



Making Progress Today Planning for Tomorrow



Annual Report
2013



HAI Group

Annual Report
2013

In Memoriam

Harry Reginald House, Jr.

January 17, 1928 – June 1, 2013

For 18 years, HAI Group was privileged to have Harry Reginald House, Jr. as a member of its Board of Directors.

Mr. House was a pioneer of the captive insurance industry. When laws were passed to allow the establishment of captive companies, he was the industry's 'test pilot,' creating innovative ideas on how to best serve the captive insurance industry.

His philosophy was about 'protection through education,' identifying risks while understanding the industry. Although he worked in several industries throughout his long career, his contributions in the public housing community were significant, and held a special place in his heart.

His presence and impact in the industry were substantial. He was one of the founders and the first president of the Captive Insurance Companies Association (CICA), and was actively involved with the Vermont Captive Insurance Association (VCIA).

At HAI Group, he assisted in governing a sophisticated group of captive insurance companies and was a driving force in helping them make the right decisions throughout his tenure. He was a loyal mentor and friend, dedicated to the success of our Companies.

In his personal life, family and community were his focus. He served both with the same enthusiasm and dedication that he brought to his work.

As part of his legacy, the annual *Harry House Scholarship* awarded by the International Center for Captive Insurance Education (ICCIE) provides tuition for students interested in pursuing a career in the captive insurance industry.

It is with great gratitude that HAI Group dedicates this year's *Annual Report* to Harry Reginald House, Jr. in recognition of his service to both our Company and the captive insurance industry. He will be remembered as a person of the highest integrity and a dedicated leader.





Dan Labrie
President and
Chief Executive Officer

Words matter, especially these: "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."

When the Board of Directors restated its Vision in December 2011, HAI Group was energized. Born in 1987 as a niche insurer of public housing authorities (PHAs), we reached the 1,000-Member mark in 2013. The Board of Directors also asked us to build a software firm, develop a national public awareness campaign, create an accreditation company, cultivate a capital financing mechanism, and craft a resident advocacy program – all new, exciting, and challenging endeavors.

In 2013, HAI Group made significant progress on these initiatives:

- We continued developing a software product designed to help PHAs increase effectiveness and efficiency. Its release is scheduled for 2014.
- Thanks to the *ReThink: Why Housing Matters* public service announcement (PSA), recorded by singer-songwriter Jewel, the importance of public housing reached a nationwide audience. More positive messages will be relayed in 2014.
- Various products and structures were examined to help PHAs gain access to redevelopment capital. A business plan and a feasibility study are slated for 2014.
- Finally, a firm was contracted to develop an *Advocacy Planning and Resource Guide* and a training curriculum for use by PHAs in 2014.

All of this was accomplished while we delivered effective insurance, in-house claims handling, risk control and consulting services, advocacy efforts, research studies, and on-site training. During this time, dividends and increased surplus were still announced.

I am proud that HAI Group honored its history by remaining the insurer of choice in the public and affordable community. I am equally proud to report that management and the employees are not satisfied doing what we have always done. We will continue to anticipate changes in the public and affordable housing industry, listen to our loyal Members, endeavor to understand their issues, and provide solutions whenever possible.

It is a challenge we welcome and an honor to be part of your industry.

J. Len Williams

Chairman of the Board



The theme of this year's *Annual Report* – *making progress today and planning for the future* – is quite appropriate in light of the rapid changes occurring in the public and affordable housing community. HAI Group made substantial progress in 2013 to accommodate those changes.

With the return of the Bridgeport Housing Authority (Connecticut) to the HAI Group family, we reached a significant public housing milestone – 1,000 Members strong. Each of our insurance companies exceeded their 2013 goals for new business and Housing Authority Risk Retention Group, Inc. (HARRG) and Housing Authority Property Insurance Company, A Mutual Company (HAPI) had 99% Member retention rates, with a 91% retention rate for Housing Enterprise Insurance Company, Inc. (HEIC). Subscriptions to HTVN continue to grow, and have increased 34% since 2012.

Construction commenced on a major addition to HAI Group headquarters in Cheshire, Connecticut. When completed, all HAI Group employees will once again be housed in one location. Housing Specialty Insurance Company, Inc. (HSIC) was incorporated in 2013 in order to provide additional insurance services to Members. HAI Group again earned an “A” (Excellent) with a stable outlook rating from the A.M. Best Company. HARRG and HAPI had excellent financial results and declared Member dividends of \$14M.

Development continued on *HousingHub*, a comprehensive software product being designed for housing authorities by housing authorities. The software product will be available in 2014.

HAI Group continues to improve core insurance operations and services to our Members; nevertheless, we are focused on the future in an era of diminished funding and support for public and affordable housing. HAI Group sponsored the *ReThink: Why Housing Matters* public awareness initiative, which was successfully launched in 2013 with singer/songwriter Jewel serving as Ambassador. Jewel discussed the initiative on numerous television programs including *The View*, *The Talk*, and *Entertainment Tonight*. In addition, she appeared in a PSA promoting public housing. I must say, it's incredible to see such positivity about public housing out in the mainstream media.

It has been an honor and privilege to serve as Board Chair for the past two years. I continue to be impressed by the professionalism and dedication of HAI Group employees. I sincerely thank them for the support and assistance they have provided during my term as Board Chair. HAI Group is a Member driven organization with extensive participation by housing authority professionals that serve as Committee Members.

I also want to thank my fellow members of the Board of Directors for their support, investment of time, and expertise on behalf of HAI Group. Our incoming Chair, Linnie Willis of the Lucas Metropolitan Housing Authority (Ohio) is well prepared to lead HAI Group into the future.

A handwritten signature in dark ink, appearing to read 'J L Williams', written in a cursive style.

Making Progress Today

Our Success Lies In Our Ability To Recognize Member Needs and develop solutions to meet them. Together, we have presented timely solutions that exceed industry expectations in terms of price, value, and service. Our unmatched commitment to the public and affordable housing industry is what sets us apart, and the reason why our Members continue to place their trust in us.

HAI Group's roots in the insurance business stemmed out of necessity; PHAs faced an insurance crisis that needed to be solved. The small group of pioneering PHAs that tackled the daunting task of forming a PHA-owned insurance company were dedicated and committed. Most remain insured with us today, more than 25 years later.

The successes of our insurance programs are undeniable, as evidenced by the 99% retention rate. In 2013, we reached two significant and humbling public housing milestones. The first was attaining 1,000 Members; something that we could only dream about when we first started. The second was our ability to declare more than \$14M in dividends to the Membership. Our employees recognize that insurance is a transaction of trust, and are dedicated to continuously earning the trust and confidence of our Members. We are honored that year after year, we continue to be their insurance provider of choice.

With Success Comes The Opportunity To Look To The Future and invest in ways that honor the Company's Mission and Vision. As our Members face new challenges, they continue to put their trust in HAI Group to find solutions. HAI Group holds a deep commitment to the industry that built us. During the past decade, PHAs have struggled due to changes in housing programs, budget cuts, and sequestration. We recognize this and work diligently to put in place the mechanisms necessary to help meet these new challenges, and ultimately, help our Members survive and sustain.

We made great strides during 2013 planning new ways to better serve our Members, with the intention of replicating the success of our insurance programs. The changes that our Companies implement in the present will help to ensure success for our Members in the future. A hallmark of excellence is recognizable in everything we do. HAI Group strives to deliver quality products and exceptional Member service.



1,000 Members

Nearly \$35,000 Raised in 2013

By HAI Group Employees

Giving Back To Our Members And The Community is deeply rooted in our culture. All HAI Group employees are inspired by the service our Members provide to their community. Through our charitable endeavors, we give back to those who need it the most – our Members and their communities. In the American Cancer Society's *Relay for Life*, our "HAI Hopes" Team was the number one financial contributor to the Cheshire, Connecticut chapter. Through the generous support of our Board of Directors, we were able to award \$125,000 in scholarships through our annual *Resident Scholarship Program*, our highest amount to date. The interest in this program also reached figures that we had never seen before – more than 900 applications from across the nation, upwards of 350 phone call and e-mail inquiries, and 50 total recipients. Helping residents of our Member PHAs further their education is just one way that we are able to give back. We were also able to donate books and toys to a children's medical center; new clothing to adolescent girls who are experiencing overwhelming obstacles; and care packages full of essential items to our Veterans and Troops, both overseas and stateside.

