



*New*  
Opportunities



2 0 1 0 A N N U A L R E P O R T



## “ Our Mission:

*The mission of the Housing Authorities Risk Retention Pool is to provide needed insurance benefits for its Public Housing Agency members on a consistent basis at stable, affordable rates.*



## We strive to:

- Provide Member Public Housing Agencies with the broadest form of insurance coverages possible while maintaining strong, sound financial and business practices.
- Take a leadership role in meeting Members' needs to control risk and provide high quality risk management services.
- Encourage Member participation by keeping them informed of HARRP activities through regular newsletters and meetings and by soliciting feedback on HARRP operations.
- Provide prompt, courteous service to its Members.
- Increase the membership of Public Housing Agencies seeking stable, affordable insurance coverage who are supportive of HARRP services and management and who meet HARRP underwriting criteria.

New  
Opportunities

# Report to its Members

We are pleased to report that 2010 was another successful year for HARRP and its membership. Not only did 2010 go down in the book as one of the most successful years, 2010 also ushered in an exciting new opportunity to expand the already vast array of services for our members and their affiliates.

HARRP experienced claim activity reductions from 2009. The lower claim activity, HARRP's continued investment revenues and prudent administration costs further enhanced HARRP's financial position. The 2010 rates for all coverage lines remained unchanged. This reflects four consecutive years of no increases in rates. This phenomenal record illustrates the effectiveness of pooling and represents HARRP's core value of rate stability.

The decreased claim activity is also a testament to our members' dedication to sound risk management principles. To assist, HARRP continues to enhance its loss control services by increasing the frequency of field training and the continued development of online training material. Risk transfer protocol continues to be a high priority and HARRP's review of contractual insurance requirements continues to be an effective tool for our members in reducing their risk of loss.

Much of 2010 was devoted to bringing a vision to realization; the unveiling of the Affordable Housing Risk Pool, or AHRP. AHRP has been four years in the making and started much earlier as an idea to extend HARRP's excellent record of pooling to limited partnerships and non-profit affordable housing. After many different approaches to accomplish this monumental task, HARRP and its Board of Directors elected to pursue multi-State pooling of these entities through legislative channels. Concluding in 2010, legislation has been passed in three States, permitting AHRP to exist, exempt from insurance codes, and regulated by each State in much the same fashion as HARRP.

AHRP has partnered with Munich Reinsurance of America to provide reinsurance and the ability to satisfy lenders' requirements of an insuring entity's ability to prove solvency through the AM Best rating service. This partnership aligns AHRP with a leader in reinsurance and self-funded pooling and enhances the ability of HARRP to serve its members' needs.

On behalf of the HARRP staff and the Board of Directors, we thank you for your continued confidence and participation in HARRP. We strive to meet the needs of your authority and take great comfort in our members assisting us in developing programs and services geared to support you, our member. This is your pool, your active participation and feedback only elevates HARRP's effectiveness.



*Signing of Senate Bill 5665, (L to R) Gil Stuart, Producer, Al Alvarez, HARRP Risk Manager, Bill Gregory, HARRP Executive Director, Chris Gregoire, Governor of Washington, Michael Groesch, HARRP lobbyist, Kim Hermann, Executive Director, Washington State Housing & Finance Commission*

**Scott Foster**  
HARRP President

**William Gregory**  
Executive Director

# Overview



*Housing Authority of the  
County of Monterey*



*Vancouver Housing  
Authority*

The Housing Authorities Risk Retention Pool (HARRP) is a coalition of 89 housing authorities in the States of Washington, Nevada, Oregon and California, which have pooled their collective resources in order to provide insurance coverage at an affordable cost.

HARRP was formed in 1987 as a response to the rapidly escalating costs of insurance. The purpose of forming HARRP is to pool risks associated with operations connected with housing authority public agencies. Claims administration, risk management, financial services and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits and legal counsel are outsourced to firms specializing in pooling, habitational risks, employment law and civil litigation.



*Housing Authority of the  
County of Santa Cruz*

HARRP operates a subsidiary insurance agency, ORWACA Agency Insurance Services, Inc. that is dedicated to the procurement of commercial insurance products for HARRP's members and their affiliates. With four insurance agents and a reinsurance intermediary's license, the subsidiary focuses on acquiring specialty coverages excluded by HARRP or coverage for risks that are ineligible to be covered by HARRP, due to Internal Revenue Code Section 115.



*Linn-Benton  
Housing Authority*

HARRP insures its members for the first \$2M of each liability and property loss and \$1M for each auto loss. For property, excess coverage is purchased for catastrophic losses from the commercial insurance markets. Claims administration services are provided in-house, as is HARRP's cutting edge risk management services.

## Reserves

To maintain its status under HUD regulations as equivalent to a fiscally sound insurance company, HARRP must maintain assets sufficient to pay its anticipated losses and administrative costs. HARRP uses actuarial statistical models to ascertain losses for any given year. Also included in HARRP's annual analysis of claims, is the incurred but not reported losses (IBNR), which provides an additional level of safety when determining funding needs for the pool.

In most cases, property claims will settle out within a year of the date of loss. Although HARRP attempts to resolve liability claims in an efficient and timely manner, some liability claims may take several years to settle. HARRP establishes a reserve for each and every claim that is expected to result in any expenses to the pool. The reserves are frequently reviewed to assure that they reflect the latest activity on the claim.



Housing Authority of Skagit County

## Surplus

HARRP has always maintained its mantra on stability and conservative funding and 2010 was no exception. In the unlikely event of a disastrous claim year, HARRP has the fiscal ability to absorb the unforeseen escalation in loss costs. As of December 31, 2010, HARRP's retained surplus is in excess of \$26.8M. HARRP's surplus has again exceeded the industry benchmark goal of ten times of the self insured retention, or \$20M. As HARRP's operations and exposures are geographically spread out, the occurrence of many catastrophic losses is extremely remote. Few insurers could boast of this level of protection for its policyholders.



Housing Authority of the County of Santa Barbara

## Investments

HARRP utilizes the services of Smith Barney, a subsidiary of Morgan Stanley, for investment management and custodial agent services. Smith Barney currently manages over \$29M of investments, invested predominantly in Government Agency bonds. Strict adherence to various governmental regulations is observed by HARRP, making the portfolio very conservative and safe. As such, HARRP's investment portfolio earned just over \$598,844 in returns for 2010, at an average rate of 2.91%.



Housing Authority of the City of Reno

# Claims Management & Satisfaction Survey Results

While no claim is a pleasant experience, HARRP strives to make the process as painless and professional as possible. With the overall goal of relieving our members from much of the inconvenience associated with repair and/or replacement after a loss, HARRP utilizes regional insurance adjustors that have a proven track record of efficiency, professionalism and knowledge. Additionally, HARRP engages defense counsel who consistently meet HARRP's high expectation of service, communications, expertise and expense.

Annually, HARRP conducts claim satisfaction surveys to solicit members' overall claims experience. The satisfaction survey is a very important benchmark for HARRP. HARRP bases its success on service, and the claims satisfaction survey provides feedback on a critical part of HARRP's operation. The satisfaction results for 2000-2010 are as follows:

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Very Satisfied</b>	44%	70%	67%	72%	72%	76%	71%	85%	84%	83%	82%
<b>Satisfied</b>	53%	28%	33%	28%	28%	24%	28%	15%	16%	17%	16%
<b>Not Satisfied</b>	3%	2%	0%	0%	0%	0%	1%	0%	0%	0%	2%

Each of HARRP's full time staff members is responsible for a varying range of duties. All staff members bring a high level of expertise, coupled with broad experience in the issues encountered by pools and the specific functions housing authorities face daily.

