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AFFORDABLE
AHRP
HOUSING RISK POOL

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January 2, 2019

Mr. Rick Combs, Director
Nevada Legislative Counsel Bureau
401 S. Carson Street
Carson City, NV 89701-4747

Re: Affordable Housing Risk Pool LLC—Filing Under NRS 315.725(11)

Dear Director Combs:

Affordable Housing Risk Pool LLC ("AHRP") provides insurance coverage to eligible tax credit limited partnerships and limited liability companies and to eligible nonprofit corporations that develop, manage or operate affordable housing in Washington, Oregon, and California. Although authorized to conduct business in Nevada under NRS 315.725, AHRP does not currently provide coverage to Nevada affordable housing entities as described in the statutory provision. AHRP is affiliated with Housing Authorities Risk Retention Pool ("HARRP"), which provides insurance coverage to approximately 83 public housing authorities in the states of Washington, Oregon, California and Nevada.

NRS 315.725(11) requires AHRP to report to the Director of the Nevada Legislative Counsel Bureau on or before January 15 of each odd-numbered year for transmittal to the Nevada Legislature. This letter, together with the accompanying Plan of Financing, Management and Operation dated January 1, 2019, the 2017 Annual Report, and 2017 audited financial statements are intended to comply with the reporting requirement under NRS 315.725(11). At present, there are no Nevada affordable housing entities participating in the program. Currently AHRP provides coverage to approximately 24,621 affordable housing units in States of Washington, Oregon, and California having total insured value of approximately $3.2 billion. The current aggregate annual premium of AHRP is approximately $4,828,000.

NRS 315.725(11) requires that AHRP provide "any other information the Director deems relevant." Accordingly, please advise if you would like to review any additional information. I will submit to you a copy of the 2018 audited financial statements and 2018 actuarial report when they become available in several months at the same time as they are furnished to the Nevada Insurance Commissioner pursuant to NRS 315.725(6)(a).

Please contact me if you have any questions.

Sincerely,

William Gregory
Executive Director

Affordable Housing Risk Pool LLC

Plan of Financing, Management and Operation

January 2, 2019

Recently enacted legislation in Washington, Oregon, California and Nevada provides statutory authorization for the formation and operation of an insurance pool that offers coverage to private affordable housing entities. Housing Authorities Risk Retention Pool ("HARRP") organized Affordable Housing Risk Pool LLC ("AHRP"), as a wholly owned subsidiary of HARRP, to provide coverage to eligible tax credit limited partnerships and limited liability companies and to eligible nonprofit corporations that develop, manage or operate affordable housing. AHRP conducts its joint self-insurance program in a manner substantially similar to HARRP, offering broad coverage, enhanced service and effective risk management to tax credit limited partnerships/LLCs and nonprofit corporations.

This Plan summarizes the financing, management and operation of AHRP during calendar year 2018.

A. STRUCTURE OF AFFORDABLE HOUSING RISK POOL LLC

As summarized below, AHRP was organized as a limited liability company under the Oregon Limited Liability Company Act on December 21, 2010 to provide coverage to eligible nonprofit corporations and tax credit limited partnerships/LLCs in accordance with applicable law. Housing authorities continue to obtain coverage through HARRP on the same basis as in the past.

1. Organization and Capitalization. AHRP is a wholly-owned subsidiary of HARRP. Based on an actuarial feasibility study by Richard E. Sherman & Associates, Inc., HARRP made a $5,000,000 capital contribution to AHRP in 2011, comprised of cash, bank certificates of deposit and U.S. agency bonds with maturities of less than five years.

2. Board of Directors and Officers. AHRP is a manager-managed limited liability company. The Board of Directors of AHRP (the "AHRP Board") has full and exclusive responsibility over the management of the business and affairs of AHRP. The AHRP Board is comprised of nine directors, of which seven are Member Affiliated Directors and two are Policyholder Affiliated Directors. The Member Affiliated Directors are HARRP directors selected by HARRP. The Member Affiliated Directors appoint the Policyholder Affiliated Directors, who will be employees, officers, partners or managers of an AHRP policyholder. The Policyholder Affiliated Directors of AHRP were appointed in September, 2013. Decisions of the AHRP Board require a majority of the directors present at a meeting. AHRP has a President, Executive Director, Vice President, and Secretary/Treasurer. Other officers may be appointed by the AHRP Board.

3. Limited Approval Rights of HARRP. Because AHRP is managed by the AHRP Board, HARRP has only limited voting rights to (i) elect and remove Member Affiliated Directors, (ii) approve the merger, conversion or dissolution of AHRP or the sale of substantially all of its assets, (iii) approve an amendment to the AHRP Articles of Organization or Operating Agreement and (iv) approve any other matters specifically referred by the AHRP Board.

4. Financial and Tax Matters. HARRP, as the sole member of AHRP, is entitled to receive distributions from AHRP, if any, when declared by the AHRP Board and upon the dissolution of AHRP. Unlike HARRP, AHRP is subject to taxation as a corporation for federal

and state income tax purposes. AHRP's financial statements are audited, and its actuary performs an annual actuarial review.

5. Policyholders. AHRP provides insurance coverage to nonprofit corporations and tax credit limited partnerships/LLCs that qualify for coverage under applicable state laws. These nonprofit corporations and tax credit limited partnerships/LLCs are policyholders of AHRP but are not members of AHRP and do not have economic rights or voting rights in AHRP. As described above, two Policyholder Affiliated Directors will represent the interests of policyholders on the AHRP Board. HARRP obtains Hartford Steam Boiler equipment breakdown insurance through AHRP based on a requirement of Washington and Nevada law.

B. Management of AHRP

Pursuant a Management Agreement, HARRP manages all facets of the business and affairs of AHRP subject to policies established by the AHRP Board. Notwithstanding the Management Agreement, the business and affairs of AHRP are managed under the direction of the AHRP Board. The management services performed by HARRP under the Management Agreement are consistent with, and subject to, the policies of AHRP established by the AHRP Board from time to time.

