**OHIO GOVERNMENT**
**RISK MANAGEMENT PLAN**

**FINANCIAL STATEMENTS**
December 31, 2008 and 2007

OHIO GOVERNMENT RISK MANAGEMENT PLAN
Columbus, Ohio

FINANCIAL STATEMENTS
December 31, 2008 and 2007

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Crowe Horwath LLP
Member Crowe Horwath International

# REPORT OF INDEPENDENT AUDITORS

Board of Directors
Ohio Government Risk Management Plan
Columbus, Ohio

We have audited the accompanying statements of financial position of Ohio Government Risk Management Plan ("the Plan") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Plan's management. 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. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio Government Risk Management Plan as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 2 through 5 and the accompanying Ten-Year Claims Development Information on pages 20 and 21 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
May 21, 2009

This section of the Ohio Government Risk Management Plan's ("the Plan") financial statements presents management's discussion and analysis of the Plan's financial performance during the fiscal years that ended December 31, 2008 and 2007. Please read it in conjunction with the Plan's financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**FINANCIAL HIGHLIGHTS**

The following information reflects the annual financial highlights as further shown in the accompanying condensed financial statement sections. Generally, fluctuations discussed below pertain to the overall operations of the Plan. Changes that pertain specifically to the property and casualty activities ("OPRM") or the health activities ("OPHC") are specifically noted as such.

- The Plan's total assets decreased $665,341 or 6% in 2008. The decrease is due to the overall decline in the financial market that took place during 2008.

- OPRM's total investment portfolio value decreased approximately $1.2 million or 14% in 2008 due to the financial crisis that swept the country in the last portion of 2008.

- The Plan's loss reserves increased $1.3 million or 52% and $662,595 or 38% in 2008 and 2007, respectively. Approximately $366,000 of the current year increase relates to reserves posted on the OPRM's prior years' casualty corridors. Another $473,000 of the change relates to the OPHC's product line as this line of business had a full year of operation in contrast to the partial year in 2007. The remainder of the change is due to IBNR development in prior treaty years. Prior to 2003, OPRM'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. As of December 31, 2008 and 2007, OPRM has no loss reserves associated with the paid loss ratio cap reinsurance exposure.

- Effective November 1, 2005, OPRM began retaining 15% of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty. In reviewing OPRM's experience, this structure presented itself as the optimum reinsurance structure. This reinsurance structure also demonstrates OPRM's long-term commitment to both its members and its reinsurers.

- Reinsurance payable decreased $264,000 or 38% in 2008 and decreased $70,046 or 9% in 2007. The 2008 change is due to the increased level of claims payments as compared to the same period in the prior year. The 2007 change is due to the increase in retention by the OPRM and the timing and level of claim payments.

- The Plan's accumulated surplus decreased $1.6 million or 24% and increased $572,000 or 9% in 2008 and 2007, respectively. The 2008 decline is related to investment portfolio losses brought on by the financial crisis. Also, adverse development in prior years' OPRM casualty treaties contributed to the overall decline in surplus during 2008.

(Continued)

**FINANCIAL HIGHLIGHTS** (Continued)

- Written premiums increased by $5.5 million or 33% in 2008 compared to 2007. $5 million of the increase is associated with growth in the OPHC. 2008 marked the first full year of OPHC operations. The remainder of the premium increase is related to new business generated by the OPRM product line.

- Reinsurance premiums ceded increased approximately $700,000 or 7% in 2008 and increased approximately $636,000 or 6% in 2007. Effective January 1, 2006, OPRM began granting the *Ohio Plan Advantage*. The *Ohio Plan Advantage* is a renewal premium credit granted to members who meet specific loss ratio and risk management criteria. The *Plan Advantage* credited to members and ceded to reinsurers was approximately $817,000 and $771,000 in 2008 and 2007, respectively. Please see the Plan's website, www.ohioplan.org for a complete description of the *Plan Advantage*.

- Membership fees increased $19,544 or 9% during 2008 and $13,069 or 6% during 2007 due to additional members in both fiscal years.

- Net investment income has decreased $1.6 million in 2008 as compared to 2007. The 2008 decline is due to the crisis that swept the worldwide financial markets during the year.

