

Louisiana Housing Council, Inc.
Group Self-Insurance
Risk Management Agency
March 31, 2021

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Independent Auditor's Report

Insurance Committee
Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency (the "Agency"), as of and for the years ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency as of March 31, 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 and the schedule 1 - 10 year claims development information on pages 24 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The combining statement of net position, combining statement of revenues, expenses, and changes in net position, the financial indicator table, and the schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021, on our consideration of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's internal control over financial reporting and compliance.

Hawthorn, Weymouth & Carroll, L.L.P.

December 28, 2021

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Management's Discussion and Analysis
March 31, 2021

The following is management's discussion and analysis of the financial performance of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency (the "Agency") for the fiscal year ended March 31, 2021. It is presented as a narrative overview and analysis for the purpose of assisting the reader in interpreting the key elements of the financial statements, notes to the financial statements, and supporting schedules for the current year.

Louisiana Housing Council, Inc. is an association of City and Parish Public Housing Authorities in the State of Louisiana, whose members that choose to do so, participate in programs to purchase certain types of insurance coverage through the Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency. The Agency was originally formed in 1994 and currently offers coverage for Health, Fire and Extended Coverage (Property), General Liability, Auto, Public Officials Liability, and Workers' Compensation. Each line of coverage is a separate fund within the Agency and has different membership. The General Liability and Property Funds have the broadest membership with 98 and 95 authorities, respectively.

A committee of 5 members serves as the insurance committee. This committee makes the decisions regarding the insurance operations, and results are shown herein. The Agency and its insurance program are currently administered by Arthur J. Gallagher Risk Management Services, Inc. at the direction of the committee.

Financial Highlights

	(in Millions)			Percentage Increase (Decrease)
	At March <u>31, 2021</u>	At March <u>31, 2020</u>	At March <u>31, 2019</u>	
Cash and Investments	12.26	8.48	6.37	44.58%
Unpaid Claims Liability	2.97	2.23	1.74	33.18%
Unearned Premiums	3.45	0.59	0.20	484.75%
Net Position	6.40	6.59	5.77	-2.88%
	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percentage Increase (Decrease)
Premium Income	15.15	13.71	12.20	10.50%
Premiums Ceded and Insurance				
Policies Purchased	8.45	7.70	7.38	9.74%
Investment Income and				
Change in Unsold Investments	0.05	0.28	0.16	-82.14%
Net Incurred Claims Expense	6.59	5.04	5.06	30.75%
Administrative, Legal and Overhead Fees	0.52	0.59	0.57	-11.86%
Change in Net Position Prior to Dividends	0.26	1.87	-0.22	-86.10%
Policyholder Dividends	0.45	1.05	0.23	-57.14%
Change in Net Position	-0.19	0.82	-0.45	-123.17%

As shown above, cash and investments increased by 44.58%, mostly due to the timing of pre-paid fiscal year 2022 member premium payments (which is illustrated by the increase in unearned premiums) and slight premium increases.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Management’s Discussion and Analysis
March 31, 2021

Financial Highlights (Continued)

There was a 10.50% increase in premiums earned for all coverages due to the increase in property member premiums. Premiums ceded increased 9.74%. Net claims expense increased 30.75% in 2021.

The following table shows net claims expense by fund over the past three years:

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Health	\$ 4,179,010	\$ 3,919,839	\$ 3,466,433
Property Fund	2,109,506	930,498	1,391,056
General Liability	266,488	237,883	107,228
Public Officials	28,964	30,010	71,301
Auto	<u>1,278</u>	<u>(76,286)</u>	<u>21,661</u>
Total net incurred claims expense	<u>\$ 6,585,246</u>	<u>\$ 5,041,944</u>	<u>\$ 5,057,679</u>

Administrative, legal, and overhead fees decreased approximately \$70,000 or 11.86%. Investment income for fiscal year 2021 was approximately \$54,000 or about .01% earned on average cash and investments, compared to approximately \$280,000 and 3.2% earned for fiscal year 1899. The trend in investment earnings was abnormal due to the COVID-19 pandemic and the market having fluctuations.

The overall change in net position excluding policyholder dividends for the 2021 fiscal year was an increase of approximately \$260,000 compared to an increase of approximately \$1,870,000 for the 1899 fiscal year. This decrease is primarily attributable to the increase in claims expense.

The Agency’s insurance programs have a combined net position of \$6.40 million as of March 31, 2021.

Basic Financial Statements

The basic financial statements include information for Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency. The statements are presented in accordance with Governmental Accounting Standards Board (GASB) accounting principles and include the Statements of Net Position; Statements of Revenues, Expenses, and Change in Net Position; and Statements of Cash Flows.

The Statements of Net Position present the assets and liabilities of the Agency. The difference between total assets and liabilities is represented as net position and is a useful indicator of the surplus generated for all years of operation. The change in net position is a useful measure of whether the financial position is improving or deteriorating.

The Statements of Revenues, Expenses, and Change in Net Position present the results of the insurance operations for the past two fiscal years. This statement shows the revenues generated by the funds along with the associated expenses. The revenues in excess of expenses or expenses in excess of revenues are represented as the change in net position from one year to another.

**Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Management's Discussion and Analysis
March 31, 2021**

Basic Financial Statements (Continued)

The statements of cash flows present information showing how cash changed throughout the fiscal years as a result of operations and investing.

Other Receivables

Included in other receivables on the statements of net position are the following:

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Policyholder dividends receivable	\$ 452,678	\$ 408,504	\$ 232,271
Miscellaneous receivables	600	600	600
Total other receivables	\$ 453,278	\$ 409,104	\$ 232,871

Unearned Premiums

When premiums are pre-collected for a renewal or insurance carrier premium installment, a liability is established to reflect the portion of premiums collected that have not been earned.

