

Ohio Government Risk Management Plan

Financial Statements

for the years ended December 31, 2004 and 2003

Ohio Government Risk Management Plan
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December 31, 2004 and 2003

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Report of Independent Auditors

To the Board of Directors of the
Ohio Government Risk Management Plan:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in members' equity and cash flows present fairly, in all material respects, the financial position of Ohio Government Risk Management Plan (the "Plan") at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The management's discussion and analysis on pages 2 through 4 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

 PricewaterhouseCoopers LLP

April 8, 2005

Ohio Government Risk Management Plan Management's Discussion and Analysis (Unaudited) December 31, 2004 and 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Ohio Government Risk Management Plan's (the "Plan") financial statements presents our discussion and analysis of the Plan's financial performance during the fiscal years that ended December 31, 2004 and 2003. Please read it in conjunction with the Plan's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements* (including footnotes), and *required supplementary information*.

FINANCIAL HIGHLIGHTS

- The Plan's total assets increased \$1,283,355 or 25% in 2004 and decreased \$182,425 or 3.3% decrease in 2003. The 2004 increase is primarily due to the fact that the Plan did not subsidize premium rate increases during the current year. The rate increases subsidized in the prior year amounted to \$703,813. This is the primary reason for the increase in cash of \$689,505 or 122%. The 2003 decrease is primarily the result of timing of claim payments made to members and claims reimbursement from Plan reinsurers. These 2003 decreases were partially offset by increases in the value of the Plan's investment portfolio, which increased 31% from 2002.
- The Plan's total investments increased \$745,653 or 22% in 2004. Due to the Plan's overall operations, more cash was generated which in turn was invested. Positive market performance in the 4th quarter of 2004 also increased the value of the Plan's equity portfolio.
- The Plan's loss reserves increased \$259,939 or 34% in 2004 and loss reserves increased \$11,783 or 1.5% in 2003. The Plan has elected to participate in a loss corridor in its first \$500,000 of casualty reinsurance. The 2002-2003 reinsurance treaty corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all losses up to a paid loss ratio of 65%. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. In 2004, the primary reason for the change pertains to the net retention of the aforementioned loss corridor. In 2003, the composition of the reserves changed dramatically. Prior to 2003, the Plan's casualty reinsurance coverage includes losses on casualty claims up to \$200,000, subject to aggregate limits. The limits are calculated as a function of combined written premium ceded. The Plan experienced favorable loss development during 2003 and coupled with the reversal of Ohio Uninsured Motorists case law, the Plan is not expected to exceed its casualty reinsurance paid loss ratio cap coverage on older reinsurance contracts. As of December 31, 2004 and 2003, the Plan has no loss

Ohio Government Risk Management Plan Management's Discussion and Analysis (Unaudited) December 31, 2004 and 2003

reserves associated with the paid loss ratio cap reinsurance exposure.

