expanding our products and services. Key areas of focus over the past year included:

### ■ Improved Policy Delivery:

We work hard to get policies to our members quickly. Our efforts this year resulted in 98% of all policies being issued at least 30 days prior to their renewal date.

### ■ Expansion of Affordable Housing Insurance:

Our affordable housing insurer, Housing Enterprise Insurance

Company, Inc. (HEIC) completed licensing throughout 48 states and Washington, DC.

### ■ Keeping a Watchful Eye on Legislation:

Members of the Government Affairs and Research Department participated on an expert panel in Washington, DC, facilitated by the Department of Housing and Urban Development (HUD) discussing the topic of administrative fees. An expanded Economic Impact Study was also rolled out in Washington, DC, at the Council of Large Public Housing Authorities (CLPHA) Conference.

### ■ Medicare Secondary Payer Reporting:

The Claims Management Department developed the systems and procedures necessary

to successfully respond to the new federally mandated Medicare secondary payer reporting laws.

### ■ Improved Risk Control:

The Risk Control and Consulting Department introduced two new on-site training programs promoting safety and security titled *Fire Safety for Maintenance* and *Unit Safety for Residents*. Also, the online *Business Continuity Planning* (BCP) tutorial was launched to help members plan for disasters; planning began for a web page featuring information and resources for bed bug management; and a partnership was developed with agents to deliver services to Housing Enterprise Insurance Company, Inc. (HEIC) accounts.



## Affordable Housing Framed for the Future — Charter Oak Communities

One of our Connecticut members making a difference for residents is Charter Oak Communities, formerly known as the Stamford Housing Authority. Revitalizing an entire neighborhood is a daunting task and the Westwood development stands as the most recent demonstration of the success of their efforts.

The site was once the home of Vidal Court, a four acre state public housing development built in the 1950s in the traditional high-rise style of the time. It was intended for families and working class residents, but over time the development no longer met their needs and was in need of modernization.

Realizing a vision to create a new neighborhood requires dedicated leadership, comprehensive partnerships, and innovative financing. Collaboration with the private sector, local businesses, the local hospital, and with city, state, and federal government agencies resulted in a commitment to one-for-one replacement of all units in a four phase development plan. Playing an active role, the housing authority utilized its own development company. An important part of the development process was the actual design of the property

— the community was designed to resemble a New England village. Many units reflect the town-house style and have their own individual entry door. Residents also help in maintaining their own yard and ultimately, the look of the community as a whole. All of these elements provide residents with a pride of ownership.

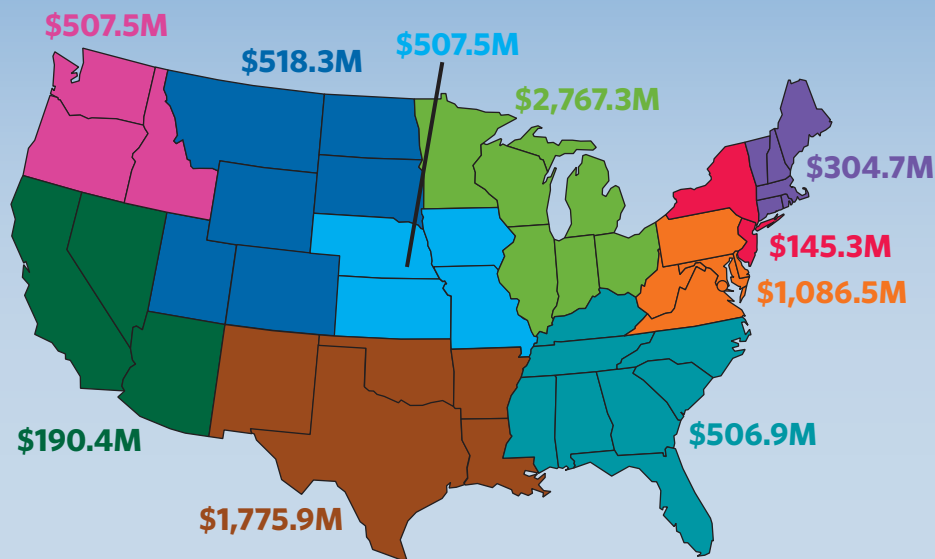
In order to manage the budget and control costs, the housing authority's development entity purchased all of the insurance for their construction projects rather than relying on the builder. Housing Authority Insurance Group's affordable housing insurance provider, Housing Enterprise Insurance Company, Inc. (HEIC), worked directly with the development entity to place the necessary insurance for Westwood. Our efforts went well beyond insurance placement.

Charter Oak Communities' other developments include Taylor Street Apartments, Post House, Fairgate, and Palmer Square. The long term goal in Stamford is to develop properties that will represent the highest market standards and quality, provide outstanding management services, and most of all, are self-sustaining.





## Insuring \$8.3B in Building Values of Affordable Housing Properties Across the United States



HUD Region	Insured Units
New England	3,771
NY & NJ	2,176
Mid Atlantic	7,785
Southeast	14,257
North Central	28,334
Southwest	32,138
Plains	6,414
Rocky Mountains	5,064
Pacific Southwest	2,133
Pacific Northwest	3,589
Total Units	105,661

Housing Enterprise Insurance Company, Inc. (HEIC) insures more than \$8 billion of affordable, multifamily housing properties in 47 states. Whether you are preserving public housing, leveraging tax credits, forming partnerships, or transitioning a development to project-based vouchers — our affordable housing insurance programs are available in every HUD region.

(Far Left) Fairgate Farm, which is directly across the street from Charter Oak Communities' Fairgate residential community, is an urban agricultural center that provides hands-on learning opportunities for the City of Stamford's Westside community. Farm employees and volunteers host community events, farm tours, field trips, and community skill-share workshops.



(Above) Post House Apartments (Stamford, Connecticut) was completed in 2008 as part of the Fairfield Court Hope VI Revitalization. Post House includes 60 one-bedroom apartments and extensive community space.

(Left) Westwood (Stamford, Connecticut) is the first phase of the Vidal Court revitalization. Following the mixed-income approach that Charter Oak Communities has adopted for its new developments, the 95 rental units at Westwood will include 57 units (60% of the total) affordable to households with a wide range of incomes below 60% of the area median and 38 units (40% of the total) will be leased at market rates to occupants with no income restrictions.

■ **Updated Products:**

More than 300 property and liability filings were updated.

■ **Strengthening Relationships Through Face-to-Face Service:**

Collectively in 2011, Housing Authority Insurance Group employees visited approximately 605 members nationwide. In addition to the site visits, employees performed 268 site surveys and conducted 143 training sessions and presentations — both on-site and online. Many of these member visits involved a collaborative effort between departments.

■ **Expanded Outreach:**

The number of Housing TeleVideo Network (HTVN) courses viewed in 2011 was 18,889, an increase of 11.6% over 2010. The number of learners viewing HTVN courses was 1,889, an increase of 25.8% over 2010.

■ **Increased Scholarship Applications:**

Over the past seven years, approximately 1,625 residents of member PHAs have submitted applications to the annual Resident Scholarship Program. In 2011, the number of applications reached an all time high of 435.

■ **Enhanced Technology:**

Our Information Technology Department developed a more robust infrastructure and established the first remote location connectivity for our two new companies — Housing Systems Solutions, Inc. (HSS) and Public and Affordable Housing Research Corporation (PAHRC).

Our stability and stewardship is further evidenced by our A.M. Best rating. In March 2011, A.M. Best

Company affirmed the financial strength rating of “A (Excellent)” and issuer credit ratings of “a” of Housing Authority Insurance Group and its companies — Housing Authority Risk Retention Group, Inc. (HARRG), Housing Authority Property Insurance, A Mutual Company (HAPI), and Housing Enterprise Insurance Company, Inc. (HEIC). The outlook for all ratings is stable.

A press release issued by A.M. Best Company stated, “The ratings reflect the group’s excellent capitalization, very strong operating results, and leading position as well as its proven expertise in the niche public housing authority market.”

A.M. Best Company is the leading provider of ratings, news, data, and information on the captive insurance industry and Best’s Credit Ratings are viewed as the global benchmark of insurer financial strength.