Because AHRP does not have any of its own employees, office space, equipment, computer systems, or software, the business of AHRP is managed by HARRP using the employees, office space, equipment, computer systems, software and supplies of HARRP. HARRP is reimbursed for its actual expenses incurred in managing AHRP. Estimated expenses are paid to HARRP on a monthly basis, and an accurate determination of expenses occurs through the annual audit, with an accompanying true-up of expenses. The Management Agreement contains customary provisions on early termination, confidentiality, recordkeeping, segregation of funds and indemnification. The term of the Management Agreement is two years.

C. Requirements of State Enabling Legislation

AHRP operates in compliance with legislation recently enacted in Washington (RCW Chapter 48.64), Oregon (ORS 731.036 (10)), California (California Insurance Code Sections 13900 to 13907) and Nevada (NRS 315.725). The varying requirements under the Washington, Oregon, California and Nevada statutes do not adversely affect AHRP's structure or operations.

The state enabling legislation adopts common approaches and definitions. Under the Washington, Oregon, California and Nevada statutes, an affordable housing entity insurance pool, such as AHRP, is exempt from regulation as an insurer by the state insurance department. In each case, the exemption from the state insurance code is narrowed by specifying the types of entities that can participate in the pool. In the Washington, Oregon, California and Nevada statutes, the types of affordable housing entities that can participate in the joint self-insurance program are limited to (i) housing authorities (and their agencies and instrumentalities, which includes HARRP), (ii) nonprofit corporations that provide affordable housing and (iii) partnerships (whether general or limited) or limited liability companies that provide affordable housing and are affiliated with a housing authority or nonprofit corporation that provides affordable housing. (The legislation specifically identifies partnerships and LLCs (and not corporations) as eligible entities because they are the types of entities organized to take advantage of the federal low-income housing tax credit.) The type of affiliation specified in the legislation includes (i) an ownership interest by the housing authority or nonprofit corporation in the partnership or LLC, (ii) the right of the housing authority or nonprofit corporation to direct management or policies of the partnership or LLC or (iii) a contract for the housing authority or nonprofit corporation to lease, manage or operate the affordable housing. Partnerships or LLCs that are not affiliated with a housing authority or nonprofit corporation do not qualify as affordable housing entities under the statutes and cannot participate in the insurance pool. The Washington, Oregon, California and Nevada statutes generally define "affordable housing" to mean a housing project in which some of the dwelling units may be purchased or rented, with or without government assistance, on a basis that is affordable to individuals of low income. Because nonprofit corporations and tax credit limited partnerships/LLCs have projects with varying percentages of low income units, this definition of "affordable housing" is sufficiently flexible for most nonprofit corporations and tax credit limited partnerships/LLCs.

Beyond these common approaches, there are differences in the state legislative frameworks for affordable housing entity insurance pools that affect the operations of AHRP. Because AHRP will operate in all states that have enabling legislation, any particular state requirement will need to be observed in all states. Several of the more significant limitations that will affect the operations of AHRP are the following:

1. Washington. Consistent with the proposed structure of AHRP, ownership interests in the pool are limited under Washington law to some or all of the affordable housing entities that obtain coverage through the pool. Furthermore, Washington law also requires that a majority of the Board of Directors must be affiliated with one or more of the participating affordable housing entities. As a result of these requirements, the Hartford Steam Boiler equipment breakdown insurance is provided to HARRP through AHRP to enable HARRP's ownership of AHRP and the inclusion of HARRP directors on the AHRP Board. In Washington, the initial plan of management and operation of the pool was approved by the State Risk Manager, and any subsequent changes to the plan of management and operation of a material nature will require approval by the State Risk Manager. The Washington administrative rules require, among other things, that AHRP (i) is subject to the requirements of the Washington Open Public Meetings Act, (ii) maintains a written risk management program and a written claims administration program that contains the elements set forth in the administrative rules, (iii) uses a competitive process for the selection of specified categories of consultants, (iv) has an annual financial audit and (v) has a claims audit every three years. An unresolved issue in Washington is whether AHRP's investments will be subject to public entity investment limitations. Until this matter is resolved, AHRP will follow the investment limitations applicable to public entities. Perhaps the most significant limitation on AHRP's operations under Washington law in relation to the regulatory frameworks in other states pertains to the types of nonprofit corporations that can obtain insurance coverage from AHRP (either directly or with respect to a tax credit limited partnership or limited liability company in which the nonprofit corporation is general partner or manager). Under Washington law, participation is limited to the following three types of nonprofit corporations:

(a) A nonprofit corporation that is engaged in providing affordable housing and "is necessary for the completion, management or operation of a project because of access to funding sources that are not available to a housing authority";

(b) A nonprofit corporation that is considered an "agency" of a housing authority because the nonprofit corporation is fulfilling one or more of the purposes of a housing authority and is affiliated with a housing authority that (i) has, or has the right to acquire, a membership interest in the nonprofit corporation, (ii) has provided financing to the nonprofit corporation, (iii) has entered into a contract with the nonprofit corporation to provide staff, management services or property management services or (iv) or has transferred or leased affordable housing to the nonprofit corporation or is leasing affordable housing from the nonprofit corporation; or

(c) A nonprofit corporation that is considered an "instrumentality" of a housing authority because the nonprofit corporation is fulfilling one or more functions of a housing authority and the nonprofit corporation's assets, operations or management are subject to control by the housing authority by reason of contract, affiliation, legal structure or otherwise.

2. Oregon. The Oregon statute requires that AHRP have an annual financial audit and adequate reinsurance. Under Oregon law, AHRP also must have annual premium revenues of $1 million not later than December 31, 2012. Oregon law precludes HARRP from collecting commissions or fees from an insurer as a result of its management services to AHRP; in the case of the Management Agreement, HARRP only will be reimbursed for its direct and indirect expenses on behalf of AHRP. Finally, the Oregon statute requires that reserves, as determined by AHRP's actuary, not only include known claims, IBNR, claims handling expenses, unearned premiums and a claims trend factor, but also include an unallocated reserve equal to 25 percent of annual premiums or $250,000, whichever is greater.