- Reinsurance payable increased \$60,530 or 13% in 2004 and reinsurance payable decreased \$664,348 or 58% in 2003. These changes are related to the timing of premium and claim payments.
- The Plan's accumulated surplus increased \$926,671 or 26% and \$388,245, or 12% in 2004 and 2003, respectively due to the result of the Plan's operations.
- Written Premiums decreased by \$534,425 or 3.6% in 2004 compared to 2003. Written Premiums increased by \$930,311 or 6.8% in 2003 compared to 2002. The 2004 decrease is due to the stabilization of rates and the net loss of 24 members. The 2003 increase is related to higher pricing levels and expirations of the three-year rate guarantees.
- Reinsurance premiums ceded decreased \$1,561,277 or 14% in 2004 due to the Plan not subsidizing rates increases in 2004. In 2003, the Plan subsidized \$703,813 in rate increases to the reinsurers. Also, in 2004, the Plan was not required to purchase property catastrophic reinsurance coverage, which amounted to \$433,333 in 2003. The remainder of the decrease is due to the decrease in written premiums between 2004 and 2003.
- Membership fees decreased \$15,542 during 2004 due to the decrease in Written Premiums. Beginning in 2003, membership fees were calculated based on a percentage of premiums, and as a result increased \$50,178 or 33% in 2003.
- Net investment income has decreased \$152,800 or 70% in 2004. Conversely, net investment income increased \$406,209 or 214% in 2003. A substantial portion of the 2003 increase is due to the increase in market value of the Plan's equity portfolio.
- Other income decreased \$114,382 or 100% in 2004. In 2003, the Plan received a one-time payment from Franklin County Court of Common Pleas. This payment represented a recovery of a portion of previously unrecoverable reinsured losses from General Casualty Reinsurance Company relating to claims occurring prior to July 1, 1991.
- Loss and loss adjustment expense increased in 2004 and 2003. During 2004, the earn out of the paid loss ratio corridor in the 2002-2003 casualty quota share treaty accounted for approximately \$123,000 of the change in loss and loss adjustment expense. The remainder of the increase in 2004 loss and loss adjustment expense is due to the earn out of the 2003-2004 property and casualty accident years. Please see footnote No. 4 *Unpaid Losses and Loss Adjustment Expense Reserves* within this report for further detail and discussion.
- Property appraisals decreased by \$37,330 or 100% because no property appraisals were performed in 2004. The appraisal project has been concluded.

**Ohio Government Risk Management Plan
Management's Discussion and Analysis (Unaudited)
December 31, 2004 and 2003**

- Professional fees decreased \$28,890 or 17% in 2004 and professional fees increased \$30,830 or 23% in 2003. In 2004, the Plan did not have the same level of special actuarial projects as were performed in 2003.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, agents, and reinsurers with a general overview of the Plan's financial standing. If you have questions about this report or need additional financial information, contact the Plan's administrator, Hylant Administrative Services, LLC., 811 Madison Avenue, Toledo, Ohio 43624.

Ohio Government Risk Management Plan
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Cash	\$ 1,254,056	\$ 564,551
Short-term investments, at fair value	626,594	4,343
Bonds, at fair value	2,507,558	2,604,802
Equity securities, at fair value	977,102	756,456
Premiums receivable	1,165,416	1,239,888
Reinsurance recoverable	134,529	215,430
Accrued interest receivable	<u>20,267</u>	<u>16,697</u>
Total assets	<u>\$ 6,685,522</u>	<u>\$ 5,402,167</u>
Liabilities and Members' equity:		
Liabilities		
Loss and loss adjustment expense reserves	\$ 1,026,489	\$ 766,549
Unearned premiums	532,714	495,730
Accrued liabilities and fees	127,407	128,176
Reinsurance payable	<u>541,198</u>	<u>480,668</u>
Total liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' equity		
Accumulated surplus	<u>4,457,714</u>	<u>3,531,044</u>
Total members' equity	<u>4,457,714</u>	<u>3,531,044</u>
Total liabilities and members' equity	<u>\$ 6,685,522</u>	<u>\$ 5,402,167</u>

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

Ohio Government Risk Management Plan
Statements of Revenues, Expenses and Changes in Members' Equity
For the years ended December 31, 2004 and 2003

	2004	2003
Revenues		
Premiums written	\$ 14,067,249	\$ 14,601,674
Reinsurance premiums ceded	<u>(9,266,520)</u>	<u>(10,827,797)</u>
Net premiums written	4,800,729	3,773,877
Change in unearned premiums	<u>(36,984)</u>	<u>(98,664)</u>
Net premiums earned	4,763,745	3,675,213
Membership fees	186,720	202,262
Net investment income	64,261	217,061
Other income	<u>-</u>	<u>114,382</u>
Total revenues	<u>5,014,726</u>	<u>4,208,918</u>
Expenses		
Loss and loss adjustment expense	367,403	79,357
Management fees	2,006,017	1,952,181
Commission expense	1,445,688	1,482,057
Newsletter publishing and postage	15,444	16,696
Directors' travel and meetings	44,699	47,361
Risk management committee meetings and seminars	2,207	5,174
Property appraisals	-	37,330
Professional fees	137,561	166,451
Plan marketing	15,622	2,011
Directors' and officers' coverage	39,708	23,900
Other	<u>13,707</u>	<u>8,155</u>
Total expenses	4,088,056	3,820,673
Excess of revenues over expenses	926,670	388,245
Members' equity		
Beginning of year	<u>3,531,044</u>	<u>3,142,799</u>
End of year	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