Bringing Our Members Together continues to be an important facet of our Mission. Organizing a meeting for PHAs in a particular region to come together and discuss important issues is becoming increasingly important as change makes its way into the housing industry. During 2013, this form of coming together caught fire. Meetings like the Massachusetts Collaborative, held at the Framingham Housing Authority, brought together a total of 32 housing professionals representing 12 PHAs to discuss risk management topics, legal issues specific to Massachusetts, as well as the many housing initiatives that HAI Group is promoting on behalf of its Members. The Ohio Collaborative, held at the Cuyahoga Metropolitan Housing Authority, had a strong Member response from the start. Unlike other meetings where the host PHA chose the discussion topics, the organizers of this meeting tried something a little different; they allowed participants to choose the presenters. This format proved successful, and the professionals in attendance included defense attorneys, US Department of Housing and Urban Development (HUD) officials, the attorney general of the state of Ohio, as well as PHA employees. This broad array of perspectives provided for a lively debate forum. The feedback from our Members was overwhelmingly positive, proving that the collaborative forum is one that will continue to be used going forward. These are just two examples of how bringing housing professionals together can strengthen relationships, open lines of communication, and further improve the industry as a whole through collaboration.



Cuyahoga Metropolitan Housing Authority, Cleveland, Ohio

Planning for Tomorrow

It's clear that the past decade has brought many changes and challenges for PHAs. HAI Group's Board of Directors and Committee Members recognized that in order to shape the future, proper planning needed to take place. We collaborated with others in the industry to identify solutions for a better tomorrow. These solutions turned into a set of initiatives designed to help our Members and preserve the industry.

HAI Group views these initiatives as investments in our Members and in the public and affordable housing industry. Helping our Members maintain self-sufficiency, these initiatives also honor the Mission of our organization.

Preserving Public Housing Is Essential as the affordability gap widens and the available units become more scarce. The need to preserve our existing public housing assets is critical; but capital needs will continue to grow since these assets are aging. Over time, public housing leaders have been concerned about their limited access to the capital financing necessary to help with efforts to preserve public housing.

In April 2013, HAI Group sponsored a one-day *Capital Financing Symposium* held in Philadelphia, Pennsylvania. The primary goal was simple - bring all of the relevant parties together to discuss this urgent need. Together, the group was able to examine the role capital markets play in addressing future capital funding needs. As a result, a team was assembled to collectively offer the technical expertise necessary to achieve the objectives of creating a viable, financial product for our Members. Based on the progress in 2013, further refining of the appropriate structure of this financial product will be addressed in 2014.

Housing Authority of Columbus, Georgia



Changing Perceptions And Creating Positive Impressions are areas where HAI Group and our industry partners are firmly committed. In recent years, negative portrayals and stereotypes by the media have left the American public with misperceptions that impede the ability of our industry to move forward. HAI Group's Board of Directors decided it was time someone countered these myths with facts and told the other side of the story.

An advisory group comprised of representatives from Council of Large Public Housing Authorities (CLPHA), Public Housing Authorities Directors Association (PHADA), National Association of Housing and Redevelopment Officials (NAHRO), and HAI Group's Board of Directors and employees was formed. This group provided insight into the key areas of concern that needed to be addressed.

ReThink Ambassador, Jewel



ReThink Storyteller, Jeremy



Together,
we created an
initiative, *ReThink*:

Why Housing Matters. Aimed at changing America's perception of public housing using real-life success stories, this national public awareness initiative launched in May 2013. Singer/songwriter Jewel joined us as the *ReThink* Ambassador and provided invaluable national attention. Jewel's experience with homelessness as a teenager allowed her to authentically communicate the meaning of having a place to call home. She delivered this message to all three major television networks as well as to several multimedia outlets.



Jewel was also featured in a national PSA along with *ReThink* Storytellers from across the country. The *ReThink* Storytellers are champions for public housing; ranging from current and past residents, to Executive Directors, to Mayors, to business partners. Their stories are shared on the website, www.ReThinkHousing.org, which serves as the focal point for information about the initiative. Social media has also played an important role in spreading the message to a broad audience and allowing us to engage with the American public in real time. Plans for 2014 will be just as ambitious; continue to bring awareness to the positive impact that public housing provides to the residents it serves and the community at large.

Measuring Performance To Gain Credibility for our industry is something that we must be able to prove; and the necessary tools simply don't exist. In finding a solution to this problem, the public housing industry rallied together. The work and collaboration of housing industry leaders culminated with the development of an accreditation process that is scalable, unique, and credible. The accreditation process will use a tool that evaluates management performance, program operations, governance, compliance, and asset management based upon standards of excellence. These standards were designed to continuously improve the effectiveness and service delivery for public and affordable housing providers. The first draft of standards was vetted by more than 60 industry practitioners in 2013. The standards will be field tested by volunteer PHAs of various sizes and locations.

Demonstrating New Models For Success is particularly evident in the affordable housing sector. In 2013, the industry highlighted the need to demonstrate the success of the Moving to Work (MTW) program. HAI Group sponsored and collaborated with CLPHA, PHADA, and NAHRO, as well as a working group of MTW agencies in order to develop a proposal to study the success of the MTW program.

During 2013, we contracted with a nationally recognized research firm, Abt Associates, to conduct a two-year study. Three main outcomes will be provided: an *Innovations Report*, a set of benchmark indicators, and performance evaluations. The study began with an interview of 35 MTW agencies to document the most significant innovations. The benchmark indicators and performance evaluation portions of the study will be conducted in 2014 and 2015. There are also plans to create a website that will tell the stories of the MTW agencies. This website will include a data center where the MTW agencies can store and analyze information, produce reports, and collaborate with one another. The target date for completion of the study is the fall of 2015.



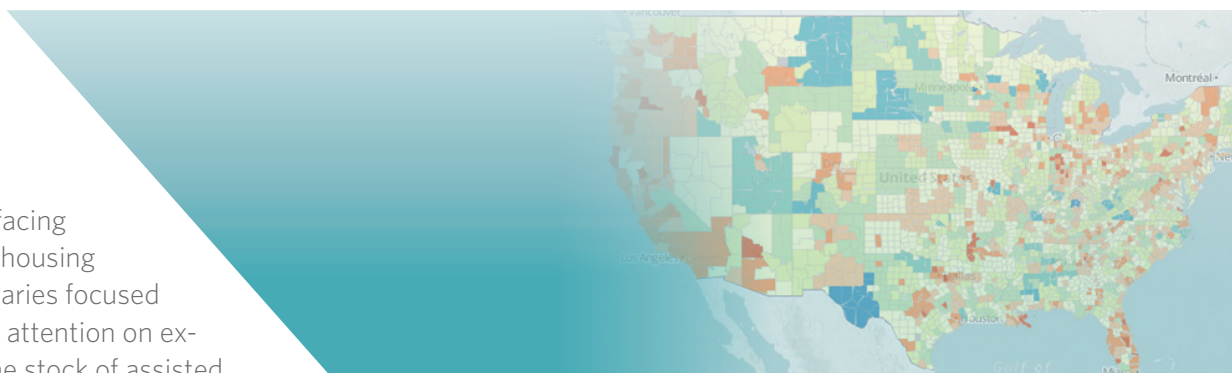
Effective Grassroots Advocacy Efforts Are Vital to engage the American public and decision makers in critical housing matters. When PHAs execute an effective advocacy strategy, they build positive relationships and deliver important messages.

Our initiative supports existing advocacy efforts of PHAs and the leading housing industry groups. It is aimed at providing ways for PHAs to gain a stronger understanding of all aspects of the advocacy planning process and to uncover strategies for engaging in effective advocacy, crafting messages, and creating advocacy campaigns. It will also assist PHAs in their efforts to educate and inform those making decisions about the value that public housing brings to the community.

We contracted with a grassroots advocacy firm to develop the training and a comprehensive, step-by-step *Advocacy Planning and Resource Guide*. This guide will help PHAs promote the good work they are doing to encourage and create more responsive public policy.

Presenting Research And Data In A New Light Elevates the Conversation and expands its ability to reach new spheres of influence among thought leaders. Our partnership with the Urban Institute was developed to do just that. The Urban Institute is a nonpartisan economic and social policy organization, specializing in fact-based research. Our collaboration provides a series of research commentaries on assisted housing, expanding upon our efforts to bring important housing issues to the forefront of policy discussions.