Contacting the Agency's Designated Representative

This financial report is intended to provide a general overview of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency. Questions concerning information provided herein, or requests for additional financial information, should be addressed to the Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's designated representative:

Bobby R. Collins, MBA, CPM, CME, CMPO
LHC Insurance Committee Chairman
c/o Shreveport Housing Authority
2500 Line Avenue
Shreveport, LA 71104

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statements of Net Position
March 31, 2021

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 7,146,146	\$ 3,383,998
Investments	5,118,529	5,097,718
Premiums receivable	281,655	201,466
Excess insurance receivable	253,097	226,777
Other receivables	453,278	409,104
Prepaid expenses	403,864	504,003
Escrow funds	42,158	50,866
Accrued interest	<u>20,363</u>	<u>7,706</u>
 Total assets	 <u>\$ 13,719,090</u>	 <u>\$ 9,881,638</u>
Liabilities		
Accounts payable	\$ 446,654	\$ 65,414
Unpaid claims liability	2,967,255	2,234,232
Unearned premiums	3,452,654	587,676
Other payables	<u>452,678</u>	<u>408,504</u>
 Total liabilities	 7,319,241	 3,295,826
 Net Position	 <u>6,399,849</u>	 <u>6,585,812</u>
 Total liabilities and net position	 <u>\$ 13,719,090</u>	 <u>\$ 9,881,638</u>

The accompanying notes are an integral part of these financial statements.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statements of Revenues, Expenses, and Change in Net Position
Years Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
Revenues		
Premiums earned	\$ 15,152,843	\$ 13,708,882
Premiums ceded	<u>(8,448,173)</u>	<u>(7,697,470)</u>
Net premiums earned	6,704,670	6,011,412
Investment income	54,198	284,569
LHC fees	141,013	127,399
Other revenue	<u>474,581</u>	<u>1,070,790</u>
Total revenues	<u>7,374,462</u>	<u>7,494,170</u>
Expenses		
Claims expenses	7,131,908	5,879,983
Excess insurance proceeds	<u>(546,662)</u>	<u>(838,039)</u>
Net incurred claims expenses	6,585,246	5,041,944
Administrative services	124,779	168,259
Claims administrator fees	49,686	49,289
Fees paid to LHC	141,013	127,399
Investment fees and other expenses	171,228	192,078
Professional fees	26,795	39,190
Actuarial fees	9,000	9,250
Policyholder dividends	<u>452,678</u>	<u>1,050,517</u>
Total expenses	<u>7,560,425</u>	<u>6,677,926</u>
Change in Net Position	(185,963)	816,244
Net Position, beginning of year	<u>6,585,812</u>	<u>5,769,568</u>
Net Position, end of year	<u>\$ 6,399,849</u>	<u>\$ 6,585,812</u>

The accompanying notes are an integral part of these financial statements.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Statements of Cash Flows
Years Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Premiums received	\$ 17,937,632	\$ 14,043,117
Premiums paid	(8,348,034)	(7,395,500)
Investment activity	135,817	173,054
Other receipts	430,407	907,684
Claims paid	(6,010,106)	(5,387,174)
Excess insurance proceeds	520,342	1,044,041
Payments for fees and bank charges	(380,318)	(504,398)
Policyholder dividends paid	<u>(408,505)</u>	<u>(875,401)</u>
Net cash provided by operating activities	<u>3,877,235</u>	<u>2,005,423</u>
Cash Flows from Investing Activities		
Proceeds from sale and maturity of investment securities	2,471,645	2,947,725
Purchase of investment securities	<u>(2,586,732)</u>	<u>(2,568,695)</u>
Net cash provided by (used in) investing activities	<u>(115,087)</u>	<u>379,030</u>
Net Change in Cash and Cash Equivalents	3,762,148	2,384,453
Cash and Cash Equivalents, beginning of year	<u>3,383,998</u>	<u>999,545</u>
Cash and Cash Equivalents, end of year	<u>\$ 7,146,146</u>	<u>\$ 3,383,998</u>
Reconciliation of Change in Net Position to Net Cash		
Provided by Operating Activities:		
Change in net position	\$ (185,963)	\$ 816,244
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net (appreciation) depreciation in fair value of investments	74,662	(111,933)
Realized (gain) loss on investments	19,614	9,872
(Increase) Decrease in assets:		
Premiums receivable	(80,189)	(52,149)
Excess insurance receivable	(26,320)	206,002
Prepaid expenses	100,139	301,970
Other receivables	(44,174)	(176,233)
Escrow funds	8,708	(807)
Accrued interest	(12,657)	3,673
Increase (Decrease) in liabilities:		
Accounts payable	381,240	(52,017)
Unearned premiums	2,864,978	392,876
Unpaid claims liability	733,023	492,809
Other payables	<u>44,174</u>	<u>175,116</u>
Net cash provided by operating activities	<u>\$ 3,877,235</u>	<u>\$ 2,005,423</u>

The accompanying notes are an integral part of these financial statements.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 1-Public Entity Risk Pools

In April, 1984, the Governmental Accounting Standards Board (GASB) was established as an arm of the Financial Accounting Foundation to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local entities.

In November, 1989, the GASB issued Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10) to establish accounting and financial reporting standards for risk financing and insurance-related activities of state and local governmental entities, including public entity risk pools.

In February, 1996, the GASB issued Statement No. 30 "Risk Financing Omnibus, An Amendment of GASB Statement No. 10."

A "public entity risk pool" is defined in GASB 10 as a "cooperative group of governmental entities joining together to finance an exposure, liability, or risk." There are four basic types of public entity risk pools which can serve one or several of the following functions:

Risk-Sharing Pool

An arrangement by which governments pool risks and funds and share in the cost of losses.