- Loss & loss adjustment expense increased $4.6 million from 2007. Approximately $4.2 million of the increase is related to the OPHC's first full year of operation and retention level as compared to the OPRM. The remainder of the increase is related to the OPRM's incurred losses during 2008. In 2007, loss and loss adjustment expense increased $784,000 due to more experience on prior-year reserves and the addition of the OPHC, which incurred $443,000 of loss and loss adjustment expenses.

- The Plan's operations provided $429,418 of cash in 2008. This is a decrease of $417,000 from 2007.

**BALANCE SHEET**

The Balance Sheet includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Accumulated surplus is the difference between total assets and total liabilities. The change in accumulated surplus during the fiscal year is an indicator of the change in the overall financial condition of the Plan during the year. A summary of the Plan's assets, liabilities, and accumulated surplus as of December 31, 2008, 2007, and 2006, is as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | (All dollar amounts in thousands) | | |
| Total assets | $ 10,471 | $ 11,136 | $ 9,620 |
| Total liabilities | $ 5,287 | $ 4,273 | $ 3,329 |
| Accumulated surplus | $ 5,184 | $ 6,863 | $ 6,291 |

(Continued)

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY

The Statement of Revenues, Expenses and Changes in Members' Equity presents the results of operations for the Plan. A summary of the Plan's revenues, expenses and changes in members' equity for the years ended December 31, 2008, 2007, and 2006, is as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | (All dollar amounts in thousands) | | |
| Revenues | | | |
| Net premiums earned | $ 10,726 | $ 5,838 | $ 4,796 |
| Membership fees earned | 238 | 218 | 205 |
| Net investment income and other | (1,290) | 414 | 487 |
| Total | 9,674 | 6,470 | 5,488 |
| Expenses | 11,353 | 5,898 | 4,668 |
| Change in members' equity | (1,679) | 572 | 820 |
| Members' equity – beginning of year | 6,863 | 6,291 | 5,471 |
| Members' equity – end of year | $ 5,184 | $ 6,863 | $ 6,291 |

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows also provides information about the Plan's financial health by reporting the cash receipts and cash payments of the Plan during the years ended December 31, 2008, 2007 and 2006. Following is a summary of the Statement of Cash Flows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | (All dollar amounts in thousands) | | |
| Cash provided (used) by: | | | |
| Operating activities | $ 429 | $ 846 | $ 1,177 |
| Investing activities | 20 | (1,067) | (1,652) |
| Net change in cash | 449 | (221) | (475) |
| Cash-beginning of year | 977 | 1,198 | 1,673 |
| Cash-end of year | $ 1,426 | $ 977 | $ 1,198 |

## FORWARD LOOKING STATEMENT

The environment in which the Plan operates is competitive. There are pooling and some traditional insurance options available to Ohio's municipalities. Due to the economic downturn that has affected the country, Ohio's municipalities will be under greater pressure to control costs as their tax bases are strained. The Ohio Government Risk Management Plan stands ready to provide solutions to our members' complete coverage and risk management needs.

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**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, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 1,426,148 | $ 976,997 |
| Short-term investments, at fair value | 175,525 | 328,670 |
| Bonds, at fair value | 4,841,583 | 5,147,040 |
| Equity securities, at fair value | 2,461,844 | 3,286,264 |
| Premiums receivable | 1,488,367 | 1,310,272 |
| Reinsurance recoverable | - | 42,363 |
| Prepaid insurance | 59,076 | - |
| Accrued interest receivable | 18,571 | 44,849 |
| Total assets | $ 10,471,114 | $ 11,136,455 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Loss and loss adjustment expense reserves | $ 3,907,520 | $ 2,575,004 |
| Unearned premiums and membership fees | 796,890 | 843,471 |
| Accrued liabilities and fees | 155,313 | 164,104 |
| Reinsurance payable | 427,058 | 690,974 |
| Total liabilities | 5,286,781 | 4,273,553 |
| **MEMBERS' EQUITY** | | |
| Accumulated surplus | 5,184,333 | 6,862,902 |
| Total liabilities and members' equity | $ 10,471,114 | $ 11,136,455 |