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

Ohio Government Risk Management Plan
Statements of Cash Flows
For the years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Receipt of premiums	\$ 14,141,721	\$ 14,540,617
Losses paid	(107,463)	(67,574)
Receipt of membership fees	186,720	202,262
Receipt of other income	-	114,382
Receipt of investment income	55,631	75,455
Premiums paid to reinsurers	(9,125,089)	(11,383,683)
Expenses paid	(3,721,422)	(3,758,083)
Net cash provided by (used in) operating activities	<u>1,430,098</u>	<u>(276,624)</u>
Cash flows from investing activities		
Change in short term investments	(622,251)	3,071
Purchases:		
Bonds	(7,644,906)	(4,612,486)
Equities	(1,814,165)	-
Sales:		
Bonds	6,265,589	486,526
Equities	1,595,140	-
Maturities of bonds	1,480,000	4,055,000
Net cash (used in) investing activities	<u>(740,593)</u>	<u>(67,889)</u>
Net increase (decrease) in cash	689,505	(344,513)
Cash, beginning of year	<u>564,551</u>	<u>909,064</u>
Cash, end of year	<u>\$ 1,254,056</u>	<u>\$ 564,551</u>
Cash flows from operating activities		
Excess of revenues over expenses	\$ 926,670	\$ 388,245
Net change in the fair value of investments	(5,060)	(153,136)
Changes in operating assets and liabilities		
Premiums receivable	74,472	(61,057)
Prepaid reinsurance	-	108,333
Reinsurance recoverable	80,901	130
Accrued interest receivable	(3,570)	11,530
Loss and loss adjustment expense reserves	259,940	11,783
Unearned premiums	36,984	98,663
Accrued liabilities and fees	(769)	(16,767)
Reinsurance payable	60,530	(664,348)
Net cash provided by (used in) operating activities	<u>\$ 1,430,098</u>	<u>\$ (276,624)</u>

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

Ohio Government Risk Management Plan

Notes to the Financial Statements

1. Description of the Organization

The following descriptions provide only general information. Reference should be made to the Plan Agreement for a more complete description.

The Ohio Government Risk Management Plan (the "Plan") was organized in June of 1988 as authorized by Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan are relatively small political subdivisions such as townships, villages, small cities and others in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator.

The Plan was established to provide property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through ten appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The Plan has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided in excess of the member's deductible.

The Plan has chosen to adopt the forms and endorsements of conventional insurance coverage and to reinsure these coverages no less than 95% within certain aggregate limits, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have excess reinsurance coverage above the retention amount. Therefore, the individual members are only responsible for their self-retention (deductible) amounts that vary from member to member. See footnote 3 for further explanation.

The members pay an annual membership fee that is based on a percentage of premiums written for the year, which is earned pro-rata over the life of members' policies, and members who cancel are reimbursed the pro-rata portion of membership fees. These fees are charged to cover professional fees, directors' travel and meeting expenses and other administrative expenses. Membership fees were \$186,720 and \$202,262 for the years ended December 31, 2004 and 2003, respectively.

The Plan had 450 and 474 members as of December 31, 2004 and 2003, respectively.

The Plan has an agreement with Hylant Administrative Services, Inc. ("HAS") to provide underwriting, claims management, risk management, accounting and system support services for the Plan. HAS also provides reinsurance brokerage services to the Plan. All of these services are paid for by the Plan. See Note 2 for further discussion.

The Plan is comprised exclusively of Ohio political subdivisions. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 95% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers. See footnote 3 for further discussion.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty.