As with most small offices, HARRP relies heavily on cross training, to assure uninterrupted service to its members. Staff members have been with HARRP for a combined 50 years! Stability not only applies to rates and coverage, but also to the dedicated staff that serves its members.

### *from Left to Right*

■ **William (Bill) Gregory**, *Executive Director*  
Loss control issues, compliments, complaints, suggestions, coverage issues, board relations, human resources, management of day-to-day operations

■ **Gil Stuart**, *Agency Producer*  
ORWACA Agency, commercial quotes, marketing

■ **Michelle Frye**, *Accountant*  
Accounts receivable, accounts payable, financial statements, human resources

■ **Albert (Al) Alvarez**, *Risk Manager*  
Loss control issues, contractual risk transfer issues, risk/loss analysis, training needs, insurance contract evaluation

■ **Robin Cox**, *Member Services Representative*  
ORWACA Agency quotes and other related issues, board meeting issues, website issues/questions, HARRP invoicing, annual coverage renewal issues, new member quotes, adding/deleting properties and/or vehicles, requests for insurance certificates or endorsements

■ **Rick Gehlhaar**, *Claims Manager*  
New and existing claims, claim adjustment, litigation issues, loss control issues

■ **Rebecca Plummer**, *Administrative Assistant*  
Office support and services



# Auditor's Report



**The Board of Directors  
Housing Authorities Risk Retention Pool and Subsidiary  
Vancouver, Washington**

We have audited the accompanying consolidated statement of net assets of Housing Authorities Risk Retention Pool and Subsidiary (the "Pool") as of December 31, 2010, and the related consolidated statement of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Housing Authorities Risk Retention Pool and Subsidiary as of and for the year ended December 31, 2009 were audited by other auditors whose report dated March 22, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Authorities Risk Retention Pool and Subsidiary as of December 31, 2010 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 and The Reconciliation of Claims Liabilities by Type of Coverage and the Ten Year Loss Development Information on pages 19 and 20 are not a required part of the basic consolidated financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of expressing an opinion on the basic consolidated financial statements taken as a whole. Notes to the financial statements on pages 14 through 18 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*Perkins & Company, P.C.  
Portland, Oregon  
April 7, 2011*

# Management Discussion & Analysis

## ■ INTRODUCTION

The management of the Housing Authorities Risk Retention Pool is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with HARRP's consolidated financial statements and notes.

## ■ FINANCIAL HIGHLIGHTS

- Net income was \$948,000, an increase of 40% from prior year, due primarily to a decrease in claims expenses.

## ■ GENERAL PROGRAM HIGHLIGHTS

The Housing Authorities Risk Retention Pool (HARRP) was formed in 1987 as a response to the rapidly escalating costs of insurance. The purpose of forming HARRP is to pool risk associated with operations conducive to housing authority public agencies. HARRP is governed by a nine-member Board of Directors, elected by and representing member housing authorities that participate in the HARRP program. There are four standing committees, charged with program changes and recommendations, financial overview, claims management and loss control.

Claims administration, risk management, financial services and underwriting are performed in-house. Claims adjusting, actuarial analysis, financial audits and legal counsel are outsourced to firms specializing in pooling, habitational risks, employment law, and civil litigation.

HARRP operates a subsidiary insurance agency, dedicated to procurement of commercial insurance products for the HARRP membership. With four licensed insurance agents, the subsidiary specializes in acquiring specialty coverage's specifically excluded by HARRP or coverage for risks that are ineligible to be covered by HARRP due to Internal Revenue Code restrictions.

## ■ FINANCIAL STATEMENT OVERVIEW

HARRP reports its financial activities as an enterprise fund, utilizing full accrual practices, meaning revenues are booked as earned and expenses are recognized as they are incurred. HARRP establishes a budget annually to monitor many aspects of the financial status of the pool.

The annual financial report consists of a Consolidated Statement

of Net Assets, Consolidated Statements of Revenues, Expenses and Changes in Net Assets and Consolidated Statement of Cash Flows. This report also contains supplementary information in addition to the basic financial statements.

- The Consolidated Statement of Net Assets presents information of the Pool's assets and liabilities, and net assets or members' equity. Increase or decrease in the members' equity from year to year is an indication of how effectively HARRP is rating their program to assure sufficient funding and HARRP's internal administrative efficiency.

- The Consolidated Statement of Revenues, Expenses and Changes in Net Assets present information showing total revenues versus total expenses and how the pool's net equity position changed from year-end 2008 to year-end 2010. All revenues and expenses are reported on an accrual basis.

In the required supplemental information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage as well as the Ten Year Loss Development Information. The Ten Year Loss Development Information schedule for the most recent ten years shows loss development which simply confirms, or denies, that the originally funded rate was adequate, or inadequate, to cover the cost of losses as the loss matures. These reports are submitted pursuant to Governmental Accounting Standards Board (GASB) Statement 10 as amended by Statement 30.

In the supplemental information section of the audit report, the Consolidating Statement of Net Assets and the Consolidating Statement of Revenues, Expenses and Changes in Net Assets or Members' Equity, is presented by program, hence, HARRP and ORWACA Agency Insurance Services, Inc. This allows specific identification of performance by each program.

Referral to the accompanying consolidated financial statements and the related notes for the consolidated financial statement is encouraged.

The overall financial position of HARRP continues to improve. HARRP continues to have favorable claims experience, but decreases in investment earnings, increased cost of property excess insurance and the purchasing of equipment breakdown coverage once again, slowed the growth of the pool. The elimination of premium ceded to reinsurers in 2005 continues to bolster the equity position.

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## ANALYSIS OF THE CONSOLIDATED STATEMENTS OF NET ASSETS

	2010	2009	2008
<b>Assets</b>			
Current and Other Assets	\$ 30,315,518	\$ 30,080,794	\$ 28,182,359
Capital Assets	1,866,229	1,974,687	1,991,968
Total Assets	<u>32,181,747</u>	<u>32,055,481</u>	<u>30,174,327</u>
<b>Liabilities</b>			
Current Liabilities	4,793,281	4,001,945	3,679,209
Noncurrent Liabilities	538,421	2,152,633	1,266,635
Total Liabilities	<u>5,331,702</u>	<u>6,154,578</u>	<u>4,945,844</u>
Minority Interest	<u>10,017</u>	<u>8,774</u>	<u>13,673</u>
<b>Net Assets</b>			
Invested in Capital Assets	1,866,229	1,974,687	1,991,968
Unrestricted	24,973,799	23,917,442	23,222,842
Total Net Assets	<u>\$ 26,840,028</u>	<u>\$ 25,892,129</u>	<u>\$ 25,214,810</u>

### ■ ASSETS

Total assets increased by \$126,266 from the previous year. This follows an increase in assets of \$1,881,154 from 2008 to 2009. In 2008, HARRP purchased two buildings for its operations. HARRP was renting office space up until this point. The Board of Directors decided to move ahead with the purchase not only to house HARRP's current administrative operations but prepare for future growth as well.