3. California. The California statute requires that all affordable housing entities that obtain coverage from AHRP must be given written notice in 10-point type that the pool is not regulated by the California Insurance Commissioner and that the state insurance insolvency guaranty funds are not available to safeguard its risk. In addition, California law requires that AHRP must be initially capitalized with not less than $2.5 million in the form of cash or cash equivalents (which is substantially less than its initial capitalization) and must maintain adequate reinsurance to protect against its risks. Under the California statute, all participants in the pool must make mandatory financial contributions, in addition to premiums, if so required by the AHRP Board to ensure a financially sound pool. The AHRP Operating Agreement precludes AHRP from requiring such mandatory financial contributions from policyholders based on the recognition that any additional capital needed by AHRP will need to be provided by HARRP. Finally, consistent with California law, AHRP has filed the required financial, operational and regulatory information with specified California Assembly and Senate Committees.

4. Nevada. Consistent with Washington law, the Nevada statute requires that a majority of the Board of Directors must be affiliated with one or more of the participating affordable housing entities. As a result of these requirements, the Hartford Steam Boiler equipment breakdown insurance is provided to HARRP through AHRP to enable the inclusion of HARRP directors on the AHRP Board. The Nevada statute also requires that all affordable housing entities that obtain coverage from AHRP must be given written notice in 10-point type that the pool is not regulated by the Nevada Insurance Commissioner and that the state insurance insolvency guaranty funds are not available to safeguard its risk.

D. AHRP OPERATIONS

AHRP's operations resemble HARRP's operations as closely as reasonably practicable.

As a result of differences in the states in which AHRP has been authorized to operate, AHRP's rates were initially adopted based on a state specific rating. The state rating model was abandoned on January 1, 2018 in lieu of a blended/pooled rating system which encompassed all approved states losses to develop ratings. The policies were transitioned from state rates to a pooled rate and every policy is placed in one of six (6) tiers. The rates for $2 million of coverage limits for general liability, property, crime/fidelity and tenant discrimination coverage are as follows:

Tier	Liability Rate (per door)	Property Rate (per$1,00 TIV
1	$24.6752	0.0007495
2	$27.4169	0.0008328
3	$30.1586	0.0009160
4	$34.2711	0.0010410
5	$41.1253	0.0012492
6	$82.2507	0.0024983

AHRP has determined that the foregoing rates, on average, are lower than the rates paid by many of the affordable housing entities whose insurance is placed with traditional insurance markets, including group purchasing arrangements. AHRP's rates have been actuarially determined so that AHRP's total premium revenues are projected to exceed its total expenses, including claims costs, reinsurance expenses and administrative expenses. If AHRP suffers losses from its operations and needs additional capital, HARRP, as its parent organization, can contribute additional capital, but has no obligation to do so.

There is no requirement that HARRP's members purchase insurance through AHRP for their affiliated nonprofit corporations and tax credit limited partnerships/LLCs, and there is no obligation of AHRP to underwrite such risks. Many of HARRP's members seek to purchase insurance through AHRP for their affiliated affordable housing entities because of the ease with which they can address their complete insurance needs through AHRP and HARRP, together with the expectation that the broad coverage, enhanced service and effective risk management provided by HARRP also will be provided by AHRP.

AHRP is not limited to offering insurance coverage only to HARRP member affiliated non-profit corporations and/or HARRP member managed tax credit entities. Observing strict adherence to applicable state specific requirements, AHRP may provide insurance coverage to a multitude of entities that provide affordable housing.

In some cases, the structure of the AHRP insurance program is not acceptable to tax credit limited partnerships/LLCs or their respective syndicators, investors or lenders based on insurance criteria currently in effect or adopted in the future. In those cases, a fronting arrangement has been established with Princeton Excess Surplus Lines Insurance Company, an affiliate of Munich Re, to satisfy such insurance criteria.

AHRP policyholders receive the same type of broad coverage offered by HARRP that is customized for the specific risks associated with affordable housing. However, AHRP only provides coverage for general liability, property, crime/fidelity and tenant discrimination. AHRP is able to cover third party contractual liability exposures because it is not a public entity insurance pool. In addition, contracted property management exposures are covered under AHRP, which is similar to other commercial policies.

In order to obtain coverage limits that are commensurate with HARRP, AHRP has entered into a reinsurance treaty with Munich Reinsurance America, Inc. ("Munich Re"), a large, reputable and financially secure reinsurer, with an A.M. Best's rating of A+ XV, for both liability reinsurance and excess property insurance. The base level of coverage offered by AHRP is $2 million per occurrence for liability exposures and $47 million per occurrence for property exposures. Working through ORWACA, AHRP is able to secure additional levels of coverage for policyholders if required or desired. To spread the expense of reinsurance and excess insurance over a higher level of premium, HARRP also has entered into the reinsurance treaty with Munich Re for property and casualty coverage.

Under the Munich Re excess of loss reinsurance treaty, HARRP retains the first $2,000,000 of each loss and AHRP retains the first $1,000,000 of each loss, with a reinsurance recovery for each loss in excess of $1,000,000 for AHRP. The estimated annual cost of reinsurance from Munich Re for 2018 is $1,638,705 for both HARRP and AHRP. AHRP's estimated annual cost of excess insurance from Munich Re for 2018 is $1,050591.

AHRP is a nonassessable program. This means that if AHRP faces insolvency and cannot satisfy its claim obligations, the policyholders of AHRP will not be financially responsible for additional premiums to cover AHRP's liabilities. The parent-subsidiary relationship enables HARRP to contribute additional capital to AHRP, if appropriate.

Under the Management Agreement, HARRP provides claims, risk management and underwriting services to AHRP. These functions are provided at the same high level of quality and service provided to members by HARRP. Claims management is performed in-house, utilizing independent adjusters, investigative specialists and legal counsel that have been successfully engaged in the past through HARRP. Claims management software has been developed specifically for AHRP's operations. Risk management services also mimic HARRP's current roster of services, including site safety services, insurance contract reviews, loss control assistance, training, educational media and promotional material.

Each development of eligible affordable housing entities is underwritten by AHRP, or if there are numerous development locations under one master entity application, the underwriting will encompass all locations for determination of acceptable risk. Underwriting criteria for AHRP incorporates standards of review that differ in certain respects from HARRP's underwriting standards. All new entities applying for coverage are rated on numerous factors, including loss history, affiliations, property loss control items (*i.e.,* fire sprinklers), accurate insurable values and a host of other pertinent factors required for underwriting and reinsurance placement. HARRP staff also performs ancillary investigations, such as media searches, website evaluation and completed audits.