■ **Continuous Learning:**

Housing Authority Insurance Group believes in continuing education for its employees. Through the development of an in-house program titled Product University, more than 25 training sessions were presented covering a variety of compliance, product, and legal issues facing the company.

■ **Deployment of Resources:**

To support the ever growing industry and the needs of our members, the number of employees at Housing Authority Insurance Group increased 13.2%.

■ **Continued Commitment to the Community:**

Our employees contributed to the causes of many nationwide charitable organizations including the American Cancer Society, the Make-A-Wish Foundation, St. Jude Children’s Research Hospital, and the American Diabetes Association.

The contributions were raised through themed lunches, raffles, and vendors. The beneficiaries of these activities included many member PHAs in need, hospice workers, local shelters, food pantries, and other charities.

■ **Spreading the Word on the Captive Insurance Industry:**

Housing Authority Insurance Group promotes the captive insurance industry by sponsoring attendance at the Vermont Captive Insurance Association (VCIA) Conference held each year in Burlington, Vermont, for a group of faculty and students from Georgia State University (Georgia) and Howard University (Washington, DC).

■ **Helping to Develop the Insurance Professionals of the Future:**

Every summer since 1988, two students have been chosen from Howard University (Washington, DC) to participate



in the Housing Authority Insurance Group internship program. During the summer of 2011, two interns — Insurance and Actuarial Science majors — performed a rate analysis for Housing Authority Property Insurance, A Mutual Company (HAPI) and Housing Enterprise Insurance Company, Inc. (HEIC). They also participated in on-site member visits with risk control associates, and attended various industry meetings.

These are just a few of the many accomplishments contributing to the overall member experience during 2011. It is this type of experience that has provided members with the resources necessary to become effective and independent.

### Software to Optimize Productivity

One of the newly incorporated companies was Housing Systems Solutions, Inc. (HSS). Today's public and affordable housing authorities pursue diverse strategies to meet the housing and service needs of their clients. Additionally, reduced federal funding is increasing the pressure for operational efficiency.

With this in mind, and at the request of our membership and the Board of Directors, Housing Authority Insurance Group established HSS to help its members meet these challenges. Its mission is to improve operations and outcomes for public and

affordable housing providers' and their clients. To achieve this, HSS will develop a comprehensive software solution encompassing property, client, and financial management for a wide array of subsidized programs including public housing, Section 8 tenant and project-based vouchers, tax credit, and others.

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**The redevelopment goal at Warwick Housing Authority (Rhode Island) was to create a marketable community that did not have the traditional look and feel of public housing and instead, would better assimilate into the surrounding neighborhood. The result was Shawomet Terrace, a modern two-story cupola-topped building that reflected the nautical theme of the area which is located a short distance from the Greenwich Bay. It has 26 units and features amenities that work for the elderly and disabled population such as showers with built-in seats and abundant storage spaces.**





## Training Promotes Growth

As you can see, Housing Authority Insurance Group does not just provide insurance products and services. It provides a number of value-added services for its members enabling them to operate more efficiently. One such service is the Housing TeleVideo Network (HTVN) online training. This training provides many benefits for members including being able to learn at their computers at their own pace, eliminating travel costs, and providing managers the ability to assign, manage, and track each learner's progress.

The Milwaukee Housing Authority (Wisconsin) has taken full advantage of this service. One of the goals for the Safety and Special Projects Coordinator there was to provide safety

training — specifically in Occupational Safety and Health Administration (OSHA) requirements — to their maintenance employees. These employees viewed the courses and, at the same time, provided personal input on their field experiences. Management believes in providing its employees with a hands-on approach to learning and that's exactly what HTVN provided. The word from Milwaukee is that their learners appreciated the step-by-step approach provided by HTVN.

Part of what *Framing the Future* means to us is making ourselves available and providing resources like HTVN. Our future depends upon providing our members and industry stakeholders with the resources and tools to help make their operations more effective.

*"Utilizing HTVN programming for our employees has allowed us to expand the educational coursework that is delivered to their desktops or our computer training stations. It also provides a morale boost when employees realize we support their continuing education and allow them time to complete courses."*

*"I believe the certificates we print with learners' names on them give our employees recognition that they can (and do) proudly display at their workstations and at home."*

Richard Simmons  
Human Resources  
Indianapolis Housing Authority (Indiana)

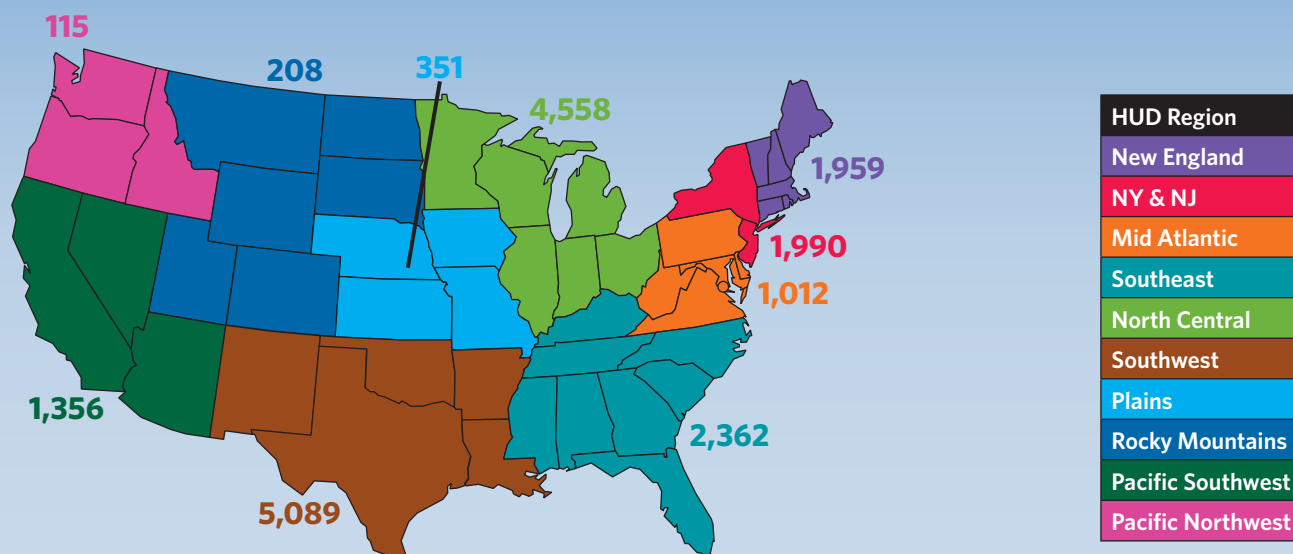
*"I really thought I knew everything I needed to know about the Real Estate Assessment Center's (REAC) inspections. I had taken other courses, read all of the literature, and have many years of experience."*

*"I was surprised how much new information and great tips I learned when I completed the 'Acing Your Next REAC Inspection' course on HTVN. It shared with me the top 10 mistakes commonly made by agencies. I would highly recommend the course to all maintenance employees and property managers."*

*"As a result, HTVN online learning has significantly improved our REAC inspection performance, and continues to help us save money, time, and avoid risk."*

Shannon Barrios Walters  
Property Manager  
Auburn Housing Authority (Alabama)

## HTVN — Program Views per HUD Region



Employees at housing authorities across the country are completing integral training courses — from the comfort of their desks. With Housing TeleVideo Network (HTVN) training, there are no travel costs and most courses are one hour or less. Learners are able to take courses in risk management, public and affordable housing, Section 8/HCV, maintenance, human resources, management, and more. With HTVN, managers can assign courses, track results, and monitor performance.

*"We use HTVN all the time and find it to be convenient and affordable!"*

*Recently, many of us viewed the Fair Housing courses together and had a group discussion afterwards. What an excellent way to educate, keep the team updated, and take a deeper dive into understanding through group interaction.*

*The accessibility and accountability are important to me. I print out reports showing who has taken each course, can hold people accountable for completing their education and development, and can measure how HTVN is being used overall."*

Lori Reale  
Finance Manager  
Enfield Housing Authority (Connecticut)

*"I am a believer in the service and worked with several site managers to organize training for their employees. These managers are the owners of the training initiatives in their areas. They have embraced HTVN and have successfully implemented the curriculum throughout the organization.*

*The result has been a rise in HTVN viewing for Sacramento and we are all glad to see it."*

Vince Pearson  
Risk Manager  
Sacramento Housing and  
Redevelopment Agency (California)



To ensure that the solution created by Housing Systems Solutions, Inc. (HSS) was a comprehensive, flexible, and superior product, President and CEO Dave Sagers formed a charter group composed of a representative and diverse group of housing authorities. This group participated in an in-depth process improvement and software development session to help HSS understand how flexible the product will need to be to meet the needs of most housing authorities.