Insurance-Purchasing Pool

An arrangement by which governments pool funds or resources to purchase commercial insurance products.

Banking Pool

An arrangement by which monies are made available for pool members in the event of loss on a loan basis.

Claims-Servicing or Account Pool

An arrangement by which a pool manages separate accounts for each pool member from which the losses of that member are paid.

Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency offers coverages through the following funds:

<u>Risk-Sharing Pools</u>	<u>Insurance-Purchasing Pools</u>
Health Fund	Workers' Compensation Fund
Property Fund	Auto Fund
General Liability Fund	
Public Officials Liability Fund	

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 1-Public Entity Risk Pools (Continued)

In 1981, the Louisiana Legislature enacted Louisiana Revised Statutes (LRS) 33:1351 through 33:1360, the “Local Housing Authority Self-Insurance Act of 1981.” LRS 33:1354 authorizes the Louisiana Housing Council, Inc. (LHC) to administer an inter-local risk management agency, with the insurance committee of the LHC constituting the board of trustees for such agency. LHC is an association for the housing authorities of Louisiana and is incorporated as a nonprofit corporation under the laws of the State of Louisiana.

Participation in Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency (the “Agency”) is open to all housing authorities which are members of Louisiana Housing Council, Inc. These housing authorities join together to acquire commercial insurance coverage at lower costs. Participation is voluntary and participants may withdraw by giving proper notice. The Agency’s general objectives are to formulate, develop and administer, on behalf of the member housing authorities, a program of inter-local risk management to obtain lower costs for that coverage.

Risk-Sharing Pools

Participating housing authorities transfer risk of loss to the funds in the risk-sharing pool. If the assets of the Agency are exhausted, participants will be responsible for their respective outstanding claims.

The Health Fund had 54 and 47 housing authorities participating as of March 31, 2021, respectively. Blue Cross Blue Shield of Louisiana performs the claims processing for the Health Fund.

The Property Fund had 95 and 98 housing authorities participating as of March 31, 2021, respectively. Sedgwick Claims Management Services, Inc. performs claims processing for the Property Fund and maintains a “Loss Fund” account for payment of claims.

The General Liability Fund had 98 and 102 housing authorities participating as of March 31, 2021, respectively. Sedgwick Claims Management Services, Inc. performs claims processing for the General Liability Fund and maintains a “Loss Fund” account for payment of claims.

The Public Officials Liability Fund had 84 and 85 housing authorities participating as of March 31, 2021, respectively. Sedgwick Claims Management Services, Inc. performs claims processing for the Public Officials Liability Fund and maintains a “Loss Fund” account for payment of claims.

Fund underwriting and rate-setting policies have been established by the LHC Insurance Committee, which is the governing body of the Agency.

Insurance-Purchasing Pools

The insurance-purchasing pools include the Workers’ Compensation Fund and Auto Fund, which are comprised of members of Louisiana Housing Council, Inc. The Auto Fund switched from a risk-sharing pool to an insurance-purchasing pool effective April 1, 2019. The Funds receive premiums from the housing authorities and pool the funds to purchase commercial insurance products.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Net Position

The Agency is considered an enterprise fund and, accordingly, uses the accrual method of accounting and the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. The Agency applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Since the business of the Agency is essentially that of an insurance company having a business cycle greater than one year, the statement of net position is not presented in a classified format.

The Agency follows GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the Agency's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. As of March 31, 2021, the Agency had no deferred inflows or outflows.

B. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as cash on hand, financial institution deposits, and highly liquid debt instruments purchased with an original maturity of three months or less that are not included in an investment portfolio.

C. Investments

Investments are reported at fair value. Fair value is based on the last reported sales price if available; if not available, fair value is based on estimated fair value. Realized and unrealized gains and losses on investments recorded at estimated fair value are included in net investment income. See Note 5 for further discussion regarding fair value measurements.

D. Premium Income and Receivables

Premiums are recognized as income over the term of the policies as they become earned on a pro-rata basis. Any adjustments to annual premiums are considered to be a change in estimate and are recognized in the year they become known. The costs associated with new and renewal contracts as acquisition costs are immaterial to the financial statements and are expensed when incurred.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 2-Summary of Significant Accounting Policies (Continued)

D. Premium Income and Receivables (Continued)

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management evaluates accounts receivable on a periodic basis and determines the necessity of an allowance for doubtful accounts based on history of past write-offs, collections, and current conditions. Receivables are written off when it is determined that all collection efforts have been exhausted. At March 31, 2021, management deemed all premiums receivable and excess insurance receivables to be fully collectible and therefore did not establish an allowance.

E. Unpaid Claims Liability

(I) Health Fund, Property Fund, General Liability Fund, and Public Officials Liability Fund

These funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) 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 excess insurance 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 liability does not necessarily result in an exact amount. 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 costs is implicit in the calculation. The carrying amount of liabilities for claims losses and claims expense is presented at actual amounts expected to be spent and are not discounted to present value. Investment earnings are not taken into account in determining claims liability.

(II) All Other Insurance Funds

These funds purchase insurance from various commercial insurance companies to pay claims on a first-dollar basis; therefore, no reserve for unpaid claims liability has been established.

F. Excess Insurance

The funds in the risk-sharing pools purchase excess insurance policies to reduce exposure to large losses on insured events. Under excess policies, once claims reach the provided specific or aggregate stop loss limit, the liability transfers to the excess insurer. In the case of excess property insurance, once the aggregated stop loss is breached, each claim thereafter is subject to a maintenance deductible of \$25,000. These excess contracts do not relieve the Agency from its obligations to policyholders. Failure of excess carriers to honor their obligations could result in losses to the Agency. The Agency evaluates the financial condition of its excess carriers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize its exposure to significant losses from excess carrier insolvencies.