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY

Management's Discussion and Analysis,
Financial Statements and Supplementary Information
For the Years Ended December 31, 2017 and 2016
With Independent Auditor's Report

PERKINS & CO

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
DECEMBER 31, 2017 AND 2016
CONTENTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Affordable Housing Risk Pool and Subsidiary
Vancouver, Washington

We have audited the accompanying consolidated financial statements of Affordable Housing Risk Pool and Subsidiary (the "Pool") which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and unassigned surplus and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Affordable Housing Risk Pool and Subsidiary as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Management's Discussion and Analysis on pages 3 through 6 and Reconciliation of Claims Liabilities by Type of Coverage and the Yearly Loss Development Information on pages 18 through 20 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the Pool, and it is not a required part of the consolidated financial statements. We have applied certain limited procedures to the supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 and 22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Perkins & Company, P.C.

April 2, 2018

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The management of the Affordable Housing Risk Pool LLC ("AHRP") is pleased to offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with AHRP's consolidated financial statements and notes.

FINANCIAL HIGHLIGHTS

As a result of moderating claims, reduction in the AHRP portfolio and flat investment earnings, AHRP and its subsidiary ORWACA, experienced an increase in net assets of $750,778 in 2017 compared to a reduction of net assets in 2016 of $476,064.

GENERAL PROGRAM HIGHLIGHTS

AHRP was formed in 2011 as an alternative insurance provider for nonprofit corporations and tax credit limited partnerships and limited liability companies engaged in providing affordable housing. AHRP was organized as a limited liability company under the Oregon Limited Liability Company Act and is a wholly owned subsidiary of the Housing Authorities Risk Retention Pool ("HARRP"). Based on an actuarial feasibility study, HARRP made a $5,000,000 capital contribution to AHRP in February, 2011. AHRP utilizes the same investment management firm as HARRP and its capital very conservatively. AHRP's capital is predominantly invested in obligations of the U.S. Government, U.S. Government agencies, U.S. Government sponsored agencies, and Corporate Bonds with maturities of less than five years and a limited number of certificates of deposit under $255,000 each.

AHRP is a manager-managed limited liability company. The AHRP Board of Directors has full and exclusive responsibility over the management of the business and affairs of AHRP. The AHRP Board is comprised of nine directors, seven of which are Member Affiliated Directors and two are Policyholder Affiliated Directors. The Member Affiliated Directors are individuals who are current directors of HARRP and who are selected by HARRP to serve on the AHRP Board. The Member Affiliated Directors appoint the Policyholder Affiliated Directors, who are employees, officers, partners or managers of an AHRP policyholder, but have no other relationship with HARRP or AHRP. The Board of Directors oversees program changes and recommendations, financial overview, underwriting, 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.

FINANCIAL STATEMENT OVERVIEW

AHRP reports its financial activities on the accrual method of accounting. AHRP establishes a budget annually to monitor many aspects of the financial status of the pool.

The annual financial report includes *Consolidated Balance Sheets, Consolidated Statements of Operations and Unassigned Surplus* and *Consolidated Statements of Cash Flows*. This report also contains information to supplement the basic consolidated financial statements.

- The Consolidated Balance Sheets present information about the Pool's assets and liabilities, and net assets or members' equity. Future increases or a decrease in the members' equity from year to year is an indication of how effectively AHRP is rating its program to assure sufficient funding and AHRP's internal administrative efficiency.

- The Consolidated Statements of Operations and Unassigned Surplus present information showing total revenues versus total expenses. All revenues and expenses are reported on an accrual basis. In the supplemental information section of the audit report is the Reconciliation of Claims Liabilities by Type of Coverage as well as the Yearly Loss Development Information. The Yearly Loss Development Information schedule for the inception period of 2017 will, over time, show loss development which confirms, or denies, that the originally funded rate was adequate, or inadequate, to cover the cost of losses as the loss matures.

	2017	2016
ANALYSIS OF BALANCE SHEET		
Assets		
Current and Other Assets	$ 7,921,023	$ 8,433,600
Capital Assets	-	-
Total Assets	$ 7,921,023	$ 8,433,600
Liabilities		
Current Liabilities	$ 3,296,093	$ 4,221,686
Noncurrent Liabilities	400,299	738,061
Total Liabilities	3,696,392	4,959,747
Unassigned Surplus	4,224,631	3,473,853
Total Liabilities and Unassigned Surplus	$ 7,921,023	$ 8,433,600

For complete information, please refer to the accompanying consolidated financial statements and the related notes to the consolidated financial statements.

Assets

Total assets decreased by $512,577 from the application of the deferred tax asset.

AHRP has approximately $4.2 million invested predominantly in obligations of the U.S. Government, U.S. Government agencies, U.S. Government sponsored agencies government backed securities and Corporate Bonds as stipulated by applicable state investment statutes. Income derived from these investments is used to help determine future rates and to offset administrative costs associated with the implementation of services and compliance with local, state and federal statutes.

Liabilities

AHRP's liabilities are comprised of unearned member contributions (deferred revenue), claim reserves payable at a future date, incurred but not reported ("IBNR") claims and accounts payable and accrued expenses.

ANALYSIS OF THE STATEMENTS OF OPERATIONS AND UNASSIGNED SURPLUS

The *Statements of Operations and Unassigned Surplus* depicts the activities of AHRP for the fiscal year ended December 31, 2017 and 2016. The revenues and expenses are presented on an accrual basis of accounting.

	2017	2016
Revenues		
Member Contributions	$ 4,529,984	$ 4,471,175
Investment Income	73,913	63,557
Other Income	167,037	155,762
Total Revenue	4,770,934	4,690,494
Expenses		
Claims Expense	1,453,338	3,393,955
Administration/Other Expense	2,566,818	1,772,603
Total Expenses	4,020,156	5,166,558
Net Income (Loss)	750,778	(476,064)
Unassigned Surplus, Beginning	3,473,853	3,949,917
Unassigned Surplus, Ending	$ 4,224,631	$ 3,473,853

For complete information please refer to the accompanying consolidated financial statements and the related notes to the consolidated financial statements.