HARRP invests approximately \$29 million in government backed securities as stipulated by applicable State investment statutes. Income derived from these investments is used to determine future rates and to offset administrative costs associated with the implementation of services and compliance with local, state and federal statutes.

### ■ LIABILITIES

Total liabilities decreased approximately 13% in 2010 over the previous period. Pool liabilities are generally unearned member contributions (deferred revenue), claim reserves payable at a future date, incurred but not reported (IBNR) claims and accounts payable.

### ■ REVENUES

Members contribute funds to the pool allowing HARRP to manage its objective of self-insurance. The predominant source of revenue is member contributions. The contributions are determined actuarially, based on loss trends, exposure units, and other trending factors with rates ultimately adopted by the Board of Directors.

Revenues (exclusive of investment income) were flat in 2010. Property coverage revenue is based upon the total insured values (TIV) of structures. HARRP's concentration of appraising the property inventory in both 2008 and 2009 increased the TIV's and now HARRP is confident the exposure is adequately reflected in premium, identified as revenue.

### ■ EXPENSES

Pool administration costs are comprised of administration and claims handling costs. In 2010, HARRP saw an approximate 5% decrease in expenses below 2009. The cost of procuring property excess coverage increased by 20% and salary/benefits edged upward by 2%.

Claims expenses were markedly lower in 2010 in relation to 2009. This decrease is largely due to a large fire loss, suffered in 2009. This volatility signifies the challenges of predicting losses year to year and the importance of funding the program with adequate capital, especially in light of no reinsurance ceding.

### ■ DEBT ADMINISTRATION

HARRP has no existing or pending long term debt. HARRP is positioned to finance bonds in the four states in which it operates to raise capital, if needed. There are no plans in the immediate future to raise capital through bond financing. In the 23 years since inception HARRP has not had to rely on debt financing to fund any portion of its operation.

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## ANALYSIS OF THE CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES

The Consolidated Statements of Revenues and Expenses depict the activities of HARRP for the years ended December 31, 2010, 2009 and 2008. The revenues and expenses are presented on an accrual basis of accounting.

	2010	2009	2008
<b>Revenues</b>			
Member Contributions	\$ 5,210,571	\$ 5,245,215	\$ 5,037,751
Investment Income	598,844	623,597	1,360,904
Other Income	187,810	145,239	133,072
Total Revenue	<u>5,997,225</u>	<u>6,014,051</u>	<u>6,531,727</u>
<b>Expenses</b>			
Claims Expense	2,998,689	3,510,578	3,264,646
Administration/Other Expense	2,049,394	1,831,053	1,493,798
Total Expenses	<u>5,048,083</u>	<u>5,341,631</u>	<u>4,758,444</u>
Minority Interest	<u>(1,243)</u>	<u>4,899</u>	<u>(10,014)</u>
Change in Net Assets	947,899	677,319	1,763,269
Net Assets, Beginning	<u>25,892,129</u>	<u>25,214,810</u>	<u>23,451,541</u>
Net Assets, Ending	<u>\$ 26,840,028</u>	<u>\$ 25,892,129</u>	<u>\$ 25,214,810</u>

Referral to the accompanying consolidated financial statements and the related notes for the consolidated financial statement is encouraged.

### ■ FORECAST OF FACTS OR CONDITION AFFECTING RESULTS OF OPERATIONS

HARRP benefits from its long term existence as a risk pool. The cumulative surplus that has been generated to assure HARRP's solvency, continues to earn interest. The conservative nature of investing, to which HARRP adheres, provides revenue in addition to the revenues generated by pool contributions. This rate of investment return is factored into rate setting at the beginning of each year.

The industry trending prediction has indicated a hardening property/casualty insurance market for the past three years. This hardening has not occurred and industry professionals are speculating the soft market will continue into 2011.

In 2010, HARRP obtained board and member approval to launch a subsidiary pool, known as the Affordable Housing Risk Pool (AHRP). AHRP is designed to capture affordable housing developments that have been financed with tax credits and/or non-profit funding. AHRP is awaiting regulatory approval which

is expected to occur during the first quarter in 2011. Assuming regulatory approval is obtained, AHRP will begin its operations shortly thereafter. The feasibility considerations and formation of AHRP had no bearing on HARRP other than expenses incurred for legal, tax and legislative assistance.

### ■ FINANCIAL CONTACT

This financial report is designed to provide a general overview of HARRP's finances for all those individuals with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authorities Risk Retention Pool, 7111 NE 179th Street, Vancouver, WA 98686-1888.

# Financial Section

## CONSOLIDATED STATEMENTS OF NET ASSETS

	2010	2009
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,170,190	\$ 1,158,420
Interest receivable	192,291	241,578
Investments	2,251,375	4,758,503
Accounts receivable, net	86,297	30,531
Prepaid expenses	26,611	32,200
Total current assets	<u>3,726,764</u>	<u>6,221,232</u>
<b>NON-CURRENT INVESTMENTS</b>	26,588,754	23,859,562
<b>CAPITAL ASSETS, NET</b>	<u>1,866,229</u>	<u>1,974,687</u>
	<u>32,181,747</u>	<u>32,055,481</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	211,864	99,445
Unearned contributions	2,427,735	2,327,500
Current portion of losses and loss adjustment expense reserves	2,153,682	1,575,000
Total current liabilities	<u>4,793,281</u>	<u>4,001,945</u>
<b>NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES</b>	538,421	2,152,633
<b>MINORITY INTEREST</b>	<u>10,017</u>	<u>8,774</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	1,866,229	1,974,687
Unrestricted	24,973,799	23,917,442
Total net assets	<u>\$ 26,840,028</u>	<u>\$ 25,892,129</u>

See Notes to Consolidated Financial Statements

# CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2010	2009
<b>OPERATING REVENUES:</b>		
Contributions earned	\$ 5,210,571	\$ 5,245,215
Commissions	187,810	145,239
Total operating revenues	5,398,381	5,390,454
<b>OPERATING EXPENSES:</b>		
Change in losses and loss adjustment expenses incurred	2,998,689	3,510,578
Excess insurance expense	514,563	416,289
Professional fees	216,542	200,736
Salaries and benefits	765,084	750,636
General and administrative expense	444,748	348,628
Depreciation expense	108,457	114,764
Total operating expenses	5,048,083	5,341,631
<b>OPERATING INCOME</b>	350,298	48,823
<b>NON-OPERATING INCOME</b>		
Investment income	598,844	623,597
<b>INCREASE IN NET ASSETS BEFORE MINORITY INTEREST</b>	949,142	672,420
<b>(INCOME) LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	(1,243)	4,899
<b>INCREASE IN NET ASSETS</b>	947,899	677,319
<b>NET ASSETS, BEGINNING</b>	25,892,129	25,214,810
<b>NET ASSETS, ENDING</b>	\$ 26,840,028	\$ 25,892,129