During 2013, the Urban Institute produced three commentaries on issues facing the public and affordable housing industry. These commentaries focused on the need for increased attention on expanding and improving the stock of assisted housing; the role of rental assistance in aiding veterans; and the return on investment for energy improvements made at assisted properties. The Urban Institute will continue to produce commentaries and digital media pieces through 2016.

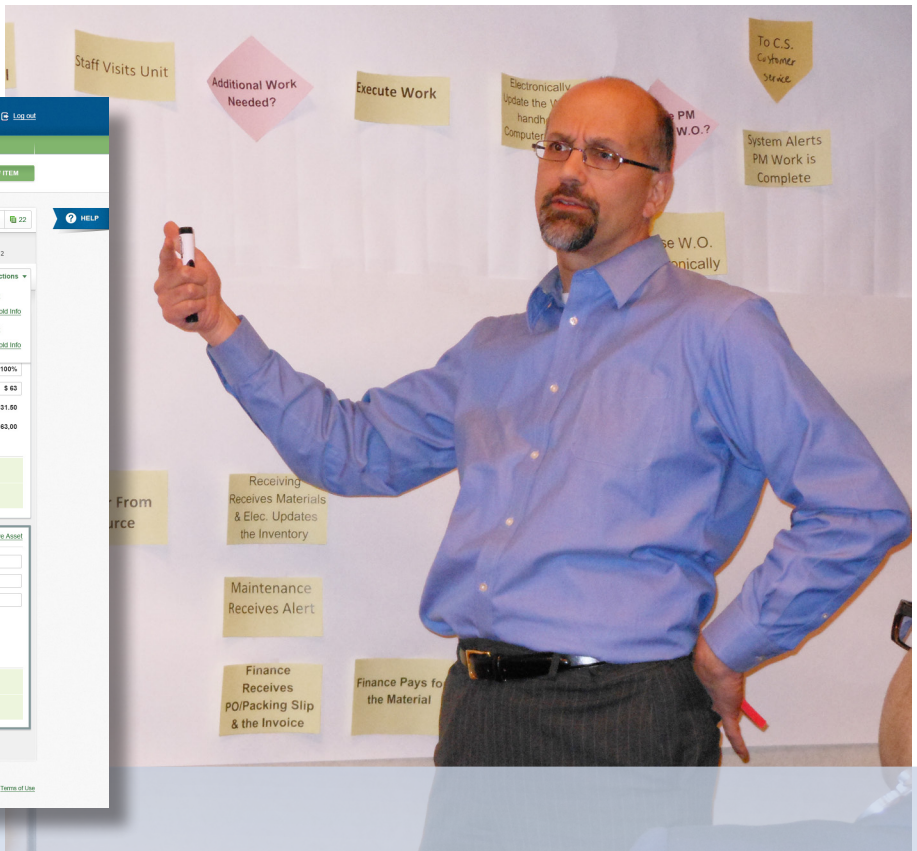


Our Members Are At The Center Of All That We Do and our *CustomerCentric* approach reflects this commitment. Each year, dedicated teams of HAI Group employees are assigned to work on Member-focused objectives to improve services, products, and interactions. In 2013, when our Members told us they had limited time for meetings, our *CustomerCentric* Circles got to work developing several new innovations. A streamlined executive briefing report was designed to deliver just the right amount of insurance information for the busy executive. In addition, an online meeting forum was tested to increase our capabilities to interact with Members. HAI Group employees can now ‘virtually’ visit Members using technology that is simple, free, and readily available.

Our *CustomerCentric* Circles are devoted to uncovering new ways to deliver solutions to our Member’s needs.

The Need For Technology Has Never Been Greater as PHAs continue to be challenged to do more with less. Our Members identified the need for software that keeps pace with their ever changing and complex housing programs. They required a software product with best practices already built-in, and one with flexible workflows and configurable settings that adapts to the way they work. HAI Group's Board of Directors decided that if this software product could not be found in the current marketplace, we would need to build it ourselves.

After many in-depth conversations and hands-on working sessions with PHAs and industry experts, we built *HousingHub*; the only software solution built by housing authorities, for housing authorities. By combining industry expertise with cutting-edge technology, *HousingHub* will allow our Members to meet the challenges of an evolving industry. This cloud-based software solution will deliver automated workflows, improved operational and financial efficiencies, streamlined reporting, and paperless processing. By delivering data-driven insights that enhance performance and improve decision making, *HousingHub* will allow our Members to focus less time on day-to-day operations and focus more on their residents.



Dave Sagers, President and CEO, Housing Systems Solutions, Inc. (HSS), conducts a strategy session for *HousingHub*, with Members from small, medium, and large-sized PHAs.

Filling In The Insurance Gap For Non-Traditional Coverage was answered in December 2013 by formally adding Housing Specialty Insurance Company, Inc. (HSIC) to our family of Companies. HSIC was organized in the state of Vermont as an excess and surplus lines insurer built in response to the growing market for non-traditional insurance coverages. HSIC will serve our Members by making available certain types of insurance that are difficult to find in the traditional marketplace.

Looking Back On Our Long History we have continuously delivered on our promise to listen to our Members and provide them with what they need in order to be successful. The year 2013 was no different – we listened, understood, and delivered solutions. Our goal has been, and will continue to be, to support the sustainability of public and affordable housing. The only way we can do this is by *making progress today and planning for tomorrow.*

**In realizing our
Mission and Vision,
we will never lose
sight of yours.**



William Lewellyn, Senior Vice President, Human Capital Management, speaks to guests at the 1000-Member Celebration held in November 2013, in Prospect, Connecticut.

Board of Directors and C

Board of Directors

(Front row)
Christine Hart;
Linnie Willis,
Vice Chair; J. Len
Williams, *Chair*;
L. Glen Redding
(Middle row) Lee
Eastman; James
DiPaolo; Douglas
Dzema; Gary M.
Wasson; Russell
Young; Joseph
Shuldiner (Back row)
Richard Press; Dan
Labrie; Tony Love;
Edwin Lowndes



Audit Committee

Gary M. Wasson; Edwin Lowndes; Linnie Willis, *Chair*;
J. Len Williams; James DiPaolo, *Vice Chair*



Ad-Hoc Committee

Dan Labrie; Linnie Willis; Edwin Lowndes;
J. Len Williams; Joseph Shuldiner, *Chair*



committees



Compensation Committee

(Front row) Linnie Willis, *Vice Chair*; J. Len Williams, *Chair*;
L. Glen Redding (Back row) Lee Eastman;
Douglas Dzema; Edwin Lowndes



Enterprise Risk Management Committee

(Front row) Christine Hart; L. Glen Redding, *Vice Chair*;
(Back row) Dan Labrie; Douglas Dzema, *Chair*; Russell Young



Governance Committee

(Front row) Linnie Willis; J. Len Williams;
L. Glen Redding, *Vice Chair*; (Back row)
Joseph Shuldiner; Richard Press; Edwin
Lowndes, *Chair*; Russell Young

Government Affairs and Research Committee

(Front row) MaryAnn Russ, *Vice Chair*;
Jay Cunningham; Dan Labrie (Middle row)
Joseph Shuldiner, *Chair*; Tracy Barlow;
Russell Young (Back row) Stephen
Holmquist; Scott Bertrand; David Paccone;
Karl Opheim (Not in photo) Rufus
(Bud) Myers



HSS Committee

(Front row) Edwin Lowndes;
Joseph Shuldiner; Ed Hinojosa
(Back row) Lee Eastman, *Chair*;
Kevin Loso, *Vice Chair*; James DiPaolo



Claims Committee

(Front row) Tracy Barlow; Michael Hagemeyer; Douglas Dzema, *Chair*; Sophie George (Second row) Sharon Scudder; Kathleen Sulsky; Linnie Willis; Shelette Veal; Patricia Duffy (Third row) Mark Gillett; June Parker; Tyrone Garrett; Cindy Mummert; Shannell Hardwick; Robert Lambert (Back row) Liane Ward; Dale Priester; Edwin Lowndes; Tony Love; Richard Baker, *Vice Chair*; Steven Russell (Not in photo) Tony Baltimore; Blanca Macris; John Thaniel; Mike Santangelo; Richard Whitworth