Revenues

The predominant source of AHRP's revenue is policies issued and the resulting premium collected. Policyholder premium payments provide revenue for AHRP to manage its objectives of self-insurance and ceding risk. Rates are determined annually based on an actuarial analysis that considers loss trends, exposure units, and other trending factors. Rates are ultimately adopted by the Board of Directors. Each state carries its own specific rates for property exposures and casualty risks, which are based on total insured values and number of units.

Expenses

Pool administration costs are comprised of administration and claims handling costs. In 2017, AHRP's administration expenses decreased by $86,582, or 4% due primarily to changes in administrative personnel and related costs. Also, the Pool records income tax expense. During the year ended December 31, 2017 the income tax expense is $578,588 due primarily to the usage of a previous net operating loss as deferred tax expense to offset current year taxable income.

Total direct costs for AHRP decreased by $1,940,617, or 57%, in 2017. This is a result of actuarially anticipated claims activity.

A critical element in AHRP's business operations is assurance of AHRP's financial strength that are provided to lenders and syndicators. This financial strength is bolstered by AHRP's partnership with a highly regarded global reinsurer, which enables AHRP to maintain an AM Best rating of A+.

Debt Administration

AHRP has no existing or pending long term debt. HARRP, in its discretion, can provide additional capital to AHRP if needed.

Forecast of Facts or Conditions Affecting Results of Operations

Because AHRP is heavily dependent on reinsurance and fronting, it is subject to many of the same volatile markets swings face by the insurance industry. In an attempt to control the impact of market fluctuations, AHRP's strategy is to aggressively control claim costs and reliance on investment income to absorb market fluctuations. Additionally, AHRP will continue to devise methods of making the program more efficient and less dependent on the insurance industry.

Financial Contact

This financial report is designed to provide a general overview of AHRP's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Affordable Housing Risk Pool LLC.

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,851,365	$ 2,245,642
Interest receivable	22,257	25,411
Investments	-	207,858
Accounts receivable, net	75,773	139,442
Prepaid expenses	583,347	508,248
Receivables from tax authorities	27,664	36,864
Deferred income tax asset	108,518	189,442
Total current assets	3,668,924	3,352,907
DEFERRED INCOME TAX ASSET	54,911	534,802
NON-CURRENT INVESTMENTS	4,197,188	4,545,891
	$ 7,921,023	$ 8,433,600
LIABILITIES AND UNASSIGNED SURPLUS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 78,522	$ 20,491
Unearned contributions	2,275,969	2,479,054
Income tax payable	7,572	-
Current portion of losses and loss adjustment expense reserves	934,030	1,722,141
Total current liabilities	3,296,093	4,221,686
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	400,299	738,061
Total liabilities	3,696,392	4,959,747
CONTINGENCIES (NOTE 8)		
UNASSIGNED SURPLUS	4,224,631	3,473,853
	$ 7,921,023	$ 8,433,600

See notes to consolidated financial statements.

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND UNASSIGNED SURPLUS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Contributions earned	$ 4,529,984	$ 4,471,175
Commissions	167,037	155,762
Total operating revenues	4,697,021	4,626,937
OPERATING EXPENSES:		
Change in losses and loss adjustment expenses incurred	1,453,338	3,393,955
Excess and reinsurance expense	1,441,288	1,488,506
Professional fees	60,736	39,318
General and administrative expense	486,206	546,988
Total operating expenses	3,441,568	5,468,767
OPERATING INCOME (LOSS)	1,255,453	(841,830)
NON-OPERATING INCOME		
Investment income	73,913	63,557
NET INCOME (LOSS) BEFORE INCOME TAX BENEFIT (EXPENSE)	1,329,366	(778,273)
INCOME TAX BENEFIT (EXPENSE)	(578,588)	302,209
NET INCOME (LOSS)	750,778	(476,064)
UNASSIGNED SURPLUS, BEGINNING OF YEAR	3,473,853	3,949,917
UNASSIGNED SURPLUS, ENDING OF YEAR	$ 4,224,631	$ 3,473,853

See notes to consolidated financial statements.

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contributions received	$ 4,414,092	$ 4,913,899
Commissions received	143,513	154,508
Interest received	20,584	309,611
Taxes refunded (paid)	(17,773)	22,805
Losses and loss adjustment expenses paid	(2,579,211)	(2,023,561)
Salaries and benefits paid	(255,543)	(270,569)
General and administrative expenses paid	(230,959)	(382,866)
Professional fees paid	(60,736)	(39,318)
Excess insurance expenses paid	(858,313)	(876,464)
Reinsurance expenses paid	(582,975)	(612,042)
Net cash provided by (used in) operating activities	(7,321)	1,196,003
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(318,281)	(2,477,070)
Proceeds from sales and maturities of investments	931,325	1,241,762
Net cash flows provided by (used in) investing activities	613,044	(1,235,308)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	605,723	(39,305)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,245,642	2,284,947
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,851,365	$ 2,245,642
RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	$ 750,778	$ (476,064)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred income taxes	560,815	(279,404)
Change in fair value of investments	(56,483)	253,854
Changes in assets and liabilities:		
Accounts receivable, net	63,669	102,597
Interest receivable	3,154	(7,800)
Receivables (from) to tax authorities	16,772	(28,608)
Prepaid expenses	(75,099)	(48,275)
Unearned contributions	(203,085)	338,873
Accounts payable and accrued expenses	58,031	(29,564)
Losses and loss adjustment expense reserves	(1,125,873)	1,370,394
Net cash provided by (used in) operating activities	$ (7,321)	$ 1,196,003

See notes to consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Affordable Housing Risk Pool (the "Pool") is a wholly owned subsidiary of Housing Authorities Risk Retention Pool ("HARRP") created for the purpose of offering property, general liability, and tenant discrimination coverage to low income housing tax credit and non-profit corporations providing affordable housing. The Pool began operations on March 31, 2011.