Our dialogue with end users will allow HSS to ensure that the solution developed is a comprehensive, flexible, and superior product. HSS will integrate all the pieces for the various business models that housing authorities are embracing such as Moving to Work (MTW), Project Based Voucher (PBV) Conversion, tax credits, and third property management. Throughout the product development process, HSS will gather member input and feedback to ensure a solution that leverages technology and provides flexibility to streamline their operations without sacrificing their core mission.

If one thing is for certain, the best is yet to come from HSS.

### Research to Make an Impact on the Industry

Housing Authority Insurance Group also ventured into the area of conducting primary research on the public and affordable housing



industry and created Public and Affordable Housing Research Corporation (PAHRC). The company was incorporated in March 2011 and filled the need for data and independent research on public and affordable housing. Prior to PAHRC, Housing Authority Insurance Group's Legislative Affairs Department aided the various industry groups in performing housing related research.

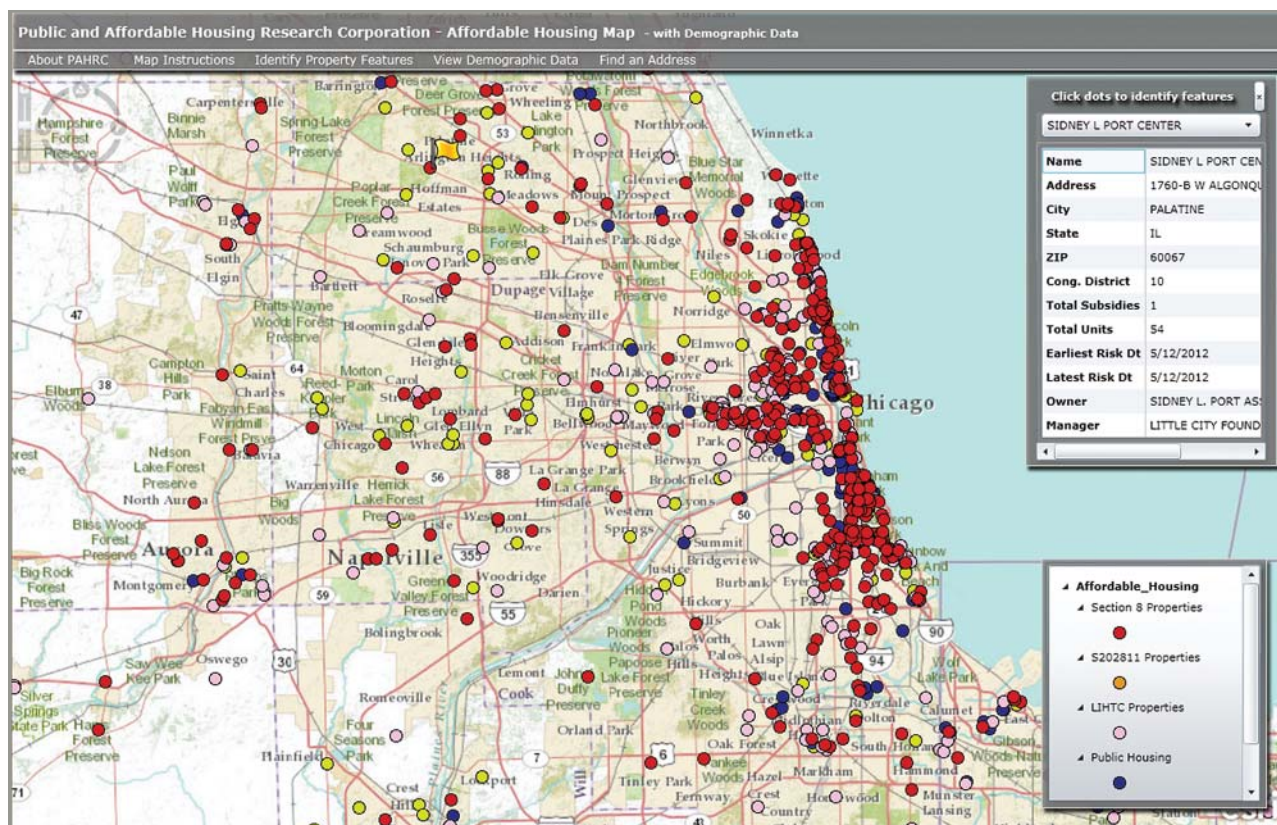
As time went on, there was a need to provide more in-depth research that moved beyond specific legislation and demonstrated the broader value that housing has for residents and communities. As a result, PAHRC was born to create an independent and politically

neutral research organization to conduct rigorous research. The goal of PAHRC is to be a central source for data and research on public and affordable housing.

The first project that PAHRC launched was a study of the impact of capital funding cuts on PHAs, their residents, and their communities. It explored the Executive Director's perceptions of the impact such cuts would have on their operation in general, their residents, and their community.

The work performed by PAHRC and its partners will report on what impacts the public and affordable housing community.





**The Public and Affordable Housing Research Corporation (PAHRC) uses Geographic Information Systems (GIS) technology to better understand issues in the public and affordable housing community. GIS concepts are tied to housing funding streams. For instance, the Federal Choice Neighborhoods Initiative program distributes funding based on community characteristics and amenities like transportation, which are often geographic in nature.**

**Given these trends, visually representing community features and demographics can be a powerful legislative tool. GIS technology helps those administering housing programs understand their market and helps residents make informed housing choices.**

### Stewardship

Insurance is a transaction of trust. Not only do you want an insurer who is willing to pay claims, you also want to know it has the ability to do so. Housing Authority Insurance Group is a steward of the premiums it collects from the membership. What sets Housing Authority Insurance Group apart from other insurers is our motivation. We are not a publicly traded company — our responsibility is to our membership. With prudent investment policies and fiscally sound management practices, Housing Authority Insurance Group successfully maintains the financial stability of the organization.

In 2011, the Housing Authority Insurance Group family of

companies declared \$15,000,000 in policyholder and supplemental dividends.

As evidenced throughout our history, Housing Authority Insurance Group identifies a member need and develops a solution to meet it. Whether it's insurance and its many products, value-added services such as online training programs and risk management, or advocating for members in the legislative arena, the needs of our members are in the forefront. Add software solutions and housing industry research to the mix, and it's evident that Housing Authority Insurance Group, through its growth, is *Framing the Future* for public and affordable housing.



▲ **Board of Directors:** Front Row: Dan Labrie; Joseph Shuldiner; L. Glen Redding; J. Len Williams, *Vice Chair*; Linnie Willis; Terri Hamilton Brown; Tony Love. Back Row: James DiPaolo; Gary Wasson; Edwin Lowndes, *Chair*; Douglas Dzema; Lee Eastman; Russell Young. Not in Photo: Richard Press; Christine Hart.



Lee Reno  
*Corporate Counsel*



▲ **Governance Committee:**

Edwin Lowndes; James DiPaolo; L. Glen Redding, *Chair*; Douglas Dzema, *Vice Chair*; Russell Young; Linnie Willis. Not in Photo: Richard Press.



◀ **Senior Staff:**

Front Row: Dan Labrie; William Lewellyn; Leslie Whitlock; Brian Braley; Robert Sullivan. Back Row: Gibriel Cham; Jeffrey Weslow; Mark Wilson; Edmund Malaspina; David Sagers; Deborah Taylor.





◀ **Audit Committee:** Edwin Lowndes; Linnie Willis, *Vice Chair*; J. Len Williams, *Chair*; L. Glen Redding; Douglas Dzema.

**Compensation Committee:** ▶

Linnie Willis; J. Len Williams, *Vice Chair*; Edwin Lowndes, *Chair*; Douglas Dzema; L. Glen Redding.