*See Notes to Consolidated Financial Statements*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions received	\$ 5,325,258	\$ 5,518,375
Commissions received	117,592	278,257
Losses and loss adjustment expenses paid	(4,034,219)	(2,349,580)
Salaries and benefits paid	(756,824)	(750,636)
General and administrative expenses paid	(334,999)	(485,180)
Professional fees paid	(216,542)	(200,736)
Excess insurance expenses paid	(514,563)	(416,289)
Net cash provided by (used in) operating activities	(414,297)	1,594,211
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	-	(97,483)
Net cash used in capital and related financing activities	-	(97,483)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	1,033,729	1,185,705
Purchase of investments	(24,527,546)	(26,284,139)
Proceeds from sales and maturities of investments	23,919,884	18,530,577
Net cash flows provided by (used in) investing activities	426,067	(6,567,857)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,770	(5,071,129)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,158,420	6,229,549
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,170,190	\$ 1,158,420
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 350,298	\$ 48,823
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	108,458	114,764
Changes in assets and liabilities:		
Accounts receivable	(55,766)	206,856
Prepaid expenses	5,589	(16,806)
Unearned contributions	100,235	66,304
Accounts payable and accrued expenses	112,419	13,272
Losses and loss adjustment expense reserves	(1,035,530)	1,160,998
Net cash provided by (used in) operating activities	\$ (414,297)	\$ 1,594,211
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Non-cash investing and financing activities:		
Decrease in fair market value of investments	\$ (358,598)	\$ (556,918)

*See Notes to Consolidated Financial Statements*

# Notes

## Consolidated Financial Statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** – Housing Authorities Risk Retention Pool (the “Pool”) and Subsidiary was established by public housing authorities participating in an Intergovernmental Cooperation Agreement pursuant to specific statutes in Oregon, Washington, California and Nevada for the purpose of operating property, general liability, automobile, fidelity, and public officials’ errors and omissions coverage to participants.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

**Principles of Consolidation** – The accompanying consolidated financial statements include the accounts of Housing Authorities Risk Retention Pool and ORWACA Agency Insurance Services, Inc. (“Agency”), in which the Pool maintains a 75% equity interest. The remaining 25% interest was distributed to members of the Pool during 1997. The equity and losses attributable to the 25% interest that is held directly by the members of the Pool are reported as minority interest in these consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

**Basis of Accounting** – This Pool’s financial statements are prepared on the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recorded at the time liabilities are incurred. The Pool applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations, except when superseded by Government Accounting Standards Board (GASB) pronouncements.

**Membership** – There were 89 member public housing authorities at December 31, 2010. Currently, the Pool has 76 members who participate in Auto, 89 members who participate in General Liability, 86 members who participate in Errors & Omissions and 88 members who participate in Property.

Under the Pool’s Intergovernmental Cooperation Agreement, new members may be admitted by a majority vote of the Board of Directors.

Upon entry into the Pool, members may not voluntarily withdraw for a period of three years. Members must submit 30 days written notice prior to voluntary withdrawal. Members may be expelled by a majority vote of the Board of Directors. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums.

**Description of Programs** – The Pool’s Self Insurance Programs (Auto Liability, General Liability, Errors & Omissions, Property and Employment Practices) were established for the purpose of operating and maintaining a self-insurance or group insurance program. Member contributions for coverage are to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Excess insurance premiums
- Claims administration expenses
- Investigative costs
- Legal costs
- Internal administration service costs
- Audit costs
- Actuarial expenses
- Miscellaneous

The Board of Directors determines contribution requirements annually for the self insurance programs adequate to fund for internal administration projected losses and excess insurance costs. Member deductibles, self-insured retention (SIR) and excess insurance for each program are as follows:

#### Auto Liability

Member Deductible:	\$250 to \$500 per occurrence (varies)
SIR Auto Physical Damage:	Actual Cash Value
SIR Bodily Injury & Property Damage:	\$1,000,000 per occurrence

#### General Liability

Member Deductible:	None-or-\$2,500 to 10% of claim per occurrence
SIR:	\$2,000,000 per occurrence

#### Errors & Omissions

Member Deductible:	10% co-share
SIR:	\$2,000,000 per occurrence

#### Property

Member Deductible:	\$1,000 to \$25,000 per occurrence (varies)
SIR:	\$2,000,000 per occurrence
Excess Property:	\$2,000,001 to \$65,000,000

#### Employment Practices

Member Deductible:	10% co-share
SIR:	\$2,000,000 per occurrence

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## Notes Consolidated Cont...

*continued from page 14*

**Statement of Cash Flows** - The Pool considers interest on investments to be nonoperating revenue; therefore, investment income is presented in the investing section of the Statement of Cash Flows.

**Cash and Cash Equivalents** - The Pool considers all highly liquid investments with an original maturity of three months or less and money market mutual funds to be cash equivalents.

**Accounts Receivable** - Accounts receivable reflects uncollateralized amounts due from housing authorities for contributions billed and commissions due from insurance companies. The Pool grants credit to housing authorities in Oregon, Washington, California and Nevada. Contributions are due from housing authorities generally prior to the start of the coverage period. Interest is not charged on delinquent balances. Management individually reviews all delinquent balances and works with the housing authority to collect amounts owing. Receivable balances delinquent more than 90 days were \$10 and \$7,038 as of December 31, 2010 and 2009, respectively. The Pool did not provide an allowance for doubtful accounts as all accounts are considered collectible.

Accounts receivable also consists of amounts due from entities or individuals as a result of the settlement of claims (i.e. subrogation receivable). Interest is not charged on delinquent balances. Management individually reviews all subrogation receivable balances and determines the required allowance for doubtful accounts on a specific identification basis. Subrogation receivable balances delinquent more than 90 days were \$101,994 and \$49,614 as of December 31, 2010 and 2009, respectively. The Pool provided an allowance for doubtful accounts of \$105,311 and \$49,614, as of December 31, 2010 and 2009, respectively, on outstanding subrogation receivables.

**Deferred Revenue/Prepaid Expenses** - Policy period-end varies by member. As such, certain revenues are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of revenues and expenses for the fiscal year-end financial statements.

**Investments** - The Pool records its investments at fair market value. Changes in fair market value are reported as revenue in the statement of operations and statement of net assets. Fair market value of investments has been determined by the Pool based on quoted market prices. Realized losses on investments sold in 2010 and 2009 were \$308,075 and \$39,040, respectively.

**Capital Assets and Depreciation** - Capital assets are carried at cost. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The useful lives of capital assets are estimated as follows:

Building and improvements	39 years
Furniture and equipment	3 to 5 years

**Losses and Loss Adjustment Expense** - Each program establishes claims liabilities based on estimates of the ultimate cost

of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

**Contribution Revenue** - Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Revenues mainly consist of premium contributions from members. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs and operating expenses and is recognized as revenues in the period for which insurance protection is provided.

**Minority Interest** - Generally Accepted Accounting Principles (GAAP) states that in the unusual case in which losses applicable to the minority interest in a subsidiary exceed the minority interest in the equity capital of the subsidiary, such excess and any further losses applicable to the minority interest should be charged against the majority interest, as there is no obligation of the minority interest to make good such losses. However, if future earnings do materialize, the majority interest should be credited to the extent of such losses previously absorbed. As of December 31, 2010 and 2009, minority interest in statement of net assets was \$10,017 and \$8,774, respectively.

**Use of Estimates** - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts

*continues on page 16*

## Notes Consolidated Cont...

continued from page 15

of revenues and expenses during the reporting actual results could differ from those statements.

**Income Tax Status** - The Pool is exempt from federal and state income taxes under Internal Revenue Code Section 115. Agency is a licensed insurance producer and is not exempt from income taxes. Incomes taxes incurred by Agency are recognized when incurred.