The consolidated 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 Affordable Housing Risk Pool ("AHRP") and ORWACA Agency Insurance Services, LLC. ("Agency"). The Agency is a member managed LLC owned by AHRP (100% ownership). All activity of the Agency from January 1, 2016 to December 31, 2017 has been included in these consolidated financial statements. All significant intercompany transactions have been eliminated in consolidation.

Pool Administration - The Pool has engaged its parent-company, HARRP, to be the service administrator of the Pool. Through a management agreement with HARRP, administration and expenses for services such as securing insurance coverage, marketing, underwriting, preparation of financial statements, claims administration, risk management, billing, collections, contribution audits and other services are paid directly to HARRP. Underwriting expense includes \$399,026 and \$428,732 (consolidated) in administrative fees for services performed under this agreement in 2017 and 2016, respectively. Included in accounts payable to HARRP is \$7,523 at December 31, 2017. No amounts were included in accounts payable at December 31, 2016. Included in accounts receivable is \$8,933 and \$67,777 owed from HARRP at December 31, 2017 and 2016, respectively.

Basis of Accounting - This Pool's consolidated 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.

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
- Reinsurance 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. Policyholder deductibles, self-insured retention ("SIR"), reinsurance and excess insurance for each program are as follows:

General Liability	
Member Deductible:	None-or-$2,500 to 10% of claim per occurrence
SIR:	$1,000,000 per occurrence
Reinsurance:	$1,000,000 per occurrence
Property	
Member Deductible:	$1,000 to $25,000 per occurrence (varies)
SIR:	$1,000,000 per occurrence
Reinsurance	$1,000,000 per occurrence
Excess:	$2,000,001 to $45,000,000
Tenant Discrimination	
Member Deductible:	None-or-$2,500 to 10% of claim per occurrence
SIR:	$150,000 per occurrence

Advertising - Advertising costs are expensed as incurred. Advertising expense was $10,679 and $40,462 for the years ended December 31, 2017 and 2016, respectively.

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 policyholders for contributions billed. Contributions are due from policyholders 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 owed. There were no receivable balances delinquent more than 90 days as of December 31, 2017 and 2016. The Pool did not provide an allowance for doubtful accounts as all accounts receivables are considered collectible.

Unearned Contribution/Prepaid Expenses - Policy period-end varies by policyholder. As such, certain contributions are treated as deferred and certain expenses as prepaid. This is to reflect a proper matching of contributions and expenses for the fiscal year-end consolidated financial statements.

Investments - The Pool records its investments at fair market value. Changes in fair market value are reported as revenue in the consolidated statements of operations and unassigned surplus. Fair market value of investments has been determined by the Pool based on quoted market prices. Realized gain (losses) on investments sold and reinvested in 2017 and 2016 were ($3,258) and $1,978, respectively. The Pool considers all investments to be classified as trading securities. As a result, all unrealized changes in the value of investments are included in the statement of operations.

Losses and Loss Adjustment Expense - The Pool 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. 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 claim liabilities are charged or credited to expense in the periods in which they are made.

Contribution Revenue - Revenues mainly consist of premium contributions from policyholders. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the policyholders. Contribution income consists of payments from policyholders that are expected 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. The contribution revenue is recognized as revenue in the period for which insurance protection is provided.

Income Tax Status - The income tax provision is based on the asset and liability method. Deferred income tax assets and liabilities have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements.

AHRP has been formed as a Limited Liability Company and is taxed as an insurance corporation. The Agency is a Limited Liability Company and wholly owned by AHRP. For tax purposes, the Agency is considered a disregarded entity and its operations are combined with AHRP on AHRP's income tax return.

Management believes the Pool has no material uncertain tax positions and, accordingly it has not recorded a liability for unrecognized tax expense. To the extent that the Pool was assessed interest or penalties associated with income tax positions, such expense would be recognized as an operating expense.

Use of Estimates - In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting actual results could differ from those statements.

Recently Adopted Accounting Standards - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018. The Pool has not yet evaluated the impact of adopting this standard.

On November 20, 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance will be effective for fiscal years beginning after December 15, 2017. The Pool has not yet evaluated the impact of adopting this standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Pool has not yet evaluated the impact of the adoption of the new standard on the consolidated financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

	2017	2016
Balance per bank	$ 2,911,467	$ 2,431,879
Less: outstanding checks	(60,102)	(186,237)
Total cash and equivalents	$ 2,851,365	$ 2,245,642

The amount of Affordable Housing Risk Pool cash is covered by federal depository insurance up to $250,000.

ORWACA Insurance Agency, LLC's cash is restricted for use by the State of Washington until the premiums are paid to the respective insurance companies.

NOTE 3 – INVESTMENTS

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

	2017	2016
Certificates of deposit	$ 1,853,904	$ 2,191,078
Corporate bonds	1,780,106	1,563,409
Federal agencies	563,178	999,262
Total	$ 4,197,188	$ 4,753,749

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.

		Investment Maturities as of December 31, 2017		
Investment Type	Fair Value	<1 yr	1-3 yrs	>3 yrs
Federal agencies	$ 563,178	$ -	$ -	$ 563,178
Corporate bonds	1,780,106	-	654,467	1,125,639
Certificates of deposits	1,853,904	-	1,272,390	581,514
Total investments at fair value	$ 4,197,188	$ -	$ 1,926,857	$ 2,270,331

Investment Type	Fair Value	Investment Maturities as of December 31, 2016 <1 yr	1-3 yrs	>3 yrs
Federal agencies	$ 999,262	$ 207,858	$ 791,404	$ -
Corporate bonds	1,563,409	-	244,705	1,318,704
Certificates of deposits	2,191,078	-	1,266,610	924,468
Total investments at fair value	$ 4,753,749	$ 207,858	$ 2,302,719	$ 2,243,172

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 "AA+" 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 were as follows:

	2017 % of Portfolio	2016 % of Portfolio
Certificates of Deposit	44.17%	46.09%
Corporate Bonds	42.41%	32.89%
Federal Farm Credit Banks	13.42%	13.09%

NOTE 4 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1: Inputs are based upon unadjusted quoted prices for identical assets and liabilities traded in active markets.