G. Income Taxes

The Agency is exempt from federal income taxes under Sections 7701 and 115 (1) of the Internal Revenue Code.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 2-Summary of Significant Accounting Policies (Continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to, the unpaid claims liability for all risk-sharing pools.

I. Reclassification

Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net position or change in net position.

Note 3-Deposits and Investments

The Agency must comply with Rule Number 4 of the Commissioner of Insurance, State of Louisiana. According to Rule Number 4, all deposits in financial institutions made by this Agency shall be limited to institutions in Louisiana unless a higher rate can be obtained in an out-of-state institution. Deposits in financial institutions may exceed the federally insured amount in any one financial institution, as long as the amount is not in excess of the greater of \$500,000 or 5% of the combination of surplus, undivided profits and reserves as currently reported by the financial institution. In regard to deposits and investments, the Agency was in compliance with these provisions during the years ended March 31, 2021.

Under Rule Number 4 of the Commissioner of Insurance, State of Louisiana, the Agency may invest any surplus monies in obligations of the U.S. Government and its agencies, as well as financial institutions. Included in investments are money market accounts.

Statement Number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures*, established and modified disclosure requirements related to investment risk. This section describes the various types of investment risk and the Agency's exposure to each type.

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Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 3-Deposits and Investments (Continued)

The following table presents the estimated fair value and amortized cost of investments permissible under the rules, objectives and guidelines of the Agency as of March 31, 2021:

<u>Investment Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>
U.S. Treasury Notes	\$ 1,040,990	\$ 1,034,805	\$ 1,100,404	\$ 1,071,629
U.S. Government agency debt obligations	1,340,745	1,335,635	1,329,560	1,301,352
U.S. Government mortgage backed securities	2,235,882	2,214,297	2,286,263	2,245,048
Corporate Bonds	356,770	363,721	273,958	271,558
Money Market Funds	144,142	144,142	107,533	107,533
	<u>\$ 5,118,529</u>	<u>\$ 5,092,600</u>	<u>\$ 5,097,718</u>	<u>\$ 4,997,120</u>

(I) Custodial Credit Risk

Custodial credit risk for cash and cash equivalents is the risk that in the event of financial institution failure, the Agency's deposits may not be returned to them. The Agency has no custodial risk with respect to demand deposits accounts at March 31, 2021. The Agency's investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments that is in the possession of an outside party. At March 31, 2021, the Agency's investments in government debt obligations are uninsured on the performance of the custodian and are exposed to custodial credit risk because they are held by a counterparty.

(II) Credit Risk

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Nationally recognized standardized rating systems are a tool with which to assess credit risk on debt obligations. U.S. Government debt securities and money market accounts are not required to be rated.

All of the Fund's investments with the exception of money market and corporate bond investments are issued or backed by the U.S. Government. Concentration of credit risk relates to the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency had no investments in any one issuer that represented 5% or more of total investments, other than the U.S. Government.

The investment in corporate bonds is rated Aaa by Moody's Investor Service. All other Investments do not require credit quality rating.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 3-Deposits and Investments (Continued)

(III) Interest Rate Risk

Interest rate risk is defined as the risk that changes in overall market interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments. In some instances, actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The following table shows the Agency's fixed income investments and maturities in actively-managed accounts at March 31, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
U.S. Treasury Notes	\$ 1,040,990	\$ 78,585	\$ 962,405	\$ -	\$ -
U.S. Government agency debt obligations	1,340,745	766,853	573,892	-	-
U.S. Government mortgage backed securities	2,235,882	5,181	684,458	728,366	817,877
Corporate Bonds	356,770	356,770	-	-	-
Money Market Funds	<u>144,142</u>	<u>144,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,118,529</u>	<u>\$ 1,351,531</u>	<u>\$ 2,220,755</u>	<u>\$ 728,366</u>	<u>\$ 817,877</u>

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Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 4-Unpaid Claims Liability

The following represents activity in the Agency's liability for losses and loss adjustment expense for the year ended March 31, 2021:

<u>March 31, 2021</u>	<u>Health Fund</u>	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Auto Fund</u>	<u>Public Officials Liability Fund</u>	<u>Total</u>
Unpaid claims at March 31, 2020	\$ 470,544	\$ 892,057	\$ 820,821	\$ -	\$ 50,810	\$ 2,234,232
Incurring claims and claims adjustment expenses of the current period	4,175,414	1,872,625	138,545	-	54,967	6,241,551
Changes in provision for insured events of prior years	<u>3,596</u>	<u>236,881</u>	<u>127,943</u>	<u>1,278</u>	<u>(26,003)</u>	<u>343,695</u>
Total incurred claims and claims adjustment expense	<u>4,179,010</u>	<u>2,109,506</u>	<u>266,488</u>	<u>1,278</u>	<u>28,964</u>	<u>6,585,246</u>
Payments for claims and claims adjustment expenses attributable to:						
Insured events of current year	(3,767,811)	(670,176)	(5,183)	-	-	(4,443,170)
Insured events of prior years	<u>(474,140)</u>	<u>(676,128)</u>	<u>(245,797)</u>	<u>(1,278)</u>	<u>(11,710)</u>	<u>(1,409,053)</u>
Total payments and claims adjustment expenses	<u>(4,241,951)</u>	<u>(1,346,304)</u>	<u>(250,980)</u>	<u>(1,278)</u>	<u>(11,710)</u>	<u>(5,852,223)</u>
Total unpaid claims at March 31, 2021	<u>\$ 407,603</u>	<u>\$ 1,655,259</u>	<u>\$ 836,329</u>	<u>\$ -</u>	<u>\$ 68,064</u>	<u>\$ 2,967,255</u>