▲ **Claims Committee:** Front Row: Edwin Lowndes; Kathleen Sulsky; Yvonne Morrissey; Tony Love, *Vice Chair*; Liane Ward; Cindy Mummert; Sharon Scudder. Back Row: Marilyn Allen; William Morlock; Joseph Shuldiner; Douglas Dzema, *Chair*; Tyrone Garrett; Dale Priester; June Parker; Michael Hagemeyer. Not in Photo: Rick Baker; Tracy Barlow; Stephanie Cowart; J.D. Foster; Shannell Hardwick; Michael Lundy; Steven Russell; Ted Shankle; Shelette Veal; Jacquelyn Roberson; Marva Leonard-Dent.





▲ **Finance Committee:** Front Row: Patricia Baines-Lake; Terri Hamilton Brown; Fernando Aniban; Christine Hart, *Vice Chair*; Linnie Willis, *Chair*; J. Len Williams; Jacque Hansen; Ed Hinojosa; Lori Hoppe; Edwin Lowndes. Back Row: James Borgstadt; June Parker; Paul Caverly; David Paccone; Deborah Crockett; Alan Katz; Gary Wasson; Walter Norris; Randy Phillips; Helen Kipplen; James DiPaolo. Not in Photo: Rick Baker; Barbara Berg; David Brown; Laura Hinchey; Richard Press; Maynard Scales.

**Government Affairs and Research Committee: ►**

Joseph Shuldiner, *Chair*;  
Russell Young; Brian Braley;  
Dan Labrie.



◀ **HSS Committee:**

Ed Hinojosa; Joseph Shuldiner; James DiPaolo; Lee Eastman, *Chair*; Edwin Lowndes; Kevin Loso, *Vice Chair*.



▲ **Learning and Information Technologies Committee:** Front Row: Ed Hinojosa; Pamela Kemp; Christine Hart; Kathleen Sulsky; Helen Kipplen; Lori Hoppe; Owen Ahearn. Back Row: William Woods; Gary Wasson; Lee Eastman, *Chair*; Terrance Brady; Richard Whitworth; Kevin Loso. Not in Photo: Rick Chadwick; Donald Emerson; Claudette Kuligowski; Joseph Macaluso; Kenneth Martin; Tina Sullivan; Carrol Vaughn.



▲ **Marketing and Agency Operations Committee:** Front Row: L. Glen Redding; Boyd Fetterolf; William Morlock; Terri Hamilton Brown; Bonnie Latting; Tony Love, *Chair*; Sharon Scudder; Yvonne Morrissey; Cindy Mummert; Linnie Willis; James DiPaolo; Phillip Thurston. Back Row: Garey Ogle; Michael Hagemeyer; David Brown; Marilyn Allen; Edwin Lowndes; Douglas Dzema; Scott Bertrand, *Vice Chair*; Lee Eastman; Mark Ouellet; Kevin Loso. Not in Photo: Sharon Carlson; Donald Emerson; J.D. Foster; Rufus Myers; Carolyn Nichter; Karl Opheim; Jacquelyn Roberson; Marva Leonard-Dent.





▲ **Risk Control Committee:** Front Row: Ridvana Perdue; Ed Hinojosa; Boyd Fetterolf; Bonnie Latting; Vince Pearson, *Vice Chair*; Jan Yakupzack; Martin Williams; Guillermo Rodriguez; Karl Jones. Back Row: Mark Ouellet; Deborah Crockett; Gary Wasson, *Chair*; Phillip Thurston; Hurticene Hardaway; Owen Ahearn; James DiPaolo. Not in Photo: Omar Arce; Donna Conway; Jay Cunningham; Earline Davis; Herbert Foster; Veronica Guevara; Bernice Jones; Blanca Macris; Rufus Myers; Carolyn Nichter; Trish Schumann; Charles Williamson.



▲ **Underwriting Committee:** Front Row: L. Glen Redding; Patricia Baines-Lake; Linnie Willis; Liane Ward; Robert Lambert; Russell Sciandra; Terri Hamilton Brown; Ridvana Perdue; Dale Priester. Back Row: Hurticene Hardaway; Thomas Hickey; Alan Katz; Edwin Lowndes; Tyrone Garrett, *Vice Chair*; James DiPaolo, *Chair*; Williams Woods; Richard Whitworth; Scott Bertrand; Garey Ogle. Not in Photo: Barbara Berg; Sharon Carlson; Rick Chadwick; Veronica Guevara; Karl Opheim; Richard Press; Steven Russell; Shelette Veal.



(As of April 23, 2012)

### Executive Services

Dan Labrie, President and Chief Executive Officer  
 Leslie Whitlock, Director  
 Megan Johnson, Administrative Services Manager  
 Ken House, Senior Executive Assistant  
 Samantha Bailey, Executive Assistant  
 Alexandra Gregory, Office Services Coordinator  
 Jim Ritt, Facilities Supervisor

### Human Resources

Bill Lewellyn, Vice President  
 Glenn Jurgen, Human Resources Representative

### Finance

Mark Wilson, Executive Vice President  
 Amy Galvin, Assistant Director  
 Sarah Rodriguez, Controller  
 Paulette Achilli, Senior Staff Accountant  
 Nicole Kamay, Senior Staff Accountant  
 Josianne Pierre, Staff Accountant  
 Pamela Dasilva, Staff Accountant  
 Lise Holiday, Research and Compliance Analyst  
 Gladys Germaine, Insurance Compliance Associate  
 Liz Graham, Licensing and Compliance Analyst  
 Tory Davis, Account Receivable Analyst  
 Ying Xu, Junior Accountant  
 Jo-Mel McPhail, Accounts Payable and Payroll Analyst

### Government Affairs and Research

Brian Braley, Vice President  
 Michelle Gramley Kauk, Director  
 Keely Stater, Research Analyst

### Information Technology

Anthony Peccerillo, Director  
 April Parsons, Support and Enhancement Manager  
 Andy Caporiccio, Project Development Manager  
 Matthew Cripps, Infrastructure Manager  
 Mark Kirkendall, Senior Developer/Analyst  
 Dan Corbett, Senior Developer/Analyst  
 John Malvey, Senior Developer/Analyst  
 David Kinney, Business Analyst  
 Barbara Kashuba, Junior Business Analyst  
 David Lazuk, Developer/Analyst  
 Nancy Adelson, Developer/Analyst  
 Tanya Betancourt, Developer/Analyst  
 Lori Harris, Developer/Analyst  
 Lucille Cousins, Network Engineer  
 Jill McNamee, Business Solutions Analyst  
 Nestor Diaz, Support Specialist  
 Kathy Casey, Desktop Support Specialist

### Learning Technologies

Ed Malaspina, Chief Operating Officer  
 Patrick Sullivan, Studio Director  
 Brian Altschuler, Instructional Technologist  
 Jay Dantscher, Assistant Studio Director  
 Daniel Segaline, E-Learning Account Specialist  
 Paula Shemchuk, Programming Assistant

### Risk Control and Consulting

Jeff Weslow, Vice President  
 Joseph Noel, Risk Control Supervisor  
 Jeff Briggs, Senior Risk Control Associate  
 Beth Rohr, Senior Risk Control Associate  
 John Laverty, Senior Risk Control Associate  
 Mary Valiante, Risk Control Associate  
 Debbie Seidel, Program Assistant  
 Nancy Swistak, Administrative Assistant

### Compliance and Regulatory Affairs

Debra Taylor, Compliance Officer and Legal Counsel  
 Jim Stavris, Internal Auditor  
 Sandra Littleton, Product Development Manager  
 Stephen Moore, Senior Product Management Analyst  
 Michael Sternberg, Product and Compliance Analyst  
 Valerie Harms, Product Services Coordinator

### Marketing and Agency Operations

Ed Malaspina, Chief Marketing Officer  
 Sherry Sullivan, Assistant Director  
 Roque Orts, Assistant Director  
 Brian Robinson, Marketing Manager  
 Kimberly Tompkins, Manager  
 Nancy Quiles, Marketing Analyst  
 Estelle Cote, Licensing Specialist  
 Marianne McDonough, Licensing Specialist  
 Greg Shpak, Senior Marketing Representative  
 Michael Patenaude, Marketing Representative  
 Caroline Ruiz, Marketing Representative  
 Emily Fortier, Marketing Representative  
 Carolyn Bokon, Account Executive  
 Sharon Moody, Account Executive  
 Jodi Neubaum, Account Executive  
 Michelle Bozzuto, Account Executive  
 Amy Smith, Account Executive  
 Robin Chasse, Insurance Services Representative