Strategic Management Committee

(Front row) Mark Wilson; Ed Malaspina; Dan Labrie (Back row) Anthony Peccerillo; Dave Sagers; William Lewellyn





Finance Committee

(Front row) Lori Hoppe; Patricia Baines-Lake; Margarita Shif; Christine Hart, *Chair*; Helen M. Kipplen (Second row) David Paccone; J. Len Williams; Linnie Willis; Faye Brown; Barbara Berg; Ed Hinojosa, *Vice Chair* (Third row) James Borgstadt; Joseph Shuldiner; June Parker; Paul Caverly; Randy Phillips (Back row) Tony Love; Alan Katz; James DiPaolo; Edwin Lowndes; Gary M. Wasson; Randal Hemmerlin; Richard Press; Fernando Aniban (Not in photo) Elaine AbouAkar; David Brown; Marlene Garza; GeorgeGuy; Laura E. Hinchey; Jeffery Patterson

Marketing, Agency, and Communications Committee

(Front row) Cindy Mummert; James DiPaolo; Kevin Loso (Second row) Sharon Scudder; Bonnie Latting; Evette Hester; L. Glen Redding; Linnie Willis; Carolyn Nichter (Third row) Rufus (Bud) Myers; Pamela Kemp; Dawn Sanders-Garrett; Douglas Dzema; William Morlock; Boyd Fetterolf; William J. Woods (Back row) Tony Love, *Chair*; Edwin Lowndes; Alan Katz; Lee Eastman; Mark Gillett; Scott Bertrand, *Vice Chair*; Mark Ouellet; Richard Baker (Not in photo) David Brown; Sharon Carlson; Donald Emerson; Wayne Hall; Ted Shankle



Learning and Information Technologies Committee

(Front row) Patricia Duffy; Kathleen Sulsky; Helen M. Kipplen (Second row) Christine Hart; Fernando Aniban; Sophie George; Ed Hinojosa (Third row) Pamela Kemp; Jeff Johnson; Lori Hoppe; John Thaniel; Owen Ahearn, *Vice Chair*; Dale Jones (Back row) Lee Eastman, *Chair*; Terrance Brady; Michael Hagemeyer; Kevin Loso; Gary M. Wasson (Not in photo) Rick Chadwick; Donald Emerson; Joseph Macaluso; Kenneth Martin; Guillermo Rodriguez; Tina-Marie Sullivan; Richard Whitworth



Underwriting Committee

(Front row) William J. Woods; Karl Opheim; Tyrone Garrett, *Vice Chair*; Modesto Candelario (Second row) Linnie Willis; Patricia Baines-Lake; Shelette Veal; Barbara Berg; L. Glen Redding (Third row) Robert Lambert; Stephanie Lovett; Rita Ruiz; Gary Evangelista; Steven Russell (Fourth row) Janis Holt; James DiPaolo, *Chair*; Thomas Hickey; Richard Press; Scott Bertrand (Back row) Dale Priester; Tony Love; Liane Ward; Joseph Shuldiner; Anthony Goodson; Veronica Guevara; Edwin Lowndes (Not in photo) Terri Burden; Sharon Carlson; Rick Chadwick; Hurticene Hardaway; Blanca Macris

Risk Control Committee

(Front row) Bonnie Latting; Donna Conway; Vince D. Pearson, *Vice Chair* (Second row) Carolyn Nichter; Nina Parrett; Boyd Fetterolf; Bernice Jones; Veronica Guevara; Jay Cunningham (Third row) Jim Eigenberger; Jeff Johnson; William Morlock; Rufus (Bud) Myers; Owen Ahearn; Karl P. Jones (Back row) Martin Williams; James DiPaolo; Gary M. Wasson, *Chair*; Mark Ouellet; Earline W. Davis; Jeffery Wade (Not in photo) Hurticene Hardaway; Guillermo Rodriguez; Charles Williamson



HAI Group Employees

CEO Office

Dan Labrie: *President and CEO*
Leslie Whitlock: *Assistant Director*
Ken House: *Special Assistant to the President and CEO*

Actuarial Services

Nate Bailey: *Director*
James Jean: *Statistical Analyst*
Neal Kalinsky: *Statistical Analyst*

Accreditation

Sandra Desrosiers: *Accreditation Manager*

Claims Management

Stefanie Warner: *Director*
Jeff Lynes: *Assistant Director*
Michael Pepe: *Claims Manager*
Janelle Howard: *Senior Claims Examiner*
Kimberly Clifford: *Senior Claims Examiner*
Laura Franco: *Senior Claims Examiner*
Alkis Liopiros: *Claims Examiner*
Jack Van Arsdale: *Claims Examiner*
Jill Triscritti: *Claims Examiner*
Joseph Catapano: *Claims Examiner*
Malvamel Lennon: *Claims Examiner*
Joyce Coleman: *Senior Claims Coordinator*
Patricia Emmons: *Claims Coordinator Team Lead*
Peyton Wergin: *Claims Coordinator*

Communications and Branding

Courtney Rice: *Corporate Communications and Branding Manager*
Kristina Gumbulevich: *E-Learning Curriculum Developer*
Eliza Folsom: *Public Relations Coordinator*
Stan Gornicz: *Writing Coordinator*
Jason Wagner: *Web Communications Coordinator*
Samantha Cerullo: *Associate Graphic Designer*

Enterprise Risk Management

Amy Galvin: *Director*

Finance

Sarah Rodriguez: *Chief Financial Officer*
Paulette Achilli: *Senior Staff Accountant*
Hitarthi Jani: *Staff Accountant III*
Nicole Jordan: *Staff Accountant III*
Lise Holiday: *Financial Compliance Analyst III*
Michele Merenda: *Staff Accountant I*
Ying Xu: *Staff Accountant I*
Gladys Roman: *Financial Compliance Analyst II*
Tory Davis: *Financial Compliance Analyst I*
Derek Hodder: *Accounts Receivable Analyst I*
Jo-Mel McPhail: *Payroll Coordinator and Accounts Payable Analyst*

Housing Software and Services

Dave Sagers: *President and CEO*
Joyce Therieault: *Director*
Ginny Argenio: *Client Manager*
Sharon Nichols: *Senior Project Manager*
Alan Wood: *Senior Developer*
Brian Watkins: *Lead Developer*
David Stephens: *Lead Developer*
Julie Lee: *Testing Lead*
Francesca Buonocore: *Senior Business Analyst*
Elaine Harter: *Business Analyst - Financial*
Matt Wilder: *Business Analyst*
Michael Kelly: *Business Analyst*
Tiffany Lake: *Business Analyst*
Anthony Castellano: *Quality Assurance Analyst II*
Megan Johnson: *Senior Administrative Assistant*

Human Capital Management

William Lewellyn: *Senior Vice President*
Glenn Jurgen: *Human Resources and Administrative Services Leader*
Kristen Cruz: *Talent Management Consultant*
John Lewis: *Employee Benefits Administrator*
Jim Ritt: *Facilities Supervisor*
Alexandra Gregory: *Administrative Services Representative*
Samantha Bailey: *Office Services Coordinator*

Information Technology

Anthony Peccerillo: *Vice President*
Andy Caporiccio: *Assistant Director, Enterprise Solutions Services*
Matt Cripps: *Assistant Director, Infrastructure*
April Parsons: *IT Operations Manager*
Jonathon Green: *Project Manager*
John Laverty: *Project Manager*
John Brown: *Data Warehouse Architect*
John Graham: *Data Warehouse Architect*
Liam Dwyer: *Network Engineer*
Lucille Cousins: *Network Engineer*
Jill McNamee: *Productivity Solutions Analyst*
Scott Owens: *Business System Analyst*
Kyle Quinn: *Quality Analyst II*
Mark Kirkendall: *Developer Analyst II*
David Lazuk: *Developer Analyst II*
Nancy Adelson: *Developer Analyst II*
Robert Florio: *Developer Analyst II*
Katherine VanBeverhoudt: *Developer Analyst I*
Lori Harris: *Developer Analyst I*
David Kinney: *IT Operations Coordinator*
Regina Ceryak: *Service Desk Coordinator*
Kathy Casey: *Helpdesk Support Specialist*
Mark Schmid: *Desktop Support Specialist*