**Subsequent Events** - The Pool has performed an evaluation of subsequent events through April 7, 2011, which is the date these financial statements were available to be issued. Subsequent to year end, the Pool obtained board approval of a subsidiary pool known as the Affordable Housing Risk Pool (AHRP). AHRP is designed to capture affordable housing developments that have been financed with tax credits and/or non-profit funding. Subsequent to December 31, 2010, the Pool has capitalized AHRP with a \$5,000,000 contribution.

## 2. CASH AND CASH EQUIVALENTS

Cash consisted of the following at December 31:

	2010	2009
Balance Per Bank	\$ 1,396,044	\$ 1,808,858
Less: Outstanding Checks	(225,854)	(650,438)
Total Cash and Equivalents	<u>\$ 1,170,190</u>	<u>\$ 1,158,420</u>

The amount of Housing Authorities Risk Retention Pool's cash is covered by federal depository insurance up to \$250,000. Should

deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with Washington law requiring the depository bank to hold collateral equal to 100% of the excess government funds on deposit.

Agency cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies.

## 3. INVESTMENTS

The Pool had the following investments held in a managed portfolio as of December 31:

	2010	2009
Federal Agencies	\$ 28,228,485	\$ 27,807,510
Municipal Bonds	25,641	114,803
Certificates of Deposit	586,003	695,752
Total	<u>\$ 28,840,129</u>	<u>\$ 28,618,065</u>

HARRP's investment policy does not expressly permit certificates of deposits because they are not permitted investments under the investment laws of the four constituent States. The certificates of deposit were purchased by HARRP's investment manager based on the mistaken belief that they were permitted because they are FDIC-insured. To avoid prepayment penalties, the Pool has decided to hold the Certificate of Deposits until maturity.

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Pool's investment policy limits the investment portfolio to maturities of not more than five years from the date of investment.

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Investment Type	Fair Value	Investment Maturities as of December 31, 2010		
		<1 yr	1-3 yrs	>3 yrs
Federal agencies	\$ 28,228,485	\$ 1,738,985	\$ 10,600,699	\$ 15,888,801
Municipal bonds	25,641	25,641	-	-
Certificates of deposit	586,003	486,749	99,254	-
Total investments at fair value	<u>\$ 28,840,129</u>	<u>\$ 2,251,375</u>	<u>\$ 10,699,953</u>	<u>\$ 15,888,801</u>

Investment Type	Fair Value	Investment Maturities as of December 31, 2009		
		<1 yr	1-3 yrs	>3 yrs
Federal agencies	\$ 27,807,510	\$ 4,670,538	\$ 8,275,287	\$ 14,861,685
Municipal bonds	114,803	87,965	26,838	-
Certificates of deposit	695,752	-	695,752	-
Total investments at fair value	<u>\$ 28,618,065</u>	<u>\$ 4,758,503</u>	<u>\$ 8,997,877</u>	<u>\$ 14,861,685</u>

## Notes Consolidated Cont...

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**Credit Risk** - It is the Pool's general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Securities eligible for investments are direct obligations of the U.S. Government (U.S. Treasury obligations), U.S. Government agency securities and Money Market bank accounts. U.S. Treasury obligations are backed by the full faith and credit of the U.S. Government. Government agency securities are rated "AAA" by Standards and Poor's. Certificates of Deposit are covered by federal depository insurance.

**Concentration of Risk** - The Pool's investment policy allows for purchase of unlimited quantities of U.S. Treasury obligations, U.S. Government agency securities, or Money Market bank accounts. At December 31, the investments concentrated 5% or more as a percentage of the total investment portfolio as follows:

	2010 <u>% of Portfolio</u>	2009 <u>% of Portfolio</u>
Federal Home Loan Banks	36.90%	34.42%
Federal Home Loan Mortgage Corporation	32.60%	25.90%
Federal National Mortgage Association	13.77%	22.43%
Federal Farm Credit Banks	9.89%	9.47%

## 4. CAPITAL ASSETS

Capital assets are as follows for 2009 and 2010:

	<u>Balance at 12/31/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/10</u>
Land	\$ 285,900	\$ -	\$ -	\$ 285,900
Building and Improvements	1,483,738	-	-	1,483,738
Furniture and Equipment	470,045	-	-	470,045
Less Depreciation	<u>(264,996)</u>	<u>(108,458)</u>	-	<u>(373,454)</u>
Net Capital Assets	<u>\$ 1,974,687</u>	<u>\$ (108,458)</u>	<u>\$ -</u>	<u>\$ 1,866,229</u>

Depreciation expense was \$108,458 and \$114,764 for the years ended December 31, 2010 and 2009, respectively.

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## 5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Pool establishes a liability for both reported and unreported insured events at undiscounted amounts, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Pool during the years ended December 31:

	<u>2010</u>	<u>2009</u>
Losses and loss adjustment expense reserves, beginning of year	\$ 3,727,633	\$ 2,566,635
Incurring losses and loss adjustment expenses:		
Provision for covered events of the current year	3,079,516	4,301,509
Increase (decrease) in provision for covered events of the prior year	<u>(80,827)</u>	<u>(790,931)</u>
Total incurred losses and loss adjustment expenses	<u>2,998,689</u>	<u>3,510,578</u>
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	1,636,340	1,559,992
Losses and loss adjustment expenses attributable to covered events of the prior year	<u>2,397,879</u>	<u>789,588</u>
Total payments	<u>4,034,219</u>	<u>2,349,580</u>
Loss and loss adjustment expense reserves, end of year	<u>\$ 2,692,103</u>	<u>\$ 3,727,633</u>
Detail of losses and loss adjustment expense reserves		
Current portion	\$ 2,153,682	\$ 1,575,000
Long-term portion	<u>538,421</u>	<u>2,152,633</u>
	<u>\$ 2,692,103</u>	<u>\$ 3,727,633</u>

## 6. EXCESS INSURANCE

The Pool purchases excess insurance to reduce its exposure to large losses in its property program. The Pool does not report any liabilities that are the responsibility of the excess insurance carrier.

Loss coverage of \$63,000,000 in excess of \$2,000,000 is available for each occurrence, for each housing authority. The Pool provides coverage for the members' stated total insured value up to the excess coverage limit.

## 7. PENSION AND DEFERRED COMPENSATION PLANS

The Pool offers, to all of its employees, participation in a money purchase pension plan. There is no service requirement to participate in the Plan. The Pool contributes 15% of the employee's eligible earnings. The participants become fully vested in the pension plan after three years of service. Contributions by the Pool to the pension plan amounted to \$88,017 and \$83,159 in 2010 and 2009, respectively, which was the required contribution. In 2010 and 2009, total eligible earnings amounted to \$595,266 and \$582,667, respectively.

The Pool also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits eligible employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, and death.

All amounts of compensation deferred under the plan, all amounts transferred to the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Pool's general creditors. The Pool has little administrative involvement with the plan and does not perform the investing function. Therefore, in accordance with GASB No. 32, the plan assets are excluded from the consolidated balance sheets of the Pool.

Funds accumulated under the deferred compensation plan totaled \$114,403 and \$92,799 at December 31, 2010 and 2009, respectively. Current year balance reflects withdrawals upon retirements.

# RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE

YEARS ENDED DECEMBER 31, 2010 AND 2009 (Unaudited)

# Supplementary Information

The schedule below presents the changes in losses and loss adjustment expenses for 2010 and 2009 for the Pool's three types of coverage, property, general and public officials' liability, and automobile liability:

	Property		General and Public Officials' Liability		Automobile Liability		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009
Unpaid claims and claim adjustment expenses, beginning of year	\$ 1,890,078	\$ 1,090,482	\$ 1,725,686	\$ 1,054,316	\$ 111,869	\$ 421,837	\$ 3,727,633	\$ 2,566,635
Incurred losses and loss adjustment expenses:								
Provision for covered events of the current year	1,617,452	3,078,284	1,341,049	1,096,018	121,015	127,207	3,079,516	4,301,509
Increase (decrease) in provision for covered events of the prior year	(232,533)	(274,743)	60,705	(395,511)	91,001	(120,677)	(80,827)	(790,931)
Total incurred losses and loss adjustment expenses	1,384,919	2,803,541	1,401,754	700,507	212,016	6,530	2,998,689	3,510,578
Payments:								
Losses and loss adjustment expenses attributable to covered events of the current year	1,296,303	1,306,563	249,915	176,218	90,122	77,211	1,636,340	1,559,992
Losses and loss adjustment expenses attributable to covered events of the prior years	1,308,534	697,382	946,152	(147,081)	143,193	239,287	2,397,879	789,588
Total payments	2,604,837	2,003,945	1,196,067	29,137	233,315	316,498	4,034,219	2,349,580
Unpaid losses and loss adjustment expenses, end of year	\$ 670,160	\$ 1,890,078	\$ 1,931,373	\$ 1,725,686	\$ 90,570	\$ 111,869	\$ 2,692,103	\$ 3,727,633

# TEN YEAR LOSS DEVELOPMENT INFORMATION (Unaudited)

## YEAR ENDED DECEMBER 31, 2010

	Fiscal and Policy Year Ended									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Required Contribution and Investment Revenue	\$ 53,12,571	\$ 5,877,498	\$ 4,971,351	\$ 5,298,979	\$ 5,567,010	\$ 6,279,813	\$ 6,624,953	\$ 6,531,727	\$ 6,001,790	\$ 5,809,396
Ceded	(689,182)	(681,587)	(1,479,800)	(1,276,413)	(670,305)	(105,038)	(107,272)	(330,953)	(410,779)	(496,774)
(1) Net Earned Required Contribution and Investment Revenues	4,623,389	5,195,911	3,491,551	4,022,566	4,896,705	6,174,775	6,517,681	6,200,774	5,591,011	5,312,622
(2) Unallocated Expenses	820,725	791,973	928,333	1,070,040	1,096,163	1,131,816	1,074,984	1,162,845	1,403,050	1,552,434
(3) Estimated Incurred Claims and Expense										
End of Year	2,405,500	3,449,600	2,956,770	2,415,156	3,733,044	3,069,987	3,022,076	2,947,756	4,301,509	3,079,516
Ceded	-	(335,000)	(412,000)	-	(144,900)	-	-	-	-	-
Net Incurred	2,405,500	3,114,600	2,544,770	2,415,156	3,588,144	3,069,987	3,022,076	2,947,756	4,301,509	3,079,516
(4) Paid (Cumulative)										
End of Year	844,906	1,318,812	862,455	905,507	1,391,001	1,546,696	1,107,512	1,500,706	1,559,992	1,636,340
One Year Later	1,910,474	2,317,373	1,487,733	1,745,980	3,043,199	2,877,317	2,766,861	2,138,332	3,563,943	
Two years Later	2,161,580	2,543,613	1,870,685	1,931,110	3,331,154	3,089,381	3,015,389	2,211,968		
Three Years	2,202,884	2,670,687	1,971,412	1,961,123	3,371,091	3,112,323	3,267,923			
Four Years Later	2,261,928	2,680,139	1,968,222	1,966,587	3,245,164	3,106,534				
Five Years Later	2,395,584	2,679,359	1,968,222	1,975,936	3,276,442					
Six Years Later	2,472,134	2,679,359	1,968,222	2,006,582						
Seven Years Later	2,450,710	2,679,086	1,968,168							
Eight Years Later	2,450,710	2,679,086								
Nine Years Later	2,450,710									
(5) Reestimated Ceded Claims and Expenses	-	1,632,423	472,366	-	180,250	-	-	-	-	-
(6) Reestimated Incurred Claims and Expenses										
End of Year	2,405,500	3,114,600	2,544,770	2,415,156	3,588,144	3,069,987	3,022,076	2,947,756	4,301,509	3,079,516
One Year Later	2,204,700	2,792,169	1,983,753	2,229,094	3,550,162	3,275,638	3,518,679	2,412,038	4,334,562	
Two years Later	2,307,438	2,787,636	2,090,770	2,022,527	3,554,941	3,152,653	3,357,997	2,286,653		
Three Years	2,374,415	2,817,504	2,091,764	2,030,810	3,455,627	3,145,522	3,416,499			
Four Years Later	2,319,849	2,702,607	1,976,324	2,030,456	3,294,122	3,106,754				
Five Years Later	2,453,982	2,699,147	1,968,822	2,024,045	3,276,442					
Six Years Later	2,489,593	2,679,359	1,968,168	2,064,045						
Seven Years Later	2,450,710	2,679,086	1,968,168							
Eight Years Later	2,450,710	2,679,086								
Nine Years Later	2,450,710									
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	\$ 45,210	\$ (435,514)	\$ (576,602)	\$ (351,111)	\$ (311,702)	\$ 36,767	\$ 394,423	\$ (661,103)	\$ 33,053	\$ -

# CONSOLIDATING STATEMENT OF NET ASSETS

## YEAR ENDED DECEMBER 31, 2010

	Housing Authorities Risk Retention Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 1,013,061	\$ 157,129	\$ -	\$ 1,170,190
Interest Receivable	192,291	-	-	192,291
Investments	2,251,375	-	-	2,251,375
Accounts receivable, net	112,905	83,973	(110,581)	86,297
Prepaid expenses	22,263	4,348	-	26,611
Total Current Assets	<u>3,591,895</u>	<u>245,450</u>	<u>(110,581)</u>	<u>3,726,764</u>
<b>NON-CURRENT INVESTMENTS</b>	26,588,754	-	-	26,588,754
<b>INVESTMENT IN SUBSIDIARY</b>	7,570	-	(7,570)	-
<b>CAPITAL ASSETS, NET</b>	<u>1,866,229</u>	<u>-</u>	<u>-</u>	<u>1,866,229</u>
	<u>32,054,448</u>	<u>245,450</u>	<u>(118,151)</u>	<u>32,181,747</u>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued expenses	117,062	205,383	(110,581)	211,864
Unearned contributions	2,427,735	-	-	2,427,735
Current portion of losses and loss adjustment expense reserves	2,153,682	-	-	2,153,682
Total Current Liabilities	<u>4,698,479</u>	<u>205,383</u>	<u>(110,581)</u>	<u>4,793,281</u>
<b>NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES</b>	538,421	-	-	538,421
<b>MINORITY INTEREST</b>	-	-	10,017	10,017
<b><u>NET ASSETS</u></b>				
Invested in capital assets	1,866,229	-	-	1,866,229
Unrestricted	24,951,319	40,067	(17,587)	24,973,799
Total Net Assets	<u>\$ 26,817,548</u>	<u>\$ 40,067</u>	<u>\$ (17,587)</u>	<u>\$ 26,840,028</u>

# CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

## YEAR ENDED DECEMBER 31, 2010

	Housing Authorities Risk Retention Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
<b>OPERATING REVENUES:</b>				
Contributions earned	\$ 5,210,571	\$ -	\$ -	\$ 5,210,571
Commissions	-	187,810	-	187,810
Other income	174,315	-	(174,315)	-
Total Operating Revenues	<u>5,384,886</u>	<u>187,810</u>	<u>(174,315)</u>	<u>5,398,381</u>
<b>OPERATING EXPENSES:</b>				
Change in losses and loss adjustment expenses incurred	2,998,689	-	-	2,998,689
Excess insurance expense	509,849	4,714	-	514,563
Professional fees	216,542	-	-	216,542
Salaries and benefits	765,084	-	-	765,084
General and administrative expense	440,921	178,142	(174,315)	444,748
Depreciation expense	108,457	-	-	108,457
Total Operating Expenses	<u>5,039,542</u>	<u>182,856</u>	<u>(174,315)</u>	<u>5,048,083</u>
<b>OPERATING INCOME</b>	345,344	4,954	-	350,298
<b>NON-OPERATING INCOME</b>				
Investment income	598,825	19	-	598,844
<b>INCREASE IN NET ASSETS BEFORE MINORITY INTEREST</b>	944,169	4,973	-	949,142
<b>(INCOME) LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	-	-	(1,243)	(1,243)
<b>INCREASE IN NET ASSETS</b>	944,169	4,973	(1,243)	947,899
<b>NET ASSETS, BEGINNING</b>	<u>25,873,379</u>	<u>35,094</u>	<u>(16,344)</u>	<u>25,892,129</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 26,817,548</u>	<u>\$ 40,067</u>	<u>\$ (17,587)</u>	<u>\$ 26,840,028</u>

# Directors & Committees

The HARRP Board of Directors is composed of nine members, elected by the State associations to represent the interests of the association membership. There are three members from the Association of Washington Housing Authorities (AWHA), three members from the Oregon Housing Association (OHA) and three members from the Northern California/Nevada Executive Director Association.

The Board of Director members serve staggered terms, resulting in the election of one-third of the Directors at each annual meeting. Each director is elected for a three year term and is responsible for establishing policy, rate setting and oversight of all pool operations.

Additionally, HARRP utilizes four standing Committees, comprised of members of the Board of Directors. The Committees meet quarterly or as needed. All Committee meetings are held by telephonic conference. Occasionally, ad hoc committees are appointed for a particular project and for a limited time.

## Executive Committee

The Board of Directors has granted limited authority to the Executive Committee to act on its behalf on issues that may arise between regularly scheduled Board meetings. Actions of the Executive Committee are reviewed and ratified at the next regularly scheduled Board of Directors' meeting.

**Scott Foster, President**  
**Renée Rooker, Vice President**  
**David Morton, Secretary/Treasurer**

*Housing Authority of Jackson County*  
*Walla Walla Housing Authority*  
*Housing Authority of the City of Reno*

## Insurance/Underwriting Committee

The Insurance/Underwriting Committee is responsible for reviewing coverage documents and recommending revisions to meet the needs of HARRP's membership. Applications to join the pool are reviewed by this Committee and recommendations prepared for presentation to the Board of Directors.

**Bill Fagan, Chair**  
**Renée Rooker**  
**Todd Salvo**

*Housing Authority of the County of Stanislaus*  
*Walla Walla Housing Authority*  
*Housing Authority of Portland*

*continues on page 24*



*Housing Authority  
of the Clackamas County*



*Washington County Dept.  
of Housing Services*



*West Valley  
Housing Authority*



## Oregon Directors

*from Left to Right*

- **Todd Salvo, Chief Financial Officer**  
Housing Authority of Portland, Portland, OR  
(Board term ending 2011)
- **Elise Hui, Executive Director**  
Housing Authority of Yamhill County, McMinnville, OR  
(Board term ending 2013)
- **Scott Foster, HARRP President, Executive Director**  
Housing Authority of Jackson County, Medford, OR  
(Board term ending 2012)

# Committees

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## Claims/Loss Control Committee



Housing Authority of the City of Santa Barbara

The Claims/Loss Control Committee reviews large, potentially large claims and reviews member losses for the development of loss trending analysis, which will assist HARRP in providing timely, pertinent risk control measures for its members.

**Mike Pucci, Chair**  
**Chris Pegg**  
**Elise Hui**

*Housing Authority of the City of Alameda  
Longview & Joint Pacific County Housing Authorities  
Housing Authority of Yamhill County*

## Finance Committee



Housing Authority of the County of Monterey

The Finance Committee makes recommendations to the Board of Directors concerning financial reporting, accounting policies, auditor selection, investments and other operational controls.

**David Morton, Chair**  
**Todd Salvo**  
**Bud Alkire**

*Housing Authority of the City of Reno  
Housing Authority of Portland  
Everett Housing Authority*



# California & Nevada Directors

*from Left to Right*

- **Michael Pucci, Executive Director**  
Housing Authority of the City of Alameda,  
Alameda, CA (Board term ending 2013)
- **David Morton, HARRP Secretary/Treasurer**  
*Executive Director*, Housing Authority of the City of Reno  
Reno, NV (Board term ending 2011)
- **Bill Fagan, Executive Director**  
Housing Authority of the County of Stanislaus  
Modesto, CA (Board term ending 2012)

# Agency

## ORWACA AGENCY

INSURANCE SERVICES, INC.

ORWACA Agency has been assisting HARRP members in obtaining coverage for tax-credit and non-profit properties for the past fourteen years. The ORWACA Agency exists to meet the needs of our members' for a "one stop shop" for all of their insurance needs. ORWACA Agency specializes in ancillary coverage not covered by the pool or additional insurance requirements set forth by contract.

Please remember, ORWACA Agency is here to provide opportunities for coverage unique to affordable housing risks. With four licensed agents, ORWACA can provide the necessary expertise and placement of coverage to accommodate the needs of your authority.

### Coverage Requirements:

- Owner's Liability
- Flood
- Earthquake
- Underground Storage Tanks
- Boiler and Machinery
- Bonds
- Lead Based Paint Inspectors
- Builder's Risk
- Pollution Coverage
- Miscellaneous Professional



Housing Authority  
of Island County



Housing Authority  
of the City of Alameda

## Washington Directors

*from Left to Right*

■ **Renée Rooker**, HARRP Vice President, *Executive Director*  
Walla Walla Housing Authority  
Walla Walla, WA (Board term ending 2013)

■ **Bud Alkire**, *Executive Director*  
Everett Housing Authority, Everett, WA  
(Board term ending 2011)

■ **Chris Pegg**, *Executive Director*  
Longview & Joint Pacific County Housing Authorities  
Longview, WA  
(Board term ending 2012)



# Benefits of HARRP Membership



Housing Authority  
of Clackamas County

Since inception in 1987, the premise of HARRP's pooling philosophy has been and continues to be stability, service and responsive adaptation to changing environments in housing and insurance. HARRP excels at providing customized coverage to address the unique risks affiliated with housing authorities and advanced risk management techniques designed to reduce losses and minimize the financial impact of loss. HARRP can confidently boast to its success. The success of HARRP's program comes from the outstanding members of the pool, dedicated Board of Directors throughout the years and a staff committed to providing service and expertise to the complicated pooling environment.