### Communications and Branding

Courtney Rice, Corporate Communications and Branding Manager  
 Lisa Krasnow, Graphic Designer  
 Kristina Gumbulevich, E-Learning Curriculum Developer  
 Stan Gornicz, E-Commerce Communications Coordinator  
 Jason Wagner, Web Communications Coordinator

### Underwriting

Gibriel Cham, Director  
 Ken Merrifield, Assistant Director and Corporate Risk Manager  
 Bill Haggerty, Underwriting Manager  
 Bob Miller, Underwriting Manager  
 Judy Tripp, Manager, Small Business Unit  
 George Bartholomay, Program Manager  
 Linda Blanc, Senior Underwriter  
 Lori Monahan, Senior Underwriter  
 Jean Solla, Underwriter  
 Robert Stanczykiewicz, Underwriter

Kathy Lewis, Underwriter  
 Julius Whitehead, Underwriter  
 Robert Mensah, Underwriter  
 Christopher Dworak, Underwriter  
 Davina Bachman, Underwriter  
 Elizabeth Khan, Underwriter  
 Laurie Davidson, Assistant Underwriter  
 Jeanne Aransky, Assistant Underwriter  
 Jane Renauld, Assistant Underwriter  
 Maria Diaz, Collection Specialist  
 Esther Lerner, Assistant Collection Specialist

### Policy Management

Valerie LaFontaine, Assistant Director  
 Brandi Rowe, Manager  
 Robert Alexander, Commercial Lines Rater  
 Donna Vreeland, Commercial Lines Rater  
 Kate Barbera, Senior Insurance Services Representative  
 Laura Masella, Senior Insurance Services Representative  
 Carmen MacArthur, Insurance Services Representative  
 Lori Jentzen, Insurance Services Representative  
 Pauline Tavares, Insurance Services Representative  
 Annette Luko, Insurance Services Representative  
 Shannon Tardiff, Insurance Services Representative  
 Sandee Foster, Support Specialist

### Actuarial Services

Nathan Bailey, Senior Actuarial Analyst  
 James Jean, Product Development Analyst

### Project Management Office

Lynn Crisci, Assistant Director

### Claims Management

Bob Sullivan, Vice President  
 Stefanie Warner, Assistant Director  
 Michael Pepe, Property Claims Manager  
 Ernie Burgeson, Senior Casualty Claims Specialist  
 Laura Franco, Senior Casualty Claims Specialist  
 Kimberly Clifford, Senior Casualty Claims Specialist  
 Jeff Lynes, Senior Casualty Claims Specialist  
 Bill O'Connor, Senior Casualty Claims Specialist  
 Jack Van Arsdale, Property Casualty Claims Specialist  
 Janelle Howard, Casualty Claims Specialist  
 Joyce Coleman, Property Claims Coordinator  
 Patty Emmons, Claims Compliance Coordinator

### Housing Systems Solutions, Inc.

Dave Sagers, President and CEO  
 Joyce Therieault, Product Manager  
 Elizabeth Schwartz, Senior Business Analyst and Project Manager  
 Deborah Cain, Senior Business Analyst  
 Brian Watkins, Senior Developer/Analyst  
 Scott Owens, Business Analyst  
 Jeff Starosz, Software Architect  
 Julie Lee, Testing Lead

## Financial Statements

As of and for the Years Ended December 31, 2011 and 2010



*The following financial information should be read in conjunction with the financial statements and related notes as presented in Housing Authority Insurance Group's 2011 Audited Financial Statements supplement.*

*\*Prior to 2011, Housing Authority Risk Retention Group, Inc. (HARRG) Generally Accepted Accounting Principles (GAAP) were reported as a standalone entity. During 2011, HARRG's ownership of Housing Enterprise Insurance Company, Inc. (HEIC) changed from 50% to 65% as it increased its investment in the subsidiary. This created a controlling interest for HARRG in the subsidiary and requires a consolidation of its GAAP financial statements (the amounts shown include HEIC).*

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## Housing Authority Risk Retention Group, Inc. and Subsidiary

## Consolidated Balance Sheet

December 31, 2011

**Assets**

## Investments:

Available for sale - at fair value	\$ 312,182,379
Investment in HIG	5,515,473
Other invested assets	5,476,250
Total investments	323,174,102

Cash and cash equivalents	10,845,299
Reinsurance recoverables on unpaid losses	12,393,545
Reinsurance recoverable on paid losses	424,615
Premiums receivable	12,102,319
Prepaid reinsurance premiums	3,069,413
Due from affiliates	1,457,827
Accrued investment income	2,570,424
Deferred policy acquisition costs	1,723,982
Federal income tax receivable	309,568
Deferred tax asset	728,232
Property and equipment, net	3,796,476
Other assets	5,181,896
Total assets	\$ 377,777,698

**Liabilities and Equity**

Unpaid losses and loss adjustment expenses	\$ 120,419,019
Unearned premiums	23,995,243
Reinsurance balances payable	610,255
Accrued policyholder dividends	6,980,064
Advance premiums	4,503,321
Due to affiliates	1,331,634
Accrued expenses and other liabilities	9,311,782
Total liabilities	167,151,318

## Equity:

Members' contributions	10,299,816
Accumulated other comprehensive income	16,451,512
Unassigned surplus	170,577,036
Total members' equity	197,328,364

## Non-controlling interest:

Common stock	10,000,000
Contributed surplus	2,000,000
Accumulated other comprehensive income	824,203
Unassigned surplus	473,813
Total non-controlling interest	13,298,016
Total liabilities and members' equity	\$ 377,777,698



**Housing Authority Risk Retention Group, Inc. and Subsidiary****Consolidated Statement of Operations and Comprehensive Income**

For the Year Ended December 31, 2011

## Revenues:

Premiums earned	\$ 49,821,152
Ceded premiums earned	(9,941,921)
Net earned premiums	39,879,231
Investment income, net	10,624,561
Claim service fee income	74,022
Net realized investment gains	3,624,376
Total revenues	54,202,190

## Expenses:

Losses and loss adjustment expenses	5,643,818
Salaries and other compensation	7,096,670
Contractual services and professional fees	1,875,515
General and administrative expenses	5,189,947
Policy acquisition costs	3,287,733
Total expenses	23,093,683

Policyholder dividends	7,985,518
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Net income before federal income tax benefit	23,122,989
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Federal income tax benefit	(1,223,033)
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Net income	24,346,022
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Less: net loss attributable to non-controlling interest in HEIC	(839,924)
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Net income attributable to the Company	25,185,946
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## Other comprehensive income:

Unrealized holding gains on available for sale securities, net of tax expense \$494,303 related to HEIC	13,194,960
Reclassification adjustments for realized gains included in net loss, net of tax expense of \$40,363 related to HEIC	(3,584,013)

Other comprehensive income	9,610,947
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Less: other comprehensive income attributable to non-controlling interest in HEIC	323,734
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Other comprehensive income attributable to the Company	9,287,213
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Comprehensive income attributable to the Company	<u>\$ 34,473,159</u>
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## Housing Authority Risk Retention Group, Inc. and Subsidiary

## Consolidated Statement of Changes in Members' Equity

For the Year Ended December 31, 2011	Non- controlling Interest	Accumulated Other Com- prehensive Income Non- controlling Interest	Members' Contributions	Accumulated Other Comprehensive Income	Unassigned Surplus	Total
Balance as of January 1, 2011	\$ -	\$ -	\$ 10,149,935	\$ 6,663,703	\$ 146,386,346	\$ 163,199,984
Cumulative adjustment for prior ownership in HEIC	13,313,737	500,469	-	500,596	(500,530)	13,814,272
Net (loss) income	(839,924)	-	-	-	25,185,946	24,346,022
Other comprehensive income	-	323,734	-	9,287,213	-	9,610,947
Equity dividends	-	-	-	-	(344,845)	(344,845)
Members' recapitalization dividends	-	-	149,881	-	(149,881)	-
Balance as of December 31, 2011	\$ 12,473,813	\$ 824,203	\$ 10,299,816	\$ 16,451,512	\$ 170,577,036	\$ 210,626,380