Internal Audit

Jim Stavris: *Chief Auditor*
Libby Gallo: *Staff Internal Auditor*

Learning Technologies

Patrick Sullivan: *Studio Director*
Brian Altshuler: *Instructional Technologist*
Daniel Segaline: *E-Learning Account Specialist*
Vincent Rosa: *Production/Multi-Media Developer*
Paula Shemchuk: *Programming Assistant*

Marketing and Agency Operations

Ed Malaspina: *Chief Marketing Officer*
Roque Orts: *Director*
Kimberly Tompkins: *Manager*
Carolyn Bokon: *Senior Account Executive*
Greg Shpak: *Senior Marketing Representative*
Caroline Ruiz: *Marketing Representative*
Emily Fortier: *Marketing Representative*
Michael Patenaude: *Marketing Representative*
Amy Smith: *Account Executive*
Jodi Neubaum: *Account Executive*
Michelle Bozzuto: *Account Executive*
Rolanda Baw: *Account Executive*
Estelle Cote: *Licensing Specialist*
Marianne McDonough: *Licensing Specialist*
Robin Chasse: *Executive Assistant to the Chief Marketing Officer*

Marketing and Member Relations

Sherry Sullivan: *Vice President*
Jeff Weslow: *Assistant Director*
Nancy Quiles: *Marketing Analyst*

Operations

Mark Wilson: *Chief Operating Officer*
Valerie LaFontaine: *Assistant Director*
Liz Graham: *Executive Assistant to Chief Operating Officer*

Policy Management

Kate Barbera: *Manager*
Annette Luko: *Insurance Service Coordinator*
Carmen MacArthur: *Insurance Service Coordinator*
Cindy Arico: *Insurance Service Coordinator*
Jeff Nielsen: *Insurance Service Coordinator*
Lori Jentzen: *Insurance Service Coordinator*
Pauline Tavares: *Insurance Service Coordinator*
Robert Alexander: *Insurance Service Coordinator*
Kevin Malm: *Support Specialist*
Sandra Foster: *Support Specialist*
Tion Adlam: *Administrative Assistant*

Product Development and Compliance

Lynn Crisci: *Assistant Director*
Sandra Littleton: *Compliance Manager*
Brandi Rowe: *Product Development Analyst*
Sharon Raymond: *Product Development Analyst*
Shannon Tardiff: *Compliance and Audit Analyst*

Research and Industry Analysis

Keely Stater: *Manager*

Risk Control and Consulting

Elizabeth Owens: *Director*
Jeff Briggs: *Senior Risk Control Consultant*
Joseph Noel: *Senior Risk Control Consultant*
Dan Volovski: *Risk Control Consultant*
Mary Valiante: *Risk Control Consultant*
Nicklaus Mayo: *Risk Control Consultant*
Debbie Seidel: *Program Assistant*

Strategic Capital Ventures

Brian Robinson: *Director*

Underwriting

Gibriel Cham: *Director*
Ken Merrifield: *Assistant Director*
Bill Haggerty: *Underwriting Manager*
Bob Miller: *Underwriting Manager*
John Lubszewicz: *Underwriting Manager*
Judy Tripp: *Underwriting Manager*
George Bartholomay: *Senior Underwriter*
Linda Blanc: *Senior Underwriter*
Robert Mensah: *Senior Underwriter*
Christopher Dworak: *Underwriter*
Davina Bachman: *Underwriter*
Elizabeth Khan: *Underwriter*
Isabel Pizzoferrato: *Underwriter*
Jean Solla: *Underwriter*
Kathy Lewis: *Underwriter*
Laura Masella: *Underwriter*
Robert Stanczykiewicz: *Underwriter*
Dimitri Kallivrousis: *Assistant Underwriter*
Donna Vreeland: *Assistant Underwriter*
Jane Renauld: *Assistant Underwriter*
Laurie Davidson: *Assistant Underwriter*
Maria Wilson: *Collection Specialist*
Salvatore Carbone: *Assistant Collections Specialist*

Our Companies

Housing Authority Risk Retention Group, Inc. (HARRG)

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

Housing Authority Property Insurance, A Mutual Company (HAPI)

HAPI is a licensed insurer and reinsurer providing commercial property and liability insurance coverage to public housing authorities. Available coverages include property, inland marine, equipment breakdown, auto liability, physical damage, fidelity, crime, 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 Specialty Insurance Company, Inc. (HSIC)

HSIC is an Excess and Surplus Lines insurer which will provide 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 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 nonprofit association incorporated in 1987.

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.

Financial Statements

(As of and for the Years Ended December 31, 2013 and 2012)

The following financial information should be read in conjunction with the financial statements and related notes as presented in HAI Group's 2013 *Audited Financial Statements* supplement.

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Housing Authority Risk Retention Group, Inc. and Subsidiary
Consolidated Balance Sheets

HARRG

December 31, 2013 and 2012

2013

2012

Assets

Investments:

Available for sale - at fair value	\$ 310,993,637	\$312,693,894
Investment in HIG	8,232,135	6,573,502
Investment in HSIC	2,995,420	-
Other invested assets	37,844	5,848,740

Total investments	322,259,036	325,116,136
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Cash and cash equivalents	14,490,583	16,294,442
Reinsurance recoverables on unpaid losses	5,292,111	15,386,873
Reinsurance recoverables on paid losses	1,023,260	253,633
Premiums receivable	16,014,331	13,107,440
Prepaid reinsurance premiums	5,428,669	5,639,581
Due from affiliates	2,106,433	1,472,395
Accrued investment income	1,849,339	2,190,729
Deferred policy acquisition costs	2,058,991	2,367,634
Federal income tax receivable	269,763	269,763
Deferred tax asset	2,858,783	1,449,884
Property and equipment, net	4,251,470	3,817,678
Other assets	3,380,970	2,895,256

Total assets	\$ 381,283,739	\$390,261,444
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Liabilities and Equity

Liabilities:

Unpaid losses and loss adjustment expenses	\$ 105,307,989	116,880,054
Unearned premiums	28,119,608	27,287,845
Reinsurance balances payable	2,712,699	2,946,361
Term loan	8,423,227	-
Accrued Policyholder dividends	7,275,490	5,005,364
Advance premiums	4,238,188	3,797,569
Due to affiliates	407,523	957,139
Accrued expenses and other liabilities	9,522,073	7,692,196

Total liabilities	166,006,797	164,566,528
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Equity:

Members' equity:

Members' contributions	10,622,783	10,484,261
Accumulated other comprehensive income	8,404,819	19,729,369
Unassigned surplus	183,752,312	184,128,915

Total Members' equity	202,779,914	214,342,545
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Non-controlling interest in HEIC	12,497,028	11,352,371
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Total equity	215,276,942	225,694,916
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Total liabilities and equity	\$ 381,283,739	\$390,261,444
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Housing Authority Risk Retention Group, Inc. and Subsidiary
Consolidated Statements of Comprehensive Income

HARRG

For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Premiums earned	\$ 57,016,827	\$ 53,573,450
Ceded premiums earned	(13,080,734)	(10,655,208)
Net earned premiums	43,936,093	42,918,242
Investment income, net	6,007,173	9,708,362
Claim service fee income	199,905	8,379
Net realized investment gains	4,761,381	8,559,783
Total revenues	54,904,552	61,194,766
Expenses:		
Losses and loss adjustment expenses	25,861,225	20,975,309
Salaries and other compensation	8,197,989	7,757,493
Contractual services and professional fees	2,008,032	1,395,077
General and administrative expenses	4,984,810	7,589,703
Policy acquisition costs	4,269,883	3,986,217
Total expenses	45,321,889	41,703,799
Policyholder dividends	11,802,299	8,445,496
Net income before federal income tax benefit	(2,219,636)	11,045,471
Federal income tax benefit	(649,104)	(991,024)
Net income	(1,570,532)	12,036,495
Less: net loss attributable to non-controlling interest in HEIC	(1,839,130)	(2,116,599)
Net income attributable to the Company	268,598	14,153,094
Other comprehensive income:		
Unrealized holding gains on available for sale securities, net of tax expense of \$301,964 and \$494,303 related to HEIC in 2012 and 2011	(7,249,866)	11,958,087
Reclassification adjustments for realized gains included in net income, net of tax expense of \$50,441 and \$40,363 related to HEIC in 2012 and 2011	(4,590,897)	(8,509,342)
Other comprehensive income	(11,840,763)	3,448,745
Less: other comprehensive income attributable to non-controlling interest in HEIC	(516,213)	170,888
Other comprehensive income attributable to the Company	(11,324,550)	3,277,857
Comprehensive income attributable to the Company	\$ (11,055,952)	\$ 17,430,951