Level 2: Inputs are based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

Fair values of assets measured on a recurring basis at December 31 are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2017:				
Federal agency securities	$ 563,178	$ -	$ 563,178	$ -
Corporate bonds	1,780,106	-	1,780,106	-
Certificates of deposit	1,853,904	-	1,853,904	-
Total investments at fair value	$ 4,197,188	$ -	$ 4,197,188	$ -

	Fair Value	Level 1	Level 2	Level 3
December 31, 2016:				
Federal agency securities	$ 999,261	$ -	$ 999,261	$ -
Corporate bonds	1,563,410	-	1,563,410	-
Certificates of deposit	2,191,078	-	2,191,078	-
Total investments at fair value	$ 4,753,749	$ -	$ 4,753,749	$ -

NOTE 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:

	2017	2016
Losses and loss adjustment expense reserves, beginning of period	$ 2,460,202	$ 1,089,808
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current period	1,770,359	3,337,216
Increase (decrease) in provision for covered events of the prior year	(317,021)	56,739
	1,453,338	3,393,955
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current period	977,138	1,486,246
Losses and loss adjustment expenses attributable to covered events of the prior period	1,602,073	537,315
	2,579,211	2,023,561
Loss and loss adjustment expense reserves, end of period	$ 1,334,329	$ 2,460,202
Detail of losses and loss adjustment expense reserves		
Current portion	$ 934,030	$ 1,722,141
Long-term portion	400,299	738,061
	$ 1,334,329	$ 2,460,202

NOTE 6 – INCOME TAXES

AHRP is taxed as a mutual property/casualty insurance company. Deferred income tax assets result principally from net operating losses, differences between unpaid losses and loss adjustments, unrealized gains and losses, depreciation and unearned contributions for financial reporting and tax purposes.

Income tax benefit (expense) consists of the following for the period ended December 31:

	2017	2016
Deferred - Federal	$ (438,258)	$ 51,947
Deferred - Enacted rate reduction	(76,915)	-
Deferred - Benefit of net operating loss carryforward	-	249,024
Deferred - State	(45,642)	(21,567)
	(560,815)	279,404
Current - State	(17,773)	22,805
	$ (578,588)	$ 302,209

The effective tax rate differs from the rate applied to the AHRP net income before income taxes principally due to differences from state taxes. Tax laws enacted in 2017 lower tax rates beginning in 2018. The deferred income tax asset has been reduced to reflect the newly enacted rates.

The components of the deferred income tax asset are as follows as of December 31:

	2017	2016
Current:		
Unearned contributions	$ 77,883	$ 140,927
Unrealized losses	21,169	19,632
Loss reserve discount	9,466	28,883
Total current	108,518	189,442
Noncurrent:		
Federal net operating loss	13,362	441,051
State net operating loss	25,640	69,496
Capital loss disallowed	15,909	24,255
Total noncurrent	54,911	534,802
Net deferred tax assets	$ 163,429	$ 724,244

As of December 31, 2017, the Pool has available federal and state net operating loss carryforwards of approximately $64,000 and $389,000, respectively, which may provide future tax benefits. The carryforwards begin to expire in 2036.

The Tax Cut and Jobs Act, enacted December 22, 2017, reduced the US federal rate to 21% from 35% beginning January 1, 2018. The Pool measures its deferred tax assets and liabilities based on tax laws and tax rates that are enacted or substantively enacted at the end of the reporting period. As this law was enacted in 2017, the deferred taxes were remeasured at this future rate of 21% as of December 31, 2017. The effect of the enacted rate reduction of $76,915 is included in income tax expenses.

NOTE 7 – EXCESS INSURANCE AND REINSURANCE

The Pool purchases excess insurance and reinsurance to reduce its financial exposure to loss. The Pool does not report any liabilities that are the responsibility of the reinsurance and, or the excess insurance carrier.

AHRP provides only general liability, property and tenant discrimination coverage. The general liability coverage for AHRP is self-insured at a level of $1,000,000 per occurrence. $1,000,000 of reinsurance has been secured to provide higher limit coverage on both the property and general liability lines. Additionally, AHRP secures $45,000,000 in excess of the underlying $2,000,000 for property losses through an additional excess insurance policy.

NOTE 8 – CONTINGENCIES

In connection with a financing arrangement between HARRP and a third party, the Pool is a grantor and is contingently liable to satisfy the claims of a reinsurer of the Pool should income or working capital of HARRP fall below a specified minimum. In the event the Pool is required to fund amounts pursuant to the above agreement, the Pool may recover the amount of its funding from HARRP, although the terms of such recovery may extend over several future periods.

NOTE 9 – SUBSEQUENT EVENTS

We have evaluated subsequent events through April 2, 2018, the date these consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE (Unaudited)
YEARS DECEMBER 31, 2017 AND 2016

The schedule below presents the changes in losses and loss adjustment expenses for the period ending December 31, 2017 and 2016 for the Pool's two types of coverage, property, and general liability:

	Property		General and Public Officials' Liability		Totals	
	2017	2016	2017	2016	2017	2016
Losses and loss adjustment expense reserves beginning of year	$1,712,925	$ 615,695	$ 747,277	$ 474,113	$ 2,460,202	$ 1,089,808
Incurred losses and loss adjustment expenses:						
Provision for covered events of the current year	1,235,984	2,999,803	534,375	337,413	1,770,359	3,337,216
Increase (decrease) in provision for covered events of the prior year	(170,819)	(43,615)	(146,202)	100,354	(317,021)	56,739
Total incurred losses and loss adjustment expenses	1,065,165	2,956,188	388,173	437,767	1,453,338	3,393,955
Payments:						
Losses and loss adjustment expenses attributable to covered events of the current year	931,814	1,473,005	45,324	13,241	977,138	1,486,246
Losses and loss adjustment expenses attributable to covered events of the prior years	1,372,576	385,953	229,497	151,362	1,602,073	537,315
Total payments	2,304,390	1,858,958	274,821	164,603	2,579,211	2,023,561
Losses and loss adjustment expense reserves end of year	$ 473,700	$1,712,925	$ 860,629	$ 747,277	$ 1,334,329	$ 2,460,202

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
YEARLY LOSS DEVELOPMENT INFORMATION (Unaudited)
DECEMBER 31, 2017 AND 2016