<u>March 31, 2020</u>	<u>Health Fund</u>	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Auto Fund</u>	<u>Public Officials Liability Fund</u>	<u>Total</u>
Unpaid claims at March 31, 2019	\$ 337,692	\$ 374,351	\$ 846,068	\$ 94,916	\$ 88,396	\$ 1,741,423
Incurring claims and claims adjustment expenses of the current period	3,904,356	1,004,480	342,975	-	40,250	5,292,061
Changes in provision for insured events of prior years	<u>15,483</u>	<u>(73,982)</u>	<u>(105,092)</u>	<u>(76,286)</u>	<u>(10,240)</u>	<u>(250,117)</u>
Total incurred claims and claims adjustment expense	<u>3,919,839</u>	<u>930,498</u>	<u>237,883</u>	<u>(76,286)</u>	<u>30,010</u>	<u>5,041,944</u>
Payments for claims and claims adjustment expenses attributable to:						
Insured events of current year	(3,433,813)	(190,609)	(8,988)	-	-	(3,633,410)
Insured events of prior years	<u>(353,174)</u>	<u>(222,183)</u>	<u>(254,142)</u>	<u>(18,630)</u>	<u>(67,596)</u>	<u>(915,725)</u>
Total payments and claims adjustment expenses	<u>(3,786,987)</u>	<u>(412,792)</u>	<u>(263,130)</u>	<u>(18,630)</u>	<u>(67,596)</u>	<u>(4,549,135)</u>
Total unpaid claims at March 31, 2020	<u>\$ 470,544</u>	<u>\$ 892,057</u>	<u>\$ 820,821</u>	<u>\$ -</u>	<u>\$ 50,810</u>	<u>\$ 2,234,232</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 5-Fair Value Measurements

The Agency follows GASB No. 72, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Agency determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.
- Level 2: Prices based on observable inputs corroborated by market data but no quoted active markets.
- Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

Following is a description of the valuation methodologies used for assets at fair value. There has been no change in the methodologies used at March 31, 2021:

Government Securities:

Valued based on quoted market prices when available or is based on yields currently available on comparable securities or on an industry valuation model, which maximizes observable inputs.

Corporate Bonds:

Valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustment for certain risks that may not be observable, such as credit and liquidity risks.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 5-Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis for the year ended March 31, 2021 are as follows:

<u>March 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 1,040,990	\$ -	\$ -	\$ 1,040,990
U.S. Government agency debt obligations	-	1,340,745	-	1,340,745
U.S. Government mortgage backed securities	-	2,235,882	-	2,235,882
Corporate Bonds	-	356,770	-	356,770
Money Market Funds	144,142	-	-	144,142
Total investments at fair value	<u>\$ 1,185,132</u>	<u>\$ 3,933,397</u>	<u>\$ -</u>	<u>\$ 5,118,529</u>

<u>March 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Securities				
U.S. Treasury Notes	\$ 1,100,404	\$ -	\$ -	\$ 1,100,404
U.S. Government agency debt obligations	-	1329560	-	1329560
U.S. Government mortgage backed securities	-	2286263	-	2286263
Corporate Bonds	-	273,958	-	273,958
Money Market Funds	107,533	-	-	107,533
Total investments at fair value	<u>\$ 1,207,937</u>	<u>\$ 3,889,781</u>	<u>\$ -</u>	<u>\$ 5,097,718</u>

Note 6-Excess Insurance Policy Coverage for Risk-Sharing Pools

A. Health Fund

At March 31, 2021, the Fund had excess insurance with each participant having unlimited lifetime maximum coverage. The stop loss per claim is \$75,000 for each individual for those years. Premiums ceded to reinsurers during the years ended March 31, 2021 were \$1,069,469 and \$1,210,114, respectively, and the amount deducted from claims was \$546,662 and \$838,039, respectively. All of the excess insurance activity was with a single reinsurer. The anticipated recoverable amount as of March 31, 2021 was \$139,302 and \$101,519, respectively.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 6-Excess Insurance Policy Coverage for Risk-Sharing Pools (Continued)

B. Property Fund

At March 31, 2021, the Fund had excess insurance with a self-insured retention of \$150,000 for each specific event and aggregate stop loss for each year of \$1,500,000 for the policy periods with the exception of named windstorms in tiers 1 & 2, which had a deductible of 5% of the building values at the time of loss subject to a \$250,000 minimum deductible. Premiums ceded to excess insurers during the years ended March 31, 2021, were \$5,312,179 and \$4,491,349, respectively. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with multiple excess carriers. The anticipated recoverable amount as of March 31, 2021 was \$88,235 and \$99,698, respectively.

C. General Liability Fund

At March 31, 2021, the General Liability Fund had excess insurance with a self-insured retention of \$50,000 for each specific event and an aggregate stop loss for each year of \$450,000 for the policy periods. Premiums ceded to excess insurers during the years ended March 31, 2021 were \$606,103 and \$594,370, respectively. The policy period runs from April 1st to March 31st of each year. Excess insurance activity was with a single reinsurer. There were no anticipated recoverable amounts at March 31, 2021.

D. Public Officials Liability Fund

At March 31, 2021, the Public Officials Liability Fund had excess insurance with a self-insured retention of \$75,000 for each specific event and an aggregate stop loss for the year of \$190,000. At , the Public Officials Liability Fund had excess insurance with a self-insured retention of \$75,000 for each specific event and an aggregate stop loss for the year of \$202,000. Premiums ceded to excess insurers during the years ended March 31, 2021 were \$163,835 and \$147,999, respectively. There is an anticipated recoverable amount of \$25,560 at March 31, 2021, and there were no anticipated recoverable amounts at .

E. Auto Fund

Effective April 1, 2019, the Auto Fund switched from a risk-sharing pool to an insurance-purchasing pool and that status remained for the fiscal period ending March 31, 2021. All claims are closed for the previous self-funded years of the Auto Fund.