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The Plan has also elected to participate in a loss corridor in its first \$500,000 of casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November 1, 2004, the corridor is for losses paid between 67% and 72% of premiums earned.

2. Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of the Plan conform to generally accept accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

Estimates

The preparation of financial statements in conformity with GAAP requires the Plan to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

During 2003, the Plan adopted GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and applied those standards on a retroactive basis. GASB No. 34 establishes standards for external financial reporting for state and local governments. The primary impact for the Plan of this adoption was the requirement to include managements' discussion and analysis.

Cash

Governmental Accounting Standards Board ("GASB") Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires the Plan to categorize cash held by the Plan to give an indication of the level of risk assumed by the Plan at year end. Category 1 includes cash that is insured or collateralized with securities held by the Plan or by its agent in the Plan's name. Category 2 includes cash that is collateralized with securities held by the pledging financial institutions trust department or agent. Category 3 includes cash that is uncollateralized.

Cash represents a bank account balance of \$1,595,455 and \$1,304,641 as of December 31, 2004 and 2003, respectively. The bank account balance is Category 1 to the extent it is insured up to \$100,000 by the Federal Deposit Insurance Corporation (the "FDIC"). The remainder of the bank account balance is Category 3.

Investments

The Plan has adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". As required by GASB Statement No. 31, the Plan has recognized its short-term investments, bonds, and equity securities at fair value with all related investment income, including the change in the fair value of investments and realized gains and losses, reflected in the Plan's revenues in the Statement of Revenues, Expenses and Changes in Members' Equity.

Short-term investments consist of commercial paper and U.S. Treasury Bills and money market funds with maturities less than one year. The Plan intends to hold all short-term

Ohio Government Risk Management Plan

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securities to maturity. Bonds represent U.S. Treasury Notes and other obligations of the U.S. Federal Government and its agencies with maturities greater than one year. Bonds are held for indefinite periods of time and may be sold in response to changes in interest rates, liquidity needs or other market conditions. Equity securities consist of shares of stock of highly rated U.S. companies. The investment strategy is to provide long-term capital appreciation by investing primarily in the stocks of well-established growth and value companies in the United States.

Investment transactions are recorded on a trade date basis. Fair value is based on quoted market prices. Realized gains and losses on the sale of securities are determined based on the sales proceeds less the historical cost of the specific asset sold.

Net investment income represents interest income, realized gains and losses, and the change in the fair value of investments, net of management and investment expenses of \$18,251 and \$6,460 in 2004 and 2003, respectively.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect the fair value of the Plan's investments.

Reinsurance

Premiums written of \$9,266,520 and \$10,827,797 were ceded to reinsurers for the years ended December 31, 2004 and 2003, respectively, net of ceding commission of \$3,451,705 and \$3,434,238, respectively.

For the years ended December 31, 2004 and 2003, the Plan has not adopted Statement of Financial Accounting Standards No. 113. In accordance with the accounting principles prescribed by GASB Statement No. 10, unpaid losses and loss adjustment expense reserves have been presented net of ceded unpaid losses and loss adjustment expense reserves.

Policy Acquisition Costs

The Plan does not defer agent commissions and certain other administration and underwriting expenses as ceding commissions received from the reinsurers has reduced these costs. The net difference between the administration expenses and the ceding commissions does not vary with the individual issuance and maintenance of the contracts of insurance. Therefore, such costs are expensed as incurred. Agent commissions amounted to \$1,445,688 and \$1,482,057 for the years ended December 31, 2004 and 2003, respectively. The Plan engages an external valuation specialist to perform property appraisals of the Plan's members, for the purpose of evaluating property limits. The Plan incurred \$0 and \$37,330 of fees in conjunction with these appraisals for the years ended December 31, 2004 and 2003, respectively.

Management Fees

Fees for all administrative, management and brokerage related services provided to the Plan are based upon a percentage of gross premiums written. Fees for such services amounted to \$2,006,017 and \$1,952,181 for 2004 and 2003, respectively.