	2011	2012	2013	2014	2015	2016	2017
Total Required Contribution and Investment Revenue	$ 661,475	$ 1,703,074	$ 2,424,346	$ 3,356,343	$ 3,949,483	$ 4,534,732	$ 4,603,897
Ceded	(167,105)	(525,216)	(796,088)	(1,092,598)	(1,254,357)	(1,310,364)	(1,353,490)
(1) Net Earned Required Contribution and Investment Revenues	494,370	1,177,858	1,628,258	2,263,745	2,695,126	3,224,368	3,250,407
(2) Unallocated Expenses	320,824	647,149	723,414	923,757	1,003,915	1,201,840	1,136,939
(3) Estimated Incurred Claims and Expense							
End of Period	178,676	608,575	2,914,141	1,646,914	1,862,539	3,337,216	1,770,359
Ceded	-	-	-	-	-	-	-
Net Incurred	178,676	608,575	2,914,141	1,646,914	1,862,539	3,337,216	1,770,359
(4) Paid (Cumulative)							
End of Period	8,090	177,357	1,923,912	967,617	944,946	1,486,246	977,138
One Year Later	90,770	584,864	3,142,710	1,610,523	1,418,015	2,950,533	
Two Years Later	90,770	874,885	3,178,560	1,673,705	1,437,154		
Three Years Later	90,770	900,962	3,179,624	1,779,532			
Four Years Later	90,770	900,962	3,192,444				
Five Years Later	90,770	900,962					
Six Years Later	90,770						
(5) Reestimated Ceded Claims and Expenses	-	-	-	-	-	-	-
(6) Reestimated Incurred Claims and Expenses							
End of Period	178,676	608,575	2,914,141	1,646,914	1,862,539	3,337,216	1,770,359
One Year Later	110,537	960,064	3,218,437	1,687,099	1,686,127	3,192,191	
Two Years Later	99,830	1,030,385	3,197,510	1,765,105	1,579,303		
Three Years Later	90,770	900,962	3,243,218	1,807,812			
Four Years Later	90,770	900,962	3,195,759				
Five Years Later	90,770	900,962					
Six Years Later	90,770						
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Period	$ (87,906)	$ 292,387	$ 281,618	$ 160,898	$ (283,236)	$ (145,025)	$ -

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
YEARLY LOSS DEVELOPMENT INFORMATION (Unaudited) (continued)
DECEMBER 31, 2017 AND 2016

CLAIMS DEVELOPMENT INFORMATION

The schedule illustrates the Pool's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of the year.

The rows of the table are defined as follows:

1. This line shows the total of each period's earned contribution revenues and investment revenues.

2. This line shows each period's other operating costs of the Pool including overhead and claims expense not allocable to individual claims. All unallocable administration expenses are charged to the current period.

3. This line shows the Pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the period.

4. This section shows the cumulative amounts paid as of the end of the period.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current period for each insured period.

6. This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known.

7. This line compares the latest reestimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

As data for individual policy periods mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy periods. This is the first period of the presentation and development of this information. In subsequent years as this information is developed, comparative years and reestimation will be presented.

ADDITIONAL SUPPLEMENTARY INFORMATION

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017

	Affordable Housing Risk Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,578,959	$ 272,406	$ -	$ 2,851,365
Interest receivable	22,257	-	-	22,257
Accounts receivable, net	30,226	45,547	-	75,773
Prepaid expenses	581,031	2,316	-	583,347
Receivables from tax authorities	27,664	-	-	27,664
Deferred income tax asset	108,518	-	-	108,518
Total current assets	3,348,655	320,269	-	3,668,924
DEFERRED INCOME TAX ASSET	54,911	-	-	54,911
NON-CURRENT INVESTMENTS	4,197,188	-	-	4,197,188
INVESTMENT IN SUBSIDIARY	22,000	-	(22,000)	-
	$ 7,622,754	$ 320,269	$ (22,000)	$ 7,921,023
LIABILITIES AND UNASSIGNED SURPLUS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 16,662	$ 61,860	$ -	$ 78,522
Unearned contributions	2,275,969	-	-	2,275,969
Income tax payable	7,572	-	-	7,572
Current portion of losses and loss adjustment expense reserves	934,030	-	-	934,030
Total current liabilities	3,234,233	61,860	-	3,296,093
NON-CURRENT PORTION OF LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES	400,299	-	-	400,299
Total liabilities	3,634,532	61,860	-	3,696,392
CONTINGENCIES (NOTE 8)				
UNASSIGNED SURPLUS	3,988,222	258,409	(22,000)	4,224,631
	$ 7,622,754	$ 320,269	$ (22,000)	$ 7,921,023

AFFORDABLE HOUSING RISK POOL AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS AND UNASSIGNED SURPLUS
YEAR ENDED DECEMBER 31, 2017

	Affordable Housing Risk Pool	ORWACA Agency	Consolidating Eliminating Entries	Consolidated
OPERATING REVENUES:				
Contributions earned	$ 4,529,984	$ -	$ -	$ 4,529,984
Commissions	-	167,037	-	167,037
Total operating revenues	4,529,984	167,037	-	4,697,021
OPERATING EXPENSES:				
Change in losses and loss adjustment expenses incurred	1,453,338	-	-	1,453,338
Excess insurance expense	1,437,190	4,098	-	1,441,288
Professional fees	60,736	-	-	60,736
Meals and Entertainment	-	-	-	-
General and administrative expense	383,515	102,691	-	486,206
Total operating expenses	3,334,779	106,789	-	3,441,568
OPERATING INCOME	1,195,205	60,248	-	1,255,453
NON-OPERATING INCOME				
Investment income	73,913	-	-	73,913
NET INCOME BEFORE INCOME TAX EXPENSE	1,269,118	60,248		1,329,366
INCOME TAX EXPENSE	(578,588)	-	-	(578,588)
NET INCOME	690,530	60,248	-	750,778
UNASSIGNED SURPLUS, BEGINNING OF YEAR	3,297,692	198,161	(22,000)	3,473,853
UNASSIGNED SURPLUS, ENDING OF YEAR	$ 3,988,222	$ 258,409	$ (22,000)	$ 4,224,631