Housing Authority  
of the City of Salem

The coverage offered by HARRP minimizes exposures to loss associated with day-to-day operations specific to its pool membership. Public housing is all HARRP does, it is our expertise, its forte. Now entering its twenty third year of pool administration for housing authorities, HARRP has experienced a variety of unique claims, an ever changing environment of public housing, not to be minimized by the constant fluctuation of insurance markets and legislative changes that impact the world of risk pooling.

HARRP welcomes all inquiries into pool membership. Active marketing of HARRP is not performed, but rather conducted by word of mouth. Unlike other pools and insurance brokerages, HARRP does not have a marketing budget or account executives whose sole purpose is to obtain new members. HARRP's attitude is quality over quantity. HARRP aggressively underwrites new members to assure that the pool's solvency will not be jeopardized. HARRP welcomes well managed authorities and properties reflective of the pride of the local housing authority administration.

## HARRP membership provides numerous benefits:

- HUD competitive bidding requirement for insurance procurement is waived
- Long term stability of rates. HARRP's rates have remained unchanged since 2007
- Peer representation in the form of a dedicated Board of Directors
- Coverage tailored to the unique risks of public housing authorities
- Aggressive claims administration services
- Advanced risk control techniques and proactive assistance in managing risks

## The obligations of membership with HARRP include:

- Commitment to sound risk management practices
- Active participation in claims resolution
- Proactive engagement in controlling exposures that leads to loss
- Active participation in HARRP's development of alternative coverage, programs and administration of the pools resources



Housing Authority of  
Grays Harbor County

## Risk Control Services

A foundation of HARRP's success is its members' internal resources allocated to controlling losses before they occur. Being proactive, rather than reactive, is paramount to the continued success of HARRP, and a key reason why HARRP has enjoyed the success it has.

HARRP provides a wide range of loss control services, including HARRP's website, periodic newsletters and other written communications providing tips on actions the members can take to reduce the frequency and severity of damage to property or injury to residents and their guests. HARRP staff continually evaluates statistical loss data to isolate any trends that may affect coverage.

HARRP boasts cutting edge, interactive training through web based sites, such as AgosNet. The most popular service HARRP's risk management department provides is the Attorney Helpline, in which attorneys are available, free of charge to its members, to answer a myriad of questions dealing with employment law, federal employment standards and many other areas of common legal concerns.

Through its affiliation and sponsorship of regional NAHRO's, HARRP provides training programs at national, regional and local events and conducts numerous training sessions for small groups or individuals within a member's location. HARRP has dramatically increased its frequency of driver safety training throughout its jurisdiction.



Marion County  
Housing Authority

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# List of Members

## California Housing Authorities

1. Housing Authority of the City of Alameda
2. Housing Authority of Alameda County
3. Housing Authority of the City of Benicia
4. Housing Authority of the County of Butte
5. Dublin Housing Authority
6. Housing Authority of the City of Eureka
7. Housing Authorities of the City and County of Fresno
8. Housing Authority of the County of Humboldt
9. Housing Authority of the County of Kern
10. Housing Authority of Kings County
11. Housing Authority of the City of Madera
12. Housing Authority of the County of Marin
13. Community Development Commission of Mendocino County
14. Housing Authority of the County of Merced
15. Housing Authority of the County of Monterey
16. Housing Authority of the City of Needles
17. Plumas County Community Development Commission
18. Housing Authority of the City of Riverbank
19. Housing Authority of the County of San Bernardino
20. Housing Authority of the County of San Joaquin
21. Housing Authority of the City of San Luis Obispo
22. Housing Authority of the City of Santa Barbara
23. Housing Authority of the County of Santa Barbara
24. Housing Authority of the County of Santa Cruz
25. South San Francisco Housing Authority
26. Housing Authority of the County of Stanislaus
27. Housing Authority of Sutter County
28. Housing Authority of the County of Tulare
29. Housing Authority of the City of Upland
30. Housing Authority of the City of Vallejo

## Oregon Housing Authorities

1. Central Oregon Regional Housing Authority
2. Housing Authority of Clackamas County
3. Coos-Curry Housing Authority
4. Housing Authority of Douglas County
5. Housing Authority of Jackson County
6. Josephine Housing & Community Development Council
7. Klamath Housing Authority
8. Housing Authority & Community Services Agency of Lane County
9. Housing Authority of Lincoln County
10. Linn-Benton Housing Authority
11. Housing Authority of Malheur County
12. Marion County Housing Authority
13. Mid-Columbia Housing Authority
14. North Bend City Housing Authority

15. Northeast Oregon Housing Authority
16. Housing Authority of Portland
17. Housing Authority of the City of Salem
18. Housing Authority of the County of Umatilla
19. Washington County Department of Housing Services
20. West Valley Housing Authority
21. Housing Authority of Yamhill County

## Washington Housing Authorities

1. Housing Authority of the City of Anacortes
2. Housing Authority of Asotin County
3. Bellingham/Whatcom County Housing Authorities
4. Housing Authority of the City of Bremerton
5. Housing Authority of Chelan Co. & the City of Wenatchee
6. Housing Authority of Clallam County
7. Columbia Gorge Housing Authority
8. Everett Housing Authority
9. Housing Authority of Grant County
10. Housing Authority of Grays Harbor County
11. Housing Authority of Island County
12. Housing Authority of the City of Kalama
13. Housing Authority of the City of Kelso
14. Housing Authority of the City of Kennewick
15. Housing Authority of King County
16. Kitsap County Consolidated Housing Authority
17. Housing Authority of Kittitas County
18. Longview Housing Authority
19. Housing Authority of Mason County
20. Housing Authority of Okanogan County
21. Oroville Housing Authority
22. Housing Authority of the City of Othello
23. Housing Authorities of Pasco & Franklin County
24. Renton Housing Authority
25. Housing Authority of the City of Richland
26. Joint City of Republic-Ferry County Housing Authority
27. Housing Authority of the City of Sedro Woolley
28. Housing Authority of Skagit County
29. Housing Authority of Snohomish County
30. Spokane Housing Authority
31. Sunnyside Housing Authority
32. Housing Authority of the City of Tacoma
33. Housing Authority of Thurston County
34. Vancouver Housing Authority
35. Walla Walla Housing Authority
36. Yakima Housing Authority

## Nevada Housing Authorities

1. Housing Authority of the City of Reno

## Risk Control Services *continued from page 26*

HARRP staff provides on-site safety surveys and will submit written findings on safety hazards noted in the field. Additionally, HARRP staff will provide assistance and verification that the member's property inventory and contents values are consistent with current reconstruction and/or replacement costs.

Members also receive hundreds of hours of telephone and electronic consultation regarding risk management and insurance contractual issues. Additionally, HARRP maintains a comprehensive library of training films, geared specifically for job trades and exposures commonly encountered in housing authority operations.

All these activities are designed to support HARRP members' loss control activities. With the increased importance of controlling losses in relation to tiered rates that reflect each members' individual loss experience, there has never been a better time to access and utilize HARRP's vast network of services.



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