Unpaid Losses and Loss Adjustment Expense Reserves

The Plan has not established claims liabilities on reinsured risks except for those that it determined are liabilities which are not covered by reinsurers as further discussed in Note 3. For those risks, the Plan has established claims liabilities that are based on estimates of the

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ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled ("case" reserves) and of claims that have been incurred but not reported ("IBNR" reserves), net of estimated salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim 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 exact amounts, 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, claim 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 and industry data that reflects past inflation and on other factors and are considered to be appropriate modifiers of past experience (See Notes 3 and 4 for further discussion).

The methods of making such estimates and establishing the ultimate liability for losses and loss adjustment expenses are reviewed regularly. Management believes that the estimate of the ultimate liability for losses and loss adjustment expenses as of December 31, 2004 and 2003 is reasonable and reflective of anticipated ultimate experience. However, it is possible that the Plan's actual incurred losses and loss adjustment expenses will not conform to the assumptions inherent in the determination of the liability. Accordingly, it is reasonably possible that the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

Unearned Premiums

Unearned premiums represent the portion of net premiums written by the Plan related to the unexpired risk period of underlying policies. Net premiums are earned on a pro-rata basis over the term of the related policies.

3. Reinsurance

Prior to September 1, 2002, insurance coverages provided by the Plan were 100% reinsured, up to a limit of \$5,000,000 per occurrence, per member, with the exception of its paid loss ratio cap on casualty reinsurance treaties. Subsequent to September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty on a quota share basis. The Plan's paid loss ratio cap on casualty reinsurance coverage includes losses on casualty claims up to \$200,000, subject to aggregate limits. The Plan's paid loss ratio cap on casualty reinsurance coverage is provided in multiple-year treaties to the Plan and the Ohio Fair Participating Plan ("OFPP") together. Both plans share in the same aggregate limits, which are calculated as a function of combined written premium ceded.

The Plan is not expected to exceed the paid loss ratio cap related to casualty reinsurance coverage available as of December 31, 2004 and 2003.

Effective September 1, 2003, the Plan's first \$500,000 casualty treaty no longer contains a paid loss ratio cap as part of its reinsurance coverage.

In the event that any of the reinsurance companies should be unable to meet their obligations under the existing reinsurance agreements, the Plan would be liable for such defaulted amounts. The Plan evaluates the financial condition of its reinsurers and monitors the

Ohio Government Risk Management Plan

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concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

4. Unpaid Losses and Loss Adjustment Expense Reserves

Activity in the losses and loss adjustment expense reserves is summarized as follows:

	2004	2003
Balance at January 1	\$ 23,183,752	\$ 28,236,599
Less: reinsurance recoverables	(22,417,203)	(27,481,833)
Net balance at January 1	<u>766,549</u>	<u>754,766</u>
Incurred related to:		
Current year	92,873	625,353
Prior years	274,530	(545,996)
Total incurred	<u>367,403</u>	<u>79,357</u>
Paid related to:		
Current year	41,234	32,761
Prior years	66,229	34,813
Total paid	<u>107,463</u>	<u>67,574</u>
Net balance at December 31	1,026,489	766,549
Plus: reinsurance recoverables	<u>20,617,203</u>	<u>22,417,203</u>
Balance at December 31	<u>\$ 21,643,692</u>	<u>\$ 23,183,752</u>

The net balance of unpaid losses and loss adjustment expense reserves at December 31, 2004 represents the Plan's estimate of the ultimate cost of loss and loss adjustment expenses that have been reported but not settled and that have been incurred but not reported, net of estimated salvage and subrogation.

During 2004, the net retention of the loss corridor in the 2002-2003 casualty quota share treaty accounted for approximately \$123,000 of the increase in loss reserves. The remainder of the increase in 2004 loss reserves is due to the net retention of the 2003-2004 property and casualty accident years. On an overall basis, approximately \$616,000 of the total 2004 reserves pertain to the aforementioned loss corridor.

