

Smart is where the captive is

Captives offer financial flexibility while serving as a nexus to springboard discussions and actions, according to John Thomson of HAI Group

What are some of the most pressing financial challenges facing your members?

Essentially, housing entities, including public housing authorities (PHAs), are charged with facilitating effective and efficient housing in their communities for those individuals and families who cannot do so independently. They are faced with a shrinking pool of resources during a time when they are also experiencing a significant surge in demand for their services. These housing entities have been 'doing more with less' for years and the sustainability of this approach has simply run out.

Federal funding has been dwindling for over a decade, so many PHAs haven't been able to rehabilitate their buildings as needed or to develop new housing units or options to meet the growing housing demand in their communities. Many housing entities have a portfolio of aging properties, which desperately need to be upgraded. Currently, the US public housing stock has an estimated \$25 billion backlog in maintenance and capital improvements with additional capital needs accruing each year. Even though US Congress has been opening up new paths for PHAs to leverage private capital to help redevelop their properties, financing redevelopment is complex and many housing entities do not have the expertise or resources to make these deals work.

Many properties cannot be improved to achieve sustainability without the addition of significant resources. There are about 10,000 public housing units lost each year to disrepair during a time when low-income families desperately need access to affordable housing.

Additionally, funding for operations has stagnated while housing entities are being asked to comply with more regulations and face pressure to 'graduate' residents from housing assistance programmes in order to serve more of the many families in need of affordable housing. Many residents cannot afford market-rate rents on their own without additional supports (such as childcare) and labour market investments (such as a GED, college degree, or technical certification).

At the same time, PHAs have been serving more disabled and aging residents, who may need special ongoing supports as they age. Housing entities are frequently tasked with providing these additional services and in many cases are not provided adequate resources to do so.

How does HAI Group help members with these challenges?

HAI Group is ultimately in the business of helping housing entities build sustainable communities. We are committed to meeting their continuum of needs, helping them do more with less, and be more effective community facilitators. We assist them in asset protection through our insurance solutions, organisational efficiency through our software solution, capitalisation and development through our financial products, human capital enrichment through our learning solutions, and in strengthening their political position through our research and advocacy solutions, as well as our national awareness campaign.

Our solutions were each created with the knowledge that housing entities are mission-driven organisations that are short on time,

highly regulated, and face severe funding challenges. HAI Group's solutions are designed to help our members protect and leverage their resources and to inject additional value into their businesses. For example, our solutions provide risk analysis, education and training to our members. Our software solutions provide support for the efficient and effective operational support to housing entities. Our financial capital solutions include additional consulting services.

We are currently expanding our view to include the issues and needs faced by the residents of facilitated housing communities, who are the 'customers' of our members.

How did HAI Group start out in captive insurance?

HAI Group's story speaks to our members' capacity for innovation. Three decades ago, public housing agencies were priced out of the insurance market because the mainstream market felt they were high risk. For many, insurance was not available. To obtain affordable insurance, they decided to band together and self-insure—what I would characterise as 'mutual aid' insurance structure.

After investigating the process, they felt that forming a captive would be the best solution. Federal legislation enacted at that time provided the housing industry with the ability to form a risk retention group utilising a captive insurance platform. The captive entity provided financial benefits as well as the benefit of self-governance.

What advice would you give to others seeking an insurance solution?

HAI Group's story demonstrates that insurance solutions provided by a risk and insurance entity, tailored to a niche community who are its owners, can be incredibly successful. What is more, the entity can serve as a catalyst to develop additional products and services for members in new areas and even impact how the public views the industry at large. We know our members and are able to meet their insurance needs based on their input and direction. Now we've been able to move beyond insurance needs and offer additional member-driven solutions to the industry.

The captive solution offers the financial flexibility needed to meet insurance needs in a cost-effective way. In addition, the captive governance model can bring industry decision-makers together and serves as a nexus to springboard discussions and actions about other industry needs. **CIT**



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