## Housing Authority Property Insurance, A Mutual Company

## Balance Sheets

December 31, 2011 and 2010	2011	2010
<b>Assets</b>		
Investments:		
Available for sale - at fair value	\$ 129,002,855	\$ 128,039,526
Investment in HEIC	12,824,245	13,814,270
Investment in HIG	5,515,472	2,403,800
Other invested assets	2,738,125	-
	<b>150,080,697</b>	144,257,596
Cash and cash equivalents	10,053,677	12,275,000
Premiums receivable	18,575,783	14,578,928
Reinsurance recoverables on unpaid losses	9,134,991	11,484,843
Reinsurance recoverables on paid losses	792,864	568,202
Other assets	2,710,454	1,385,872
Due from affiliates	2,104	250,624
Prepaid reinsurance	5,517,460	4,119,905
Total assets	<b>\$ 196,868,030</b>	\$ 188,920,970
<b>Liabilities and Members' Equity</b>		
Unpaid losses and loss adjustment expenses	\$ 38,856,757	\$ 39,313,594
Unearned premiums	20,444,572	20,148,313
Reinsurance payable	2,641,902	2,266,632
Accrued expenses and other liabilities	635,970	926,925
Accrued policyholder dividends	5,867,719	7,056,724
Due to affiliates	2,785,927	1,433,771
Advance premiums	7,106,947	4,334,692
Total liabilities	<b>78,339,794</b>	75,480,651
Members' equity:		
Members' contributions	9,344,987	8,760,596
Accumulated other comprehensive income	7,238,109	4,037,266
Unassigned surplus	101,945,140	100,642,457
Total members' equity	<b>118,528,236</b>	113,440,319
Total liabilities and members' equity	<b>\$ 196,868,030</b>	\$ 188,920,970



## Housing Authority Property Insurance, A Mutual Company

## Statements of Operations and Comprehensive Income

For the Years Ended December 31, 2011 and 2010	2011	2010
Revenues:		
Premiums earned	\$ 47,493,111	\$ 46,974,819
Ceded premiums earned	(12,781,524)	(9,259,615)
Net premiums earned	34,711,587	37,715,204
Investment income (net of expenses of \$254,780 in 2011 and \$201,723 in 2010)	3,435,492	4,959,784
Net realized investment gains	1,502,318	1,832,791
Total revenues	39,649,397	44,507,779
Expenses:		
Losses and loss adjustment expenses	19,327,819	14,429,982
Salaries and other compensation	2,888,401	2,421,252
General and administrative expenses	7,549,037	7,592,937
Contracted services and professional fees	654,086	598,821
Total expenses	30,419,343	25,042,992
Net income before policyholder dividends	9,230,054	19,464,787
Policyholder dividends	(7,315,441)	(7,896,641)
Net income	1,914,613	11,568,146
Other comprehensive income:		
Unrealized holding gains on available for sale securities	4,703,161	3,430,740
Reclassification for realized gains on sales of available for sale securities included in net income	(1,502,318)	(1,832,791)
Other comprehensive income	3,200,843	1,597,949
Comprehensive income	\$ 5,115,456	\$ 13,166,095

**Housing Authority Property Insurance, A Mutual Company**  
**Statements of Changes in Members' Equity**

For the Years Ended December 31, 2011 and 2010	Members' Contributions	Accumulated Other Comprehensive Income	Unassigned Surplus	Total
Balance as of January 1, 2010	\$ 7,564,564	\$ 2,439,317	\$ 89,713,736	\$ 99,717,617
Net income	-	-	11,568,146	11,568,146
Other comprehensive income	-	1,597,949	-	1,597,949
Equity dividends	-	-	(35,883)	(35,883)
Members' contributions, net	592,490	-	-	592,490
Members' recapitalization dividends	603,542	-	(603,542)	-
Balance as of December 31, 2010	8,760,596	4,037,266	100,642,457	113,440,319
Net income	-	-	1,914,613	1,914,613
Other comprehensive income	-	3,200,843	-	3,200,843
Equity dividends	-	-	(36,000)	(36,000)
Members' contributions, net	8,461	-	-	8,461
Members' recapitalization dividends	575,930	-	(575,930)	-
Balance as of December 31, 2011	<u>\$ 9,344,987</u>	<u>\$ 7,238,109</u>	<u>\$ 101,945,140</u>	<u>\$ 118,528,236</u>

## Housing Enterprise Insurance Company, Inc.

## Balance Sheets

December 31, 2011 and 2010	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 2,210,583	\$ 3,411,574
Investments, at fair value	44,223,815	34,888,221
Premiums receivable	4,986,156	4,285,194
Receivable for securities	2,125,000	-
Due from affiliates	1,049	114,144
Reinsurance recoverable on unpaid losses	4,741,597	1,946,363
Reinsurance recoverable on paid losses	424,615	-
Prepaid reinsurance	2,383,756	2,175,785
Deferred policy acquisition costs	1,723,982	1,047,402
Federal income tax receivable	309,568	676,965
Deferred tax asset	728,232	8,615
Accrued interest and other assets	724,087	401,825
Total assets	\$ 64,582,440	\$ 48,956,088
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 13,224,980	\$ 10,212,519
Unearned premiums	10,568,149	9,110,397
Due to affiliates	1,498,042	319,959
Accounts payable and other liabilities	2,127,094	1,618,662
Advance premiums	828,813	66,010
Total liabilities	28,247,078	21,327,547
Shareholders' equity:		
Common stock, \$10,000 stated value, 10,000 shares authorized and 3,000 and 2,000 issued and outstanding in 2011 and 2010, respectively	30,000,000	20,000,000
Contributed surplus	4,000,000	4,000,000
Accumulated other comprehensive income	1,882,241	1,001,065
Retained earnings	453,121	2,627,476
Total shareholders' equity	36,335,362	27,628,541
Total liabilities and shareholders' equity	\$ 64,582,440	\$ 48,956,088



## Housing Enterprise Insurance Company, Inc.

## Statements of Operations and Comprehensive Loss

For the Years Ended December 31, 2011 and 2010	2011	2010
Revenues:		
Net premiums earned	\$ 11,425,522	\$ 8,031,311
Claim service fee income	74,022	269,029
Investment income, net	1,459,674	1,333,494
Total revenues	12,959,218	9,633,834
Losses and expenses:		
Losses and loss adjustment expenses	9,095,308	5,983,871
Salaries and benefits	2,409,084	1,567,484
General and administrative expenses	2,341,913	1,884,659
Ceding and agency commissions	2,510,301	1,463,864
Total losses and expenses	16,356,606	10,899,878
Net loss before federal income tax benefit	(3,397,388)	(1,266,044)
Federal income tax benefit	(1,223,033)	(497,918)
Net loss	(2,174,355)	(768,126)
Other comprehensive income, net of tax:		
Unrealized holding gains on available for sale securities, net of tax expense of \$494,303 in 2011 and \$177,774 in 2010	959,529	345,089
Reclassification adjustments for realized gains included in net loss, net of tax expense of \$40,363 in 2011 and \$30,426 in 2010	(78,353)	(59,061)
Other comprehensive income	881,176	286,028
Comprehensive loss	\$ (1,293,179)	\$ (482,098)

## Housing Enterprise Insurance Company, Inc.

## Statements of Changes in Shareholders' Equity

For the Years Ended December 31, 2011 and 2010	Common Stock		Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
	Shares	Amount				
Balance as of January 1, 2010	2,000	\$20,000,000	\$4,000,000	\$ 715,037	\$3,395,602	\$28,110,639
Other comprehensive income	-	-	-	286,028	-	286,028
Net loss	-	-	-	-	(768,126)	(768,126)
Balance as of December 31, 2010	2,000	20,000,000	4,000,000	1,001,065	2,627,476	27,628,541
Issuance of common stock	1,000	10,000,000	-	-	-	10,000,000
Other comprehensive income	-	-	-	881,176	-	881,176
Net loss	-	-	-	-	(2,174,355)	(2,174,355)
Balance as of December 31, 2011	3,000	\$30,000,000	\$4,000,000	\$1,882,241	\$ 453,121	\$36,335,362