Note 7-Related Party Transactions

Louisiana Housing Council, Inc., (LHC) provides benefits and services to the housing authorities, as well as access to lower cost insurance, through administration of the Agency. The risk sharing pools pay a fee to LHC based on housing authorities' participation in the pool. These fees are recognized when the policies are billed. Total fees for the years ended March 31, 2021 were \$141,013 and \$127,399, respectively.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Notes to Financial Statements
March 31, 2021

Note 7-Related Party Transactions (Continued)

Arthur J. Gallagher Risk Management Services, Inc. is a third-party service agent that performs the risk management and administrative functions of the Agency. Fees for their services are based on different criteria for each type of insurance coverage. The Agency also purchased certain insurance policies from Arthur J. Gallagher Risk Management Services, Inc. Total amounts paid for policies and fees for the years ended March 31, 2021 were \$124,779 and \$168,259, respectively.

Note 8-Contingencies

During the normal course of business, the Agency becomes involved in various insurance related claims and legal actions. Management of the Agency establishes estimated liabilities for reported and unreported contingencies. Management believes that the outcome of claims and any related legal proceedings will be provided for by the estimated insurance liabilities and will not have a material adverse effect on the Agency's financial position or results of operations.

Note 9-Subsequent Events

The Agency evaluated all subsequent events through December 28, 2021, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Required Supplementary Information

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Health Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net premiums earned, investment income, and other revenue	\$ 4,069	\$ 3,615	\$ 2,886	\$ 2,800	\$ 2,989	\$ 2,811	\$ 2,603	\$ 2,760	\$ 2,726	\$ 2,751
Operating costs, unallocated	26	26	31	33	45	45	95	195	181	174
Estimated claims and expenses, end of policy year										
Incurred	4,725	4,742	4,219	2,960	3,510	3,141	3,289	3,911	2,538	2,597
Ceded	(547)	(838)	(732)	(222)	(501)	(209)	(782)	(1,128)	(194)	(63)
Net incurred	4,178	3,904	3,487	2,738	3,009	2,932	2,507	2,783	2,344	2,534
Paid (cumulative) as of:										
End of policy year	3,768	3,434	3,149	2,391	2,816	2,654	2,344	2,544	2,043	2,307
One year later		3,908	3,502	2,717	2,968	2,916	2,499	2,804	2,306	2,715
Two years later			3,502	2,717	2,968	2,916	2,499	2,804	2,306	2,715
Three years later				2,717	2,968	2,916	2,499	2,804	2,306	2,715
Four years later					2,968	2,916	2,499	2,804	2,306	2,715
Five years later						2,916	2,499	2,804	2,306	2,715
Six years later							2,499	2,804	2,306	2,715
Seven years later								2,804	2,306	2,715
Eight years later									2,306	2,715
Nine years later										2,715
Re-estimated ceded claims and expenses	547	838	732	222	501	209	782	1,128	194	63
Re-estimated net incurred claims and expenses										
End of policy year	4,178	3,904	3,487	2,738	3,009	2,932	2,507	2,783	2,344	2,534
One year later		3,908	3,502	2,717	2,968	2,916	2,499	2,804	2,306	2,715
Two years later			3,502	2,717	2,968	2,916	2,499	2,804	2,306	2,715
Three years later				2,717	2,968	2,916	2,499	2,804	2,306	2,715
Four years later					2,968	2,916	2,499	2,804	2,306	2,715
Five years later						2,916	2,499	2,804	2,306	2,715
Six years later							2,499	2,804	2,306	2,715
Seven years later								2,804	2,306	2,715
Eight years later									2,306	2,715
Nine years later										2,715
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	4	15	(21)	(41)	(16)	(8)	21	(38)	181

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
General Liability Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net premiums earned, investment income, and other revenue	\$ 576	\$ 646	\$ 518	\$ 623	\$ 643	\$ 667	\$ 671	\$ 639	\$ 630	\$ 622
Operating costs, unallocated	193	205	198	219	228	904	163	164	164	142
Estimated claims and expenses, end of policy year										
Incurred	139	343	197	172	234	342	545	525	300	119
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	139	343	197	172	234	342	545	525	300	119
Paid (cumulative) as of:										
End of policy year	5	9	5	1	15	20	6	9	23	16
One year later		122	46	21	85	59	55	45	41	44
Two years later			139	60	136	102	63	95	74	116
Three years later				83	201	172	83	143	118	219
Four years later					209	208	119	169	140	245
Five years later						209	169	178	141	265
Six years later							170	178	144	305
Seven years later								178	146	305
Eight years later									146	322
Nine years later										324
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	139	343	197	172	234	342	545	525	300	119
One year later		459	170	165	266	207	284	497	265	368
Two years later			217	183	271	297	190	353	259	486
Three years later				185	271	279	170	284	203	431
Four years later					259	249	188	257	213	348
Five years later						229	196	210	209	326
Six years later							198	178	186	324
Seven years later								178	175	324
Eight years later									157	324
Nine years later										324
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	116	20	13	25	(113)	(347)	(347)	(143)	205