Housing Authority Risk Retention Group, Inc. and Subsidiary
Consolidated Statements of Changes in Equity

HARRG

For the Years Ended December 31, 2013 and 2012	Members' Contributions	Accumulated Other Comprehensive Income	Unassigned Surplus	Total Members' Equity	Non- controlling Interest in HEIC	Total Equity
Balance as of January 1, 2012	\$ 10,299,816	\$ 16,451,512	\$ 170,576,970	\$ 197,328,298	\$ 13,298,082	\$ 210,626,380
Net income (loss)	-	-	14,153,094	14,153,094	(2,166,599)	12,036,495
Other comprehensive income	-	3,277,857	-	3,277,857	170,888	3,448,745
Equity dividends	-	-	(349,876)	(349,876)	-	(349,876)
Members' distributions	(66,828)	-	-	(66,828)	-	(66,828)
Members' recapitalization dividends	251,273	-	(251,273)	-	-	-
Balance as of December 31, 2012	\$ 10,484,261	\$ 19,729,369	\$ 184,128,915	\$ 214,342,545	\$ 11,352,371	\$ 225,694,916
Net income (loss)	-	-	268,598	268,598	(1,839,130)	(1,570,532)
Other comprehensive income	-	(11,324,550)	-	(11,324,550)	(516,213)	(11,840,763)
Contributed capital	-	-	-	-	3,500,000	3,500,000
Equity dividends	-	-	(512,479)	(512,479)	-	(512,479)
Members' contributions	5,800	-	-	5,800	-	5,800
Members' recapitalization dividends	132,722	-	(132,722)	-	-	-
Balance as of December 31, 2013	\$ 10,662,783	\$ 8,404,819	\$ 138,752,312	\$ 202,779,914	\$ 12,497,028	\$ 215,276,942

December 31, 2013 and 2012

2013

2012

Assets		
Investments:		
Available for sale - at fair value	\$ 129,501,183	\$ 131,309,670
Investment in HEIC	12,496,853	11,309,359
Investment in HIG	8,232,135	6,573,502
Investment in HSIC	2,995,420	-
Other invested assets	18,294	2,924,370
	153,243,885	152,116,901
Cash and cash equivalents	3,154,538	6,623,960
Premiums receivable	20,843,296	18,965,829
Reinsurance recoverables on unpaid losses	8,307,912	12,660,606
Reinsurance recoverables on paid losses	1,986,906	1,085,380
Deferred policy acquisition costs	1,698,173	1,886,387
Other assets	881,461	902,098
Due from affiliates	2,687	778
Prepaid reinsurance	6,746,759	6,204,884
Total assets	\$ 196,865,617	\$ 200,446,823
Liabilities and Members' Equity		
Unpaid losses and loss adjustment expenses	\$ 33,450,548	\$ 41,488,869
Unearned premiums	22,346,144	21,083,734
Reinsurance payable	3,002,086	2,216,795
Accrued expenses and other liabilities	531,429	364,535
Accrued Policyholder dividends	2,363,799	1,490,625
Due to affiliates	1,911,840	893,144
Advance premiums	9,242,665	8,386,443
Total liabilities	72,848,511	76,298,243
Members' equity:		
Members' contributions	9,866,847	9,801,952
Accumulated other comprehensive income	5,139,240	9,299,859
Unassigned surplus	109,011,019	105,046,769
Total Members' equity	124,017,106	124,148,580
Total liabilities and Members' equity	\$ 196,865,617	\$ 200,446,823

Housing Authority Property Insurance, A Mutual Company
Statements of Comprehensive Income

HAPI

For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Premiums earned	\$ 51,472,930	\$ 48,644,330
Ceded premiums earned	(16,996,083)	(15,397,292)
Net premiums earned	34,476,847	33,247,038
Investment income (net of expenses of \$431,617 in 2012 and \$254,780 in 2011)	(2,178,916)	2,155,743
Net realized investment gains	1,640,954	2,643,468
Total revenues	33,938,885	38,046,249
Expenses:		
Losses and loss adjustment expenses	15,393,779	19,239,784
Salaries and other compensation	4,051,239	3,629,735
General and administrative expenses	7,528,978	9,896,098
Contracted services and professional fees	1,010,956	747,401
Total expenses	27,984,952	33,513,018
Net income before Policyholder dividends	5,953,933	4,533,231
Policyholder dividends	(1,870,000)	(935,000)
Net income	4,083,933	3,598,231
Other comprehensive income:		
Unrealized holding gains on available for sale securities	(2,291,871)	4,705,218
Reclassification for realized gains on sales of available for sale securities included in net income	(1,640,954)	(2,643,468)
Other comprehensive income	(3,932,825)	2,061,750
Comprehensive income	\$ 151,108	\$ 5,659,981

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

HAPI

For the Years Ended December 31, 2013 and 2012	Members' Contributions	Accumulated Other Comprehensive Income	Unassigned Surplus	Total
Balance as of January 1, 2012	\$ 9,344,987	\$ 7,238,109	\$ 101,945,140	\$ 118,528,236
Net income	-	-	3,598,231	3,598,231
Other comprehensive income	-	2,061,750	-	2,061,750
Equity dividends	-	-	(42,237)	(42,237)
Members' contributions, net	2,600	-	-	2,600
Members' recapitalization dividends	454,365	-	(454,365)	-
Balance as of December 31, 2012	\$ 9,801,952	\$ 9,299,859	\$ 105,046,769	\$ 124,148,580
Net income	-	-	4,083,933	4,083,933
Other comprehensive income	-	(3,932,825)	-	(3,932,825)
Equity dividends	-	-	(61,188)	(61,188)
Members' contributions, net	6,400	-	-	6,400
Members' recapitalization dividends	58,495	-	(58,495)	-
Balance as of December 31, 2013	<u>\$ 9,866,847</u>	<u>\$ 5,367,034</u>	<u>\$ 109,011,019</u>	<u>\$ 124,244,900</u>

December 31, 2013 and 2012

2013

2012

Assets		
Cash and cash equivalents	\$ 2,472,048	\$ 811,018
Investments, at fair value	50,076,114	45,864,848
Premiums receivable	8,352,105	6,694,051
Due from affiliates	-	583
Reinsurance recoverable on unpaid losses	4,110,739	5,887,724
Reinsurance recoverable on paid losses	453,532	253,633
Prepaid reinsurance	4,715,636	4,499,440
Deferred policy acquisition costs	2,058,991	2,367,634
Federal income tax receivable	269,763	269,763
Deferred tax asset	2,858,783	1,449,884
Accrued interest and other assets	462,668	501,017
Total assets	\$ 75,830,379	\$ 68,599,595
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 23,076,804	\$ 19,415,985
Unearned premiums	14,822,961	14,068,984
Reinsurance payable	2,028,083	2,063,209
Due to affiliates	391,461	918,755
Accounts payable and other liabilities	450,201	442,307
Advance premiums	1,014,234	914,168
Total liabilities	41,783,744	37,823,408
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	24,000,000	14,000,000
Accumulated other comprehensive income	895,597	2,370,492
Retained deficit	(10,848,962)	(5,594,305)
Total shareholders' equity	34,046,635	30,776,187
Total liabilities and shareholders' equity	\$ 75,830,379	\$ 68,599,595

Housing Enterprise Insurance Company, Inc.
Statements of Comprehensive Loss

HEIC

For the Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Net premiums earned	\$ 15,853,036	\$ 14,020,059
Other income	199,905	8,379
Investment income, net	1,273,685	1,338,328
Realized gains, net	501,424	148,354
Total revenues	17,828,050	15,515,120
Losses and expenses:		
Losses and loss adjustment expenses	15,702,331	14,546,307
Salaries and benefits	2,544,368	2,831,404
General and administrative expenses	2,134,518	2,049,154
Agency and ceding commissions	3,350,594	3,126,705
Total losses and expenses	23,731,811	22,553,570
Net loss before federal income tax benefit	(5,903,761)	(7,038,450)
Federal income tax benefit	(649,104)	(991,024)
Net loss	(5,254,657)	(6,047,426)
Other comprehensive (loss) income, net of tax:		
Unrealized holding (losses) gains on available for sale securities, net of tax (benefit) expense of (\$589,311) in 2013 and \$301,964 in 2012	(1,143,955)	586,165
Reclassification adjustments for realized gains included in net loss, net of tax expense of \$170,484 in 2013 and \$50,440 in 2012	(330,940)	(97,914)
Other comprehensive (loss) income	(1,474,895)	488,251
Comprehensive loss	\$ (6,729,552)	\$ (5,559,175)