## Housing Authority Insurance, Inc.

## Statements of Financial Position

December 31, 2011 and 2010	2011	2010
<b>Assets</b>		
Cash	\$ 847,005	\$ 578,259
Accounts receivable - PAHRC	90,234	-
Prepaid expenses	18,584	14,634
Total assets	<b>\$ 955,823</b>	<b>\$ 592,893</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 61,056	\$ 56,172
Accounts payable - HARRG	23,726	93,265
Total liabilities	<b>84,782</b>	149,437
Unrestricted net assets	<b>871,041</b>	443,456
Total liabilities and net assets	<b>\$ 955,823</b>	<b>\$ 592,893</b>



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

For the Years Ended December 31, 2011 and 2010	2011	2010
Unrestricted revenues:		
Membership fees	<b>\$ 1,899,991</b>	\$1,199,975
Interest income	<b>434</b>	522
Total unrestricted revenues	<b>1,900,425</b>	1,200,497
Unrestricted expenses:		
Salaries and benefits	<b>300,306</b>	398,458
General and administrative expenses	<b>415,851</b>	486,116
Contributions	<b>551,000</b>	-
Member benefits	<b>205,683</b>	170,153
Total unrestricted expenses	<b>1,472,840</b>	1,054,727
Change in unrestricted net assets	<b>427,585</b>	145,770
Unrestricted net assets, beginning of year	<b>443,456</b>	297,686
Unrestricted net assets, end of year	<b>\$ 871,041</b>	\$ 443,456

**Housing Telecommunications, Inc.**
**Statements of Financial Position**

December 31, 2011 and 2010	2011	2010
<b>Assets</b>		
Cash	<b>\$ 1,068,059</b>	\$ 1,012,629
Accounts receivable, net of allowance for doubtful accounts of \$15,000 in 2011 and 2010	<b>115,677</b>	66,933
Prepaid expenses	<b>2,584</b>	2,594
Due from related parties	<b>23,737</b>	29,587
Total current assets	<b>1,210,057</b>	1,111,743
Trademark	<b>2,500</b>	2,500
Total assets	<b>\$ 1,212,557</b>	\$ 1,114,243
<b>Liabilities and Net Assets</b>		
Accounts payable	<b>\$ 19,295</b>	\$ 56,833
Due to related parties	<b>111,988</b>	93,309
Deferred income	<b>43,700</b>	29,500
Unearned subscription fees	<b>281,690</b>	258,450
Total liabilities	<b>456,673</b>	438,092
Unrestricted net assets	<b>755,884</b>	676,151
Total liabilities and net assets	<b>\$ 1,212,557</b>	\$ 1,114,243

## Statements of Activities and Changes in Net Assets



For the Years Ended December 31, 2011 and 2010	2011	2010
Unrestricted revenues:		
Broadcast and consulting services income	\$ 415,000	\$ 455,000
Subscription fees	571,859	527,549
Contributions and other income	36,032	42,907
Pay per view fees	139,914	171,087
Total unrestricted revenues	1,162,805	1,196,543
Unrestricted expenses:		
Salaries and benefits	442,572	493,857
General and administrative expenses	511,909	377,843
Program acquisition costs	128,591	180,098
Total unrestricted expenses	1,083,072	1,051,798
Change in unrestricted net assets	79,733	144,745
Unrestricted net assets, beginning of year	676,151	531,406
Unrestricted net assets, end of year	\$ 755,884	\$ 676,151



**Housing Investment Group, Inc. and Subsidiaries**
**Consolidating Balance Sheet**

December 31, 2011	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
<b>Current assets:</b>						
Cash	\$ 148,704	\$ 275,654	\$14,342,814	\$ 2,856,744	\$ -	<b>\$ 17,623,916</b>
Loss payments receivable	-	-	187,378	-	-	<b>187,378</b>
Premiums receivable	-	-	12,077,282	-	-	<b>12,077,282</b>
Due from related parties	-	-	3,277,010	-	(4,295)	<b>3,272,715</b>
Deferred tax asset	-	-	246,636	-	-	<b>246,636</b>
Taxes receivable from affiliate	133,753	53,872	-	195,759	(383,384)	<b>-</b>
Other assets	132	433	15,739	111,259	-	<b>127,563</b>
Total current assets	282,589	329,959	30,146,859	3,163,762	(387,679)	<b>33,535,490</b>
Software and equipment (net of accumulated depreciation of \$572,829)	-	1,422	-	2,403,907	-	<b>2,405,329</b>
Investment in HSS, at cost	5,000,000	-	-	-	(5,000,000)	<b>-</b>
Investment in STI, at cost	1,585,500	-	-	-	(1,585,500)	<b>-</b>
Investment in HIS, at cost	130,000	-	-	-	(130,000)	<b>-</b>
Total assets	<b>\$ 6,998,089</b>	<b>\$ 331,381</b>	<b>\$30,146,859</b>	<b>\$ 5,567,669</b>	<b>\$ (7,103,179)</b>	<b>\$ 35,940,819</b>
<b>Current liabilities:</b>						
Premiums payable	\$ -	\$ -	\$20,013,394	\$ -	\$ -	<b>\$ 20,013,394</b>
Deferred commissions	-	-	2,979,559	-	-	<b>2,979,559</b>
Accounts payable and accrued expenses	-	-	181,898	43,047	-	<b>224,945</b>
Agency commission payable	-	-	5,973	-	-	<b>5,973</b>
Current portion of note payable	-	-	-	400,000	-	<b>400,000</b>
Income taxes payable	-	-	50,848	-	-	<b>50,848</b>
Taxes payable to affiliate	-	-	383,384	-	(383,384)	<b>-</b>
Due to related parties	32,569	4,388	82,736	105,209	(4,295)	<b>220,607</b>
Total current liabilities	32,569	4,388	23,697,792	548,256	(387,679)	<b>23,895,326</b>
Long term portion of note payable	-	-	-	400,000	-	<b>400,000</b>
Total liabilities	32,569	4,388	23,697,792	948,256	(387,679)	<b>24,295,326</b>
<b>Stockholders' equity:</b>						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, 2 shares issued and outstanding	10,000	-	-	-	-	<b>10,000</b>
Common stock, Class B, no par value, \$100 per share stated value, 100,000 shares authorized, 12,000 shares issued and outstanding	1,200,000	-	-	-	-	<b>1,200,000</b>
Common stock, no par value, \$1,000 per share stated value, 10,000 shares authorized, 1,600 shares issued and outstanding	-	1,600,000	-	-	(1,600,000)	<b>-</b>
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-	25,000	-	(25,000)	<b>-</b>
Common stock, no par value, \$1,000 per share stated value, 20,000 shares authorized, 5,000 shares issued and outstanding	-	-	-	5,000,000	(5,000,000)	<b>-</b>
Additional paid-in capital	5,269,664	-	-	-	212,570	<b>5,482,234</b>
Less: Stock subscription receivable	-	(14,500)	-	-	14,500	<b>-</b>
Retained earnings (accumulated deficit)	485,856	(1,258,507)	6,424,067	(380,587)	(317,570)	<b>4,953,259</b>
Total stockholders' equity	6,965,520	326,993	6,449,067	4,619,413	(6,715,500)	<b>11,645,493</b>
Total liabilities and stockholders' equity	<b>\$ 6,998,089</b>	<b>\$ 331,381</b>	<b>\$30,146,859</b>	<b>\$ 5,567,669</b>	<b>\$ (7,103,179)</b>	<b>\$ 35,940,819</b>