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Property Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net premiums earned, investment income, and other revenue	\$ 1,961	\$ 1,864	\$ 1,391	\$ 1,170	\$ 813	\$ 741	\$ (10)	\$ 1,119	\$ 898	\$ 1,114
Operating costs, unallocated	125	138	151	161	197	114	126	1,276	142	427
Estimated claims and expenses, end of policy year										
Incurred	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031	594
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031	594
Paid (cumulative) as of:										
End of policy year	670	191	1,065	934	740	800	478	484	689	358
One year later		818	1,257	1,379	979	1,022	927	670	909	397
Two years later			1,306	1,315	1,119	1,023	942	590	1,060	397
Three years later				1,315	1,116	1,038	942	590	1,060	397
Four years later					1,116	1,038	942	590	1,060	397
Five years later						1,038	942	590	1,060	397
Six years later							942	590	1,060	397
Seven years later								590	1,060	397
Eight years later									1,060	397
Nine years later										397
Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated net incurred claims and expenses										
End of policy year	1,873	1,005	1,429	1,358	1,249	1,285	1,354	887	1,031	594
One year later		1,266	1,334	1,389	1,077	1,075	975	669	1,055	405
Two years later			1,310	1,317	1,119	1,023	960	590	1,055	397
Three years later				1,316	1,116	1,038	942	590	1,060	397
Four years later					1,116	1,038	942	590	1,060	397
Five years later						1,038	942	590	1,060	397
Six years later							942	590	1,060	397
Seven years later								590	1,060	397
Eight years later									1,060	397
Nine years later										397
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	261	(119)	(42)	(133)	(247)	(412)	(297)	29	(197)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Public Officials Liability Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net premiums earned, investment income, and other revenue	\$ 252	\$ 184	\$ 187	\$ 94	\$ 55	\$ 92
Operating costs, unallocated	16	23	21	16	17	12
Estimated claims and expenses, end of policy year						
Incurred	54	40	51	68	56	-
Ceded	-	-	-	-	-	-
Net incurred	54	40	51	68	56	-
Paid (cumulative) as of:						
End of policy year	-	-	-	7	17	-
One year later		8	40	72	38	-
Two years later			44	100	38	17
Three years later				100	38	17
Four years later					38	17
Five years later						17
Six years later						
Seven years later						
Eight years later						
Nine years later						
Re-estimated ceded claims and expenses	-	-	-	-	-	-
Re-estimated net incurred claims and expenses						
End of policy year	54	40	51	68	56	-
One year later		22	51	110	57	-
Two years later			44	100	38	21
Three years later				100	38	17
Four years later					38	17
Five years later						17
Six years later						
Seven years later						
Eight years later						
Nine years later						
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	-	(18)	(7)	32	(18)	17

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

* The Agency created the Public Officials Liability Fund effective September 1, 2015. The Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule 1 - 10 Year Claims Development Information
Auto Fund - For the Year Ended March 31
(Unaudited)- in thousands

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net premiums earned, investment income, and other revenue	\$ 132	\$ 127	\$ 77
Operating costs, unallocated	19	18	8
Estimated claims and expenses, end of policy year			
Incurred	61	128	28
Ceded	-	-	-
Net incurred	61	128	28
Paid (cumulative) as of:			
End of policy year	13	28	8
One year later	20	45	14
Two years later		56	16
Three years later			16
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
Re-estimated ceded claims and expenses	-	-	-
Re-estimated net incurred claims and expenses			
End of policy year	61	128	28
One year later	20	91	19
Two years later		56	16
Three years later			16
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
Increase (Decrease) in estimated net incurred claims and expenses from end of policy year	(41)	(72)	(12)

The preceding table is supplementary information required by Governmental Accounting Standards Board Statement No. 30 (GASB 30). The Schedule illustrates how the Fund's earned revenue (net of reinsurance) plus investment income and other revenue compare to related costs of loss (net of assumed reinsurance) plus other costs at the end of each year.

* The Agency created the Auto Liability Fund effective April 1, 2016. The Schedule is intended to show information for 10 years. Effective April 1, 2019, the Agency switched to a first dollar program.

Supplementary Information

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Combining Statement of Net Position
March 31, 2021

	Workers' Comp Fund	Health Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2021 Total
Assets							
Cash and cash equivalents	\$ 409,891	\$ 467,883	\$ 191,604	\$4,649,544	\$ 779,050	\$ 648,174	\$ 7,146,146
Investments	1,004,901	1,145,095	-	57,417	2,911,116	-	5,118,529
Due (to) from Other LHC Funds	181,600	(38,580)	18,120	(178,360)	52,122	(34,902)	-
Premiums receivable	125,836	15,415	131,236	-	-	9,168	281,655
Excess insurance receivable	-	139,302	-	88,235	-	25,560	253,097
Other receivables	452,678	-	-	-	600	-	453,278
Prepaid expenses	229,429	85,743	-	1,750	16,224	70,718	403,864
Escrow funds	-	-	10,000	12,044	10,114	10,000	42,158
Accrued interest	4,257	4,357	-	212	11,537	-	20,363
Total assets	<u>\$2,408,592</u>	<u>\$1,819,215</u>	<u>\$ 350,960</u>	<u>\$4,630,842</u>	<u>\$3,780,763</u>	<u>\$ 728,718</u>	<u>\$13,719,090</u>
Liabilities							
Accounts payable	\$ -	\$ 686	\$ 859	\$ 444,910	\$ (663)	\$ 862	\$ 446,654
Unpaid claims liability	-	407,603	-	1,655,259	836,329	68,064	2,967,255
Unearned premiums	416,553	-	157,561	2,326,098	372,136	180,306	3,452,654
Other payables	452,678	-	-	-	-	-	452,678
Total liabilities	869,231	408,289	158,420	4,426,267	1,207,802	249,232	7,319,241
Net Position	<u>1,539,361</u>	<u>1,410,926</u>	<u>192,540</u>	<u>204,575</u>	<u>2,572,961</u>	<u>479,486</u>	<u>6,399,849</u>
Total liabilities and net position	<u>\$2,408,592</u>	<u>\$1,819,215</u>	<u>\$ 350,960</u>	<u>\$4,630,842</u>	<u>\$3,780,763</u>	<u>\$ 728,718</u>	<u>\$13,719,090</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Combining Statement Revenues, Expenses, and Change in Net Position
Year Ended March 31, 2021