Statements of Changes in Shareholders' Equity

HEIC

For the Years Ended December 31, 2013 and 2012	Common Stock		Treasury Stock		Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of January 1, 2012	3,000	\$30,000,000	-	\$ -	\$ 4,000,000	\$1,882,241	\$453,121	\$36,335,362
Repurchase of common stock shares	-	-	1,000	(10,000,000)	-	-	-	(10,000,000)
Retirement of treasury stock shares	(1,000)	(10,000,000)	(1,000)	10,000,000	-	-	-	-
Surplus contribution	-	-	-	-	10,000,000	-	-	10,000,000
Other comprehensive income	-	-	-	-	-	488,251	-	488,251
Net loss	-	-	-	-	-	-	(6,047,426)	(6,047,426)
Balance as of December 31, 2012	2,000	20,000,000	-	\$ -	\$14,000,000	\$2,370,492	\$(5,594,305)	\$30,776,187
Surplus contribution	-	-	-	-	10,000,000	-	-	10,000,000
Other comprehensive income	-	-	-	-	-	(1,474,895)	-	(1,474,895)
Net loss	-	-	-	-	-	-	(5,254,657)	(5,254,657)
Balance as of December 31, 2013	2,000	\$20,000,000	-	\$ -	\$24,000,000	\$895,597	\$(10,848,962)	\$34,046,635

Housing Specialty Insurance Company, Inc.
Balance Sheet

HSIC

December 31, 2013

2013

Assets	
Cash	\$ 6,000,000
Deferred tax asset	3,249
Total assets	6,003,249
Liabilities and Shareholders' Equity	
Liabilities:	
Due to affiliates	9,557
Total liabilities	9,557
Shareholders' equity	
Common stock, no par value, 10,000, shares authorized and 200 shares issued and outstanding	-
Contributed surplus	6,000,000
Retained deficit	(6,308)
Total shareholders' equity	5,993,692
Total liabilities and shareholders' equity	\$ 6,003,249

Housing Specialty Insurance Company, Inc.
Statement of Operations

HSIC

For the Period from December 20, 2013
(commencement of operations) through December 31, 2013

2013

Expenses:	
General and administrative expenses	\$ 9,557
Total expenses	9,557
Net loss before federal income tax benefit	(9,557)
Federal income tax benefit	(3,249)
Net loss	\$ (6,308)

Housing Specialty Insurance Company, Inc.
Statement of Changes in Shareholders' Equity

For the Period from December 20, 2013 (commencement
of operations) through December 31, 2013

	Common Stock		Contributed	Retained	Total
	Shares	Amount	Surplus	Deficit	Shareholders' Equity
Balance as of December 20, 2013 (commencement of operations)	-	\$ -	\$ -	\$ -	-
Insurance of Common Stock	200	-	6,000,000	-	6,000,000
Net loss	-	-	-	(6,308)	(6,308)
Balance as of December 31, 2013	200	\$ -	\$ 6,000,000	\$ (6,308)	\$ 5,993,692

Housing Authority Insurance, Inc.
Statements of Financial Position



December 31, 2013 and 2012

2013

2012

Assets		
Current assets:		
Cash	\$ 3,852,110	\$ 6,210,653
Refundable advance	293,285	-
Due from affiliates	40,185	954
Prepaid expenses	52,699	19,989
Total current assets	\$ 4,238,279	\$ 6,231,596
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 144,558	\$ 4,526
Due to affiliates	242,662	410,525
Deferred grant revenue	2,907,183	4,941,268
Total current liabilities	3,294,403	5,356,319
Unrestricted net assets	943,876	875,277
Total liabilities and net assets	\$ 4,238,279	\$ 6,231,596

For the Years Ended December 31, 2013 and 2012

2013

2012

Unrestricted revenues:		
Membership fees	\$ 3,000,000	\$2,400,030
Grant revenue	2,034,085	58,732
Interest income	-	731
Total unrestricted revenues	5,034,085	2,459,493
Expenses:		
Salaries and benefits	1,382,700	702,827
General and administrative expenses	3,361,976	1,510,865
Member benefits	220,810	241,565
Total expenses	4,965,486	2,455,257
Change in unrestricted net assets	68,599	4,236
Unrestricted net assets, beginning of year	875,277	871,041
Unrestricted net assets, end of year	\$ 943,876	\$ 875,277

December 31, 2013 and 2012	2013	2012
Assets		
Current assets:		
Cash	\$ 774,098	\$ 864,545
Accounts receivable, net of allowance for doubtful accounts of \$15,000 in 2013 and 2012	45,413	20,891
Prepaid expenses	106,409	107,082
Due from affiliates	30,075	55,627
Total current assets	955,995	1,048,145
Other assets	-	2,500
Total assets	\$ 955,995	\$ 1,050,645
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 12,268	\$ 21,727
Due to affiliates	84,735	65,935
Deferred income	65,300	52,200
Unearned subscription fees	335,342	296,292
Total current liabilities	497,645	435,642
Unrestricted net assets	458,350	615,003
Total liabilities and net assets	\$ 955,995	\$ 1,050,645

For the Years Ended December 31, 2013 and 2012

2013

2012

Unrestricted revenues:		
Subscription fees	\$ 674,550	\$ 604,509
Broadcast and consulting services income	420,525	415,000
Pay per view fees	165,145	174,290
Contributions and other income	35,306	17,563
Total unrestricted revenues	1,295,526	1,211,362
Expenses:		
Salaries and benefits	673,801	642,873
General and administrative expenses	743,975	538,573
Program acquisition costs	34,403	170,797
Total expenses	1,452,179	1,352,243
Change in unrestricted net assets	(156,653)	(140,881)
Unrestricted net assets, beginning of year	615,003	755,884
Unrestricted net assets, end of year	\$ 458,350	\$ 615,003

Housing Investment Group, Inc. and Subsidiaries

Consolidating Balance Sheet

HIG

December 31, 2013

	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Assets						
Current assets:						
Cash	\$ 703,827	\$ 168,246	\$ 19,264,474	\$ 2,839,365	\$ -	\$ 26,531,161
Agency and commission accounts receivable	-	-	22,718	-	-	12,174,136
Due from related parties	2,463	-	1,508,749	-	-	145,666
Income taxes (payable) receivable	(210,136)	59,914	277,437	1,907,055	-	550,714
Deferred tax assets	1,314	11,215	553,174	1,344,772	-	1,487,935
Other assets	1,136	45,850	133,725	54,345	-	170,494
Total current assets	498,604	285,225	33,050,563	6,145,537	-	41,060,160
Software and equipment (net of accumulated amortization and depreciation of \$1,082,922)	-	515	-	2,618,011	-	2,618,526
Investment in HSS at cost	17,000,000	-	-	-	(17,000,000)	-
Investment in STI, at cost	1,585,500	-	-	-	(1,585,500)	-
Investment in HIS, at cost	130,000	-	-	-	(130,000)	-
Total assets	<u>\$ 19,214,104</u>	<u>\$ 285,740</u>	<u>\$ 33,050,563</u>	<u>\$ 8,763,548</u>	<u>\$ (18,715,500)</u>	<u>\$ 43,678,632</u>
Liabilities and Stockholders' Equity						
Current liabilities:						
Commission payable and accounts current	\$ -	\$ -	\$ 2,932,315	\$ -	\$ -	\$ 23,068,760
Accounts payable and accrued expenses	-	-	279,355	-	-	2,492,295
Taxes payable to affiliate	-	-	1,582,870	894,532	-	1,002,964
Due to related parties	3,043	23,052	320,913	472,321	-	650,343
Total current liabilities	3,043	23,052	25,389,846	1,366,853	-	27,214,632
Stockholders' equity:						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, issued and outstanding	10,000	-	-	-	-	10,000
Common stock, Class B, no par value, \$100 per share stated value, 100,000 shares authorized, 87,000 shares issued and outstanding	18,200,000	-	-	-	-	18,200,000
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)	-
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-	25,000	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 20,000 shares authorized, 7,500 shares issued and outstanding	-	-	-	17,000,000	(17,000,000)	-
Additional paid-in capital	269,664	-	-	-	212,570	482,234
Less: Stock subscription receivable	-	(14,500)	-	-	14,500	-
Retained earnings (accumulated deficit)	731,397	(1,322,812)	7,635,717	(9,603,305)	(317,570)	(2,227,964)
Total stockholders' equity	19,211,061	262,688	7,660,717	7,396,695	(18,715,500)	16,464,270
Total liabilities and stockholders' equity	<u>\$ 19,214,104</u>	<u>\$ 285,740</u>	<u>\$ 33,050,563</u>	<u>\$ 8,763,548</u>	<u>\$ (18,715,500)</u>	<u>\$ 43,678,632</u>