**Housing Investment Group, Inc. and Subsidiaries**
**Consolidating Balance Sheet**

December 31, 2010

	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Elimination Entries	Consolidated
<b>Current assets:</b>					
Cash	\$ 175,577	\$ 282,496	\$ 12,363,403	\$ -	<b>\$ 12,821,476</b>
Loss payments receivable	-	-	94,248	-	<b>94,248</b>
Premiums receivable	-	-	11,077,476	-	<b>11,077,476</b>
Due from related parties	-	-	936,498	-	<b>936,498</b>
Income tax receivable	-	-	94,113	-	<b>94,113</b>
Deferred tax asset	-	-	226,029	-	<b>226,029</b>
Taxes receivable from affiliate	121,660	49,555	-	(171,215)	<b>-</b>
Other assets	32	133	13,505	-	<b>13,670</b>
Total current assets	297,269	332,184	24,805,272	(171,215)	<b>25,263,510</b>
Equipment (net of accumulated depreciation of \$495,812)	-	18,204	-	-	<b>18,204</b>
Investment in STI, at cost	1,585,500	-	-	(1,585,500)	<b>-</b>
Investment in HIS, at cost	130,000	-	-	(130,000)	<b>-</b>
Total assets	<b>\$ 2,012,769</b>	<b>\$ 350,388</b>	<b>\$ 24,805,272</b>	<b>\$(1,886,715)</b>	<b>\$ 25,281,714</b>
<b>Liabilities:</b>					
Premiums payable	\$ -	\$ -	\$ 17,098,350	\$ -	<b>\$ 17,098,350</b>
Deferred commissions	-	-	827,059	-	<b>827,059</b>
Accounts payable and accrued expenses	4,238	-	74,888	-	<b>79,126</b>
Agency commission payable	-	-	68,471	-	<b>68,471</b>
Taxes payable to affiliate	-	-	171,215	(171,215)	<b>-</b>
Due to related parties	20,071	15,899	1,151,552	-	<b>1,187,522</b>
Total liabilities	24,309	15,899	19,391,535	(171,215)	<b>19,260,528</b>
<b>Stockholders' equity:</b>					
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, 2 shares issued and outstanding	10,000	-	-	-	<b>10,000</b>
Common stock, Class B, no par value, \$100 per share stated value, 100,000 shares authorized, 12,000 shares issued and outstanding	1,200,000	-	-	-	<b>1,200,000</b>
Common stock, no par value, \$1,000 per share stated value, 10,000 shares authorized, 1,600 shares issued and outstanding	-	1,600,000	-	(1,600,000)	<b>-</b>
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-	25,000	(25,000)	<b>-</b>
Additional paid-in capital	269,664	-	-	212,570	<b>482,234</b>
Less: Stock subscription receivable	-	(14,500)	-	14,500	<b>-</b>
Retained earnings (accumulated deficit)	508,796	(1,251,011)	5,388,737	(317,570)	<b>4,328,952</b>
Total stockholders' equity	1,988,460	334,489	5,413,737	(1,715,500)	<b>6,021,186</b>
Total liabilities and stockholders' equity	<b>\$ 2,012,769</b>	<b>\$ 350,388</b>	<b>\$ 24,805,272</b>	<b>\$(1,886,715)</b>	<b>\$ 25,281,714</b>

## Housing Investment Group, Inc. and Subsidiaries

### Consolidating Statement of Operations

For the Year Ended December 31, 2011	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Revenues:						
Insurance management services	\$ -	\$ -	\$ 3,205,880	\$ -	\$ -	<b>\$ 3,205,880</b>
Commission income	-	-	3,626,883	-	-	<b>3,626,883</b>
Studio rental income	-	228,237	-	-	-	<b>228,237</b>
Interest income	-	-	3,813	-	-	<b>3,813</b>
Other income	90,000	-	-	-	(90,000)	<b>-</b>
Total revenues	90,000	228,237	6,836,576	-	(90,000)	<b>7,064,813</b>
Expenses:						
Salaries and benefits	44,959	125,213	3,418,679	215,198	-	<b>3,804,049</b>
General and administrative	80,074	98,055	1,764,044	300,913	(90,000)	<b>2,153,086</b>
Depreciation	-	16,782	-	60,235	-	<b>77,017</b>
Total expenses	125,033	240,050	5,182,723	576,346	(90,000)	<b>6,034,152</b>
(Loss) income before income taxes	(35,033)	(11,813)	1,653,853	(576,346)	-	<b>1,030,661</b>
Income tax (benefit) expense	(12,093)	(4,317)	618,523	(195,759)	-	<b>406,354</b>
Net (loss) income	<u>\$ (22,940)</u>	<u>\$ (7,496)</u>	<u>\$ 1,035,330</u>	<u>\$ (380,587)</u>	<u>\$ -</u>	<b><u>\$ 624,307</u></b>



## Housing Investment Group, Inc. and Subsidiaries

### Consolidating Statement of Operations

For the Year Ended December 31, 2010	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Elimination Entries	Consolidated
Revenues:					
Insurance management services	\$ -	\$ -	\$ 5,563,861	\$ -	<b>\$ 5,563,861</b>
Commission income	-	-	1,950,960	-	<b>1,950,960</b>
Studio rental income	-	123,000	-	-	<b>123,000</b>
Interest income	-	-	8,385	-	<b>8,385</b>
Dividend income	4,250,000	-	-	(4,250,000)	<b>-</b>
Other income	90,002	2,122	-	(90,000)	<b>2,124</b>
Total revenues	4,340,002	125,122	7,523,206	(4,340,000)	<b>7,648,330</b>
Expenses:					
Salaries and benefits	37,206	120,155	4,083,657	-	<b>4,241,018</b>
General and administrative	173,883	86,132	1,500,772	(90,000)	<b>1,670,787</b>
Depreciation	-	50,681	-	-	<b>50,681</b>
Total expenses	211,089	256,968	5,584,429	(90,000)	<b>5,962,486</b>
Income (loss) before income taxes	4,128,913	(131,846)	1,938,777	(4,250,000)	<b>1,685,844</b>
Income tax (benefit) expense	(71,446)	(45,221)	767,372	-	<b>650,705</b>
Net income (loss)	<u>\$ 4,200,359</u>	<u>\$ (86,625)</u>	<u>\$ 1,171,405</u>	<u>\$ (4,250,000)</u>	<b><u>\$ 1,035,139</u></b>

**Public and Affordable Housing Research Corporation****Statement of Financial Position**

December 31, 2011

**Assets**

Cash	\$ 313,302
Total assets	<u>\$ 313,302</u>

**Liabilities and Net Assets**

Accounts payable	\$ 64,903
Due to affiliates	138,328
Deferred grant revenue	110,071
Total liabilities	313,302
Unrestricted net assets	-
Total liabilities and net assets	<u>\$ 313,302</u>

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

For the period from March 15, 2011 (commencement of operations) through December 31, 2011

Unrestricted grant revenue	\$ 440,929
Total unrestricted revenues	440,929
Unrestricted expenses:	
Salaries and benefits	231,010
General and administrative expenses	209,919
Total unrestricted expenses	440,929
Change in unrestricted net assets	-
Unrestricted net assets, beginning of period	-
Unrestricted net assets, end of period	\$ -





#### **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 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 was incorporated on March 20, 1987, and began operation on June 1, 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, and liability. HAPI is owned by the members it insures. HAPI is a traditional mutual insurer domiciled and licensed in Vermont. HAPI is licensed in 48 states and the District of Columbia. HAPI began operation on August 1, 1988, as a mutual association captive. HAPI converted its charter in 2003 to a nonprofit, tax exempt, traditional mutual insurer and

issues policies on a direct basis. HAPI was incorporated in Vermont on March 20, 1987.

#### **Housing Enterprise Insurance Company, Inc. (HEIC)**

HEIC is a licensed insurer providing commercial insurance and risk management programs to affordable housing providers. Available coverages include property, liability, inland marine, hired and non-owned auto, and equipment breakdown. 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 Vermont 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, STI, 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 Telecommunications, Inc. (HTI)**

HTI is responsible for delivering training and education programs via the Internet. Web-streaming equipment is owned by STI. 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.

#### **Satellite Telecommunications, Inc. (STI)**

STI owns the web-streaming equipment utilized by HTI. STI is wholly owned by HIG. STI is a for-profit corporation incorporated in Delaware in June 1995.

#### **Public and Affordable Housing Research Corporation (PAHRC)**

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

#### **Housing Systems Solutions, Inc. (HSS)**

The mission of HSS is to improve public and affordable housing providers' ability to meet the needs of their clients and communities through actionable insight and more efficient operations. The company provides business software and consulting solutions to public housing authorities and other affordable housing providers. HSS is a for-profit corporation, wholly owned by HIG, incorporated in Connecticut in April 2011.

*Credits*

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