	Workers' Comp Fund	Health Fund	Auto Fund	Property Fund	General Liability Fund	Public Officials Liability Fund	2021 Total
Revenues							
Premiums earned	\$ 892,906	\$ 5,104,906	\$ 447,309	\$7,163,696	\$ 1,138,800	\$ 405,226	\$15,152,843
Premiums ceded	<u>(849,409)</u>	<u>(1,069,469)</u>	<u>(447,178)</u>	<u>(5,312,179)</u>	<u>(606,103)</u>	<u>(163,835)</u>	<u>(8,448,173)</u>
Net premiums earned	43,497	4,035,437	131	1,851,517	532,697	241,391	6,704,670
Investment income	9,219	15,864	193	2,541	26,097	284	54,198
LHC fees	3,600	-	6,708	107,401	17,079	6,225	141,013
Other revenue	<u>453,145</u>	<u>17,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,150</u>	<u>474,581</u>
Total revenues	<u>509,461</u>	<u>4,068,587</u>	<u>7,032</u>	<u>1,961,459</u>	<u>575,873</u>	<u>252,050</u>	<u>7,374,462</u>
Expenses							
Claims expenses	-	4,725,672	1,278	2,109,506	266,488	28,964	7,131,908
Excess insurance proceeds	<u>-</u>	<u>(546,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(546,662)</u>
Net incurred claims expenses	-	4,179,010	1,278	2,109,506	266,488	28,964	6,585,246
Administrative services	20,000	15,629	-	-	85,000	4,150	124,779
Claims administrator fees	-	3,278	2,080	7,954	31,374	5,000	49,686
Fees paid to LHC	3,600	-	6,708	107,401	17,079	6,225	141,013
Investment fees and other expenses	95,895	6,838	3,635	7,090	54,037	3,733	171,228
Professional fees	24,850	325	-	-	1,620	-	26,795
Actuarial fees	-	-	1,000	2,500	4,000	1,500	9,000
Policyholder dividends	<u>452,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452,678</u>
Total expenses	<u>597,023</u>	<u>4,205,080</u>	<u>14,701</u>	<u>2,234,451</u>	<u>459,598</u>	<u>49,572</u>	<u>7,560,425</u>
Change in Net Position	(87,562)	(136,493)	(7,669)	(272,992)	116,275	202,478	(185,963)
Net Position, beginning of year	<u>1,626,923</u>	<u>1,547,419</u>	<u>200,209</u>	<u>477,567</u>	<u>2,456,686</u>	<u>277,008</u>	<u>6,585,812</u>
Net Position, end of year	<u>\$ 1,539,361</u>	<u>\$ 1,410,926</u>	<u>\$ 192,540</u>	<u>\$ 204,575</u>	<u>\$ 2,572,961</u>	<u>\$ 479,486</u>	<u>\$ 6,399,849</u>

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Financial Indicator Table
Year Ended March 31, 2021

Loss Ratio	$\frac{\text{Incurred Losses and Loss Adjustment Expense}}{\text{Net Premiums Earned}}$	$\frac{\$ 6,585,246}{\$ 6,704,670}$	Loss Ratio	0.98
Expense Ratio	$\frac{\text{Expenses (excluding expenses related to losses)}}{\text{Net Premiums Earned}}$	$\frac{\$ 975,179}{\$ 6,704,670}$	Expense Ratio	0.15
Combined Ratio	$\text{Loss Ratio} + \text{Expense Ratio}$	$0.98 + 0.15$	Combined Ratio	1.13
Net Investment Income Ratio	$\frac{\text{Net Investment Income}}{\text{Net Premiums Earned}}$	$\frac{\$ 54,198}{\$ 6,704,670}$	Net Investment Income Ratio	0.01
Operating Ratio	$\text{Combined Ratio} - \text{Net Investment Income Ratio}$	$1.13 - 0.01$	Operating Ratio	1.12
Yield on Invested Assets	$\frac{\text{Net Investment Income}}{\text{Investments}}$	$\frac{\$ 54,198}{\$ 5,118,529}$	Yield on Invested Assets	0.01
Change in Net Position	$\frac{\text{Change in Net Position}}{\text{Previous Year's Net Position}}$	$\frac{\$ (185,963)}{\$ 6,585,812}$	Change in Net Position	-0.03
Return on Net Position	$\frac{\text{Change in Net Position}}{\text{Previous Year's Net Position}}$	$\frac{\$ (185,963)}{\$ 6,585,812}$	Return on Net Position	-0.03
Net Premiums Written to Net Position	$\frac{\text{Net Premiums Written}}{\text{Net Position}}$	$\frac{\$ 6,704,670}{\$ 6,399,849}$	Net Premiums Written to Net Position	1.05
Current Liability	$\frac{\text{Cash and Cash Equivalents} + \text{Investments}}{\text{Unearned Premiums} + \text{Unpaid Claims Liability}}$	$\frac{\$ 12,264,675}{\$ 6,419,909}$	Current Liability	1.91

**Louisiana Housing Council, Inc.
 Group Self-Insurance Risk Management Agency
 Schedule of Compensation, Benefits and Other
 Payments to Agency Head or Chief Executive Officer
 Year Ended March 31, 2021**

Agency Head Name: Bobby R. Collins, Board Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Insurance Committee
Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency, which comprise the statements of net position as of March 31, 2021, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, L.L.P.

December 28, 2021

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Schedule of Findings and Responses
Year Ended March 31, 2021

Part I. Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of Louisiana Housing Council, Inc. Group Self-Insurance Risk Management Agency, as of and for the year ended March 31, 2021, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II. Financial Statement Findings

- 1) No findings were noted.

Louisiana Housing Council, Inc.
Group Self-Insurance Risk Management Agency
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2021

Part I. Financial Statement Findings

No findings were noted.

Part II. Management Letter

A management letter was not issued.