During 2003, approximately \$4 million of favorable loss development on a gross basis relates to decreased ultimate loss projections on claims filed on accident years 1996 through 1999. The decrease in projections primarily is due to the reversal of an uninsured motorist Supreme Court decision in the State of Ohio and case incurred losses at lower than expected amounts. This development resulted in a net benefit to the Plan of \$545,996.

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5. Tax Status

On April 27, 1995, the Plan received notification that it is a qualified plan under the applicable sections of the Internal Revenue Code and is therefore not subject to federal income tax under present tax laws.

6. Commitments and Contingencies

On June 30, 2001 the Plan obtained a \$1,000,000 line of credit agreement with Fifth Third Bank of Northwest Ohio, N.A. which was last renewed on June 30, 2003 and expires on June 30, 2005. The line of credit is collateralized by the Plan's cash and cash equivalents. As of December 31, 2004 and 2003, the Plan had no borrowings against this line of credit.

The Plan and its individual members are named as defendants in various lawsuits generally relating to their coverage. Numerous legal actions arise from claims made related to coverage provided by the Plan or in connection with previous reinsurance agreements. These actions were considered by the Plan in establishing its losses and loss adjustment expense reserves. The Plan believes the ultimate disposition of these and other pending lawsuits against the Plan will not materially impact the Plan's financial position, results of operations or cash flows.

**Report of Independent Auditors
on Supplemental Information**

To the Board of Directors of the
Ohio Governmental Risk Management Plan:

The report on our audits of the financial statements of the Ohio Governmental Risk Management Plan (the "Plan") as of December 31, 2004 and 2003, and for the years then ended is presented on page one of this document. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Schedule of Ten-Year Claims Development Information of the Plan as of December 31, 2004 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Plan's board of directors, management of the Plan and its members and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "PRICEWATERHOUSE COOPERS LLP". The signature is written in a cursive, flowing style.

April 8, 2005

Ten-Year Claims Development Information

The following table illustrates how the Plan's earned revenue (net of reinsurance) and investment income compare to related costs of losses net of reinsurance. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues										
Earned*	\$ 9,293,127	\$ 9,271,278	\$ 9,899,718	\$ 10,115,810	\$ 9,912,258	\$ 10,797,276	\$ 12,464,454	13,455,252	14,834,453	14,281,246
Ceded**	8,033,416	8,318,125	8,859,336	8,566,337	8,908,778	9,829,986	11,818,243	14,211,935	14,262,035	12,718,225
Net Earned	1,259,711	953,153	1,040,382	1,549,473	1,003,480	967,290	646,211	(756,683)	572,418	1,563,021
Estimated net incurred claims and expenses										
end of policy year:	-	-	-	-	-	-	-	43,180	625,353	92,873
Net Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	937	32,761	41,234
One year later	-	-	-	-	-	-	-	35,750	90,455	
Two years later	-	-	-	-	-	-	-	44,285		
Three years later	-	-	-	-	-	-	-			
Four year later	-	-	-	-	-	-	-			
Five years later	-	-	-	-	-	-	-			
Six years later	-	-	-	-	-	-	-			
Seven years later	-	-	-	-	-	-	-			
Eight years later	-	-	-	-	-	-	-			
Nine years later	-	-	-	-	-	-	-			
Reestimated net incurred claims and expenses										
End of policy year	-	-	-	-	-	-	-	43,180	625,353	92,873
One year later	-	-	-	-	-	-	-	201,511	796,738	
Two years later	-	-	-	-	90,909	-	-	304,656		
Three years later	-	-	-	545,455	32,015	-	-			
Four years later	-	-	545,455	192,089	-	-	-			
Five years later	-	545,455	192,089	-	-	-	-			
Six years later	272,727	192,089	-	-	-	-	-			
Seven years later	96,045	-	-	-	-	-	-			
Eight years later	-	-	-	-	-	-	-			
Nine year later	-	-	-	-	-	-	-			
Increase in estimated net incurred claims and expenses from end of policy year										
	-	-	-	-	-	-	-	261,476	171,385	-

* Includes earned premiums, investment revenues, membership fees, and other income.

** Includes premiums ceded, management fees, and commission