Housing Investment Group, Inc. and Subsidiaries
Consolidating Balance Sheet

HIG

December 31, 2012

	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Assets						
Current assets:						
Cash	\$ 191,933	\$ 241,557	\$19,264,474	\$ 1,606,214	\$ -	\$21,304,178
Agency and commissions accounts receivable	-	-	11,313,004	-	-	11,313,004
Due from related parties	-	-	1,395,813	-	(4,375)	1,391,438
Income taxes receivable	-	-	277,437	-	-	277,437
Deferred tax assets	-	-	553,174	-	-	553,174
Taxes receivable from affiliate	108,077	69,807	-	1,404,986	(1,582,870)	-
Other assets	773	29,003	133,725	77,578	-	241,079
Total current assets	300,783	340,367	32,937,627	3,088,778	(1,587,245)	35,080,310
Software and equipment (net of accumulated amortization and depreciation of \$1,082,922)	-	829	-	2,713,818	-	2,714,647
Investment in HSS, at cost	7,500,000	-	-	-	(7,500,000)	-
Investment in STI, at cost	1,585,500	-	-	-	(1,585,500)	-
Investment in HIS, at cost	130,000	-	-	-	(130,000)	-
Total assets	\$ 9,516,283	\$ 341,196	\$32,937,627	\$ 5,802,596	\$ (10,802,745)	\$37,794,957
Liabilities and Stockholders' Equity						
Current liabilities:						
Commission payable and accounts current	\$ -	\$ -	\$20,274,393	\$ -	\$ -	\$20,274,393
Deferred commissions	-	-	2,932,315	-	-	2,932,315
Accounts payable and accrued expenses	-	-	167,077	242,631	-	409,708
Current portion of note payable	-	-	-	400,000	-	400,000
Income taxes payable	-	-	1,582,870	-	(1,582,870)	-
Due to related parties	747	44,560	320,255	387,526	(4,375)	748,713
Total current liabilities	747	44,560	25,276,910	1,030,157	(1,587,245)	24,765,129
Stockholders' equity:						
Common stock, Class A, no par value, \$5,000 per share stated value, 2 shares authorized, 2 shares issued and outstanding	10,000	-	-	-	-	10,000
Common stock, Class B, no par value, \$100 per share stated value, 100,000 shares authorized, 62,000 shares issued and outstanding	8,700,000	-	-	-	-	8,700,000
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)	-
Common stock, no par value, \$25 per share stated value, 1,000 shares authorized, 1,000 shares issued and outstanding	-	-	25,000	-	(25,000)	-
Common stock, no par value, \$1,000 per share stated value, 20,000 shares authorized, 5,000 shares issued and outstanding	-	-	-	7,500,000	(7,500,000)	-
Additional paid-in capital	269,664	-	-	-	212,570	482,234
Less: Stock subscription receivable	-	(14,500)	-	-	14,500	-
Retained earnings (accumulated deficit)	535,872	(1,288,864)	7,635,717	(2,727,561)	(317,570)	3,837,594
Total stockholders' equity	9,515,536	296,636	7,660,717	4,772,439	(9,215,500)	13,029,828
Total liabilities and stockholders' equity	\$ 9,516,283	\$ 341,196	\$32,937,627	\$ 5,802,596	\$ (10,802,745)	\$37,794,957

Housing Investment Group, Inc. and Subsidiaries
Consolidating Statement of Operations

HIG

For the Year Ended December 31, 2013

	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc.	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Net revenues:						
Commission income	\$ -	\$ -	\$ 4,932,105	\$ -	\$ -	\$ 4,932,105
Insurance management services	-	-	220,142	-	-	220,142
Studio rental income	-	230,000	-	-	-	230,000
Product revenue	-	-	-	21,962	-	21,962
Other income	210,000	532	-	2,379	(210,000)	2,911
Total revenues	210,000	230,532	5,152,247	24,341	(210,000)	5,407,120
Costs and expenses:						
Salaries and benefits	54,707	112,414	2,822,409	1,342,205	-	4,331,735
General and administrative	(65,739)	153,074	1,256,822	1,514,935	(210,000)	2,649,092
Research and development	-	-	-	3,333,781	-	3,333,781
Cost of product revenue	-	-	-	2,422,264	-	2,422,264
Sales expense	-	-	-	133,741	-	133,741
Depreciation	-	314	-	-	-	314
Total costs and expenses	(11,032)	265,802	4,079,231	8,746,926	(210,000)	12,870,927
Income (loss) before income taxes	221,032	(35,270)	1,073,016	(8,722,885)	-	(7,463,807)
Income tax expense (benefit)	25,507	(1,322)	424,407	(1,846,841)	-	(1,398,249)
Net income (loss)	\$ 195,525	\$ (33,948)	\$ 648,609	\$ (6,875,744)	\$ -	\$ (6,065,558)

Housing Investment Group, Inc. and Subsidiaries
Consolidating Statement of Operations

HIG

For the Year Ended December 31, 2012	Housing Investment Group, Inc.	Satellite Telecommu- nications, Inc.	Housing Insurance Services, Inc	Housing Systems Solutions, Inc.	Elimination Entries	Consolidated
Net revenues:						
Commission income	\$ -	\$ -	\$ 5,384,788	\$ -	\$ -	\$ 5,384,788
Insurance management services	-	-	650,736	-	-	650,736
Studio rental income	-	225,000	-	-	-	225,000
Product revenue	-	-	-	14,822	-	14,822
Other income	230,000	-	1,371	1,852	(230,000)	3,223
Total revenues	230,000	225,000	6,036,895	16,674	(230,000)	6,278,569
Costs and expenses:						
Salaries and benefits	71,549	162,880	3,144,677	-	-	3,379,106
General and administrative	82,759	107,819	867,920	1,154,508	(230,000)	1,983,006
Research and development	-	-	-	1,756,606	-	1,756,606
Cost of product revenue	-	-	-	654,718	-	654,718
Sales expense	-	-	-	7,043	-	7,043
Depreciation	-	593	-	-	-	593
Total costs and expenses	154,308	271,292	4,012,597	3,572,875	(230,000)	7,781,072
Income (loss) before income taxes	75,692	(46,292)	2,024,298	(3,556,201)	-	(1,502,503)
Income tax expense (benefit)	25,676	(15,935)	812,648	(1,209,227)	-	(386,838)
Net income (loss)	\$ 50,016	\$ (30,257)	\$ 1,211,650	\$ (2,346,974)	\$ -	\$ (1,115,665)

December 31, 2013 and 2012

2013

2012

Assets		
Current assets:		
Cash	\$ 455,203	\$ 432,394
Prepaid expenses	4,781	382
Total current assets	<u>\$ 459,984</u>	<u>\$ 432,776</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 32,469	\$ 768
Due to affiliates	36,953	47,235
Deferred grant revenue	390,562	384,773
Total current liabilities	459,984	432,776
Unrestricted net assets	-	-
Total liabilities and net assets	<u>\$ 459,984</u>	<u>\$ 432,776</u>

For the Year Ended December 31, 2013 and 2012

	2013	2012
Unrestricted grant revenue	\$ 494,211	\$ 525,298
Total unrestricted revenues	494,211	525,298
Expenses:		
Salaries and benefits	252,538	343,695
General and administrative expenses	241,673	181,603
Total expenses	494,211	525,298
Change in unrestricted net assets	-	-
Unrestricted net assets, beginning of period	-	-
Unrestricted net assets, end of period	\$ -	\$ -

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