See accompanying notes to financial statements

OHIO GOVERNMENT RISK MANAGEMENT PLAN
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
For the years ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| **REVENUES** | | |
| Premiums written | $ 22,260,955 | $ 16,772,682 |
| Reinsurance premiums ceded | (11,502,034) | (10,797,629) |
| Net premiums written | 10,758,921 | 5,975,053 |
| Change in unearned premiums | (32,890) | (136,799) |
| Net premiums earned | 10,726,031 | 5,838,254 |
| Membership fees | 237,679 | 218,135 |
| Net investment (loss) income | (1,289,567) | 365,967 |
| Other income | 189 | 47,583 |
| Total revenues | 9,674,332 | 6,469,939 |
| **EXPENSES** | | |
| Loss and loss adjustment expense | 6,153,257 | 1,487,940 |
| Management fees | 2,888,731 | 2,252,596 |
| Commission expense | 1,884,562 | 1,708,453 |
| Newsletter publishing and postage | 27,199 | 19,907 |
| Directors' travel and meetings | 79,857 | 67,521 |
| Risk management committee meetings and seminars | 23,404 | 7,915 |
| Professional fees | 193,661 | 279,311 |
| Plan marketing | 23,835 | 15,011 |
| Directors' and officers' coverage | 57,517 | 41,205 |
| Other | 20,878 | 17,706 |
| Total expenses | 11,352,901 | 5,897,565 |
| Excess of revenues over expenses | (1,678,569) | 572,374 |
| **MEMBERS' EQUITY** | | |
| Beginning of year | 6,862,902 | 6,290,528 |
| End of year | $ 5,184,333 | $ 6,862,902 |

See accompanying notes to financial statements

## OHIO GOVERNMENT RISK MANAGEMENT PLAN
## STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipt of premiums | $ 22,082,860 | $ 16,351,730 |
| Losses paid | (4,820,741) | (638,682) |
| Receipt of membership fees | 237,679 | 218,135 |
| Receipt of other income | 189 | 47,583 |
| Premiums paid to reinsurers | (11,723,587) | (10,750,734) |
| Expenses paid | (5,346,982) | (4,381,703) |
| Net cash provided by operating activities | 429,418 | 846,329 |
| **Cash flows from investing activities** | | |
| Change in short-term investments | 153,145 | 121,277 |
| Purchases of bonds | (6,274,376) | (5,101,968) |
| Purchase of equities | (4,781,959) | (1,349,280) |
| Sales of bonds | 6,684,272 | 4,175,404 |
| Sales of equities | 3,946,764 | 787,720 |
| Maturities of bonds | - | 68,300 |
| Receipt of investment income | 291,887 | 231,017 |
| Net cash provided by (used in) investing activities | 19,733 | (1,067,530) |
| Net change in cash | 449,151 | (221,201) |
| Cash, beginning of year | 976,997 | 1,198,198 |
| Cash, end of year | $ 1,426,148 | $ 976,997 |
| **Reconciliation of excess of revenues over expenses to cash flows from operating activities** | | |
| Excess of revenues over expenses | $ (1,678,569) | $ 572,374 |
| Net (gains) losses on securities | 1,263,289 | (362,845) |
| Changes in operating assets and liabilities | | |
| Premiums receivable | (178,095) | (420,952) |
| Reinsurance recoverable | 42,363 | 116,941 |
| Prepaid insurance | (59,076) | - |
| Accrued interest receivable | 26,278 | (3,122) |
| Loss and loss adjustment expense reserves | 1,332,516 | 849,258 |
| Unearned premiums and membership fees | (46,581) | 136,799 |
| Accrued liabilities and fees | (8,791) | 27,922 |
| Reinsurance payable | (263,916) | (70,046) |
| Net cash provided by operating activities | $ 429,418 | $ 846,329 |

See accompanying notes to financial statements

**NOTE 1 – DESCRIPTION OF THE ORGANIZATION**

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 formalized, jointly administered self-insurance programs 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 political subdivisions such as townships, villages, 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 is governed by a Board of Directors comprised of appointed and elected representatives of public entities that participate in the program.

The Plan was first 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 fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), 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 OPRM has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the property and casualty coverages provided, in excess of the member's deductible.

The Ohio Plan Healthcare Consortium ("OPHC") was organized in August 2007 as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums.

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**NOTE 1 – DESCRIPTION OF THE ORGANIZATION** (Continued)

Specific provisions of each program follow.

Property and Casualty (OPRM)

OPRM has developed specific forms and endorsements of property and casualty coverage and substantially reinsures these coverages. Individual members are only responsible for their self-retention (deductible) amounts that vary from member to member. See Note 3 for further discussion.

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 $222,007 and $218,135, for the years ended December 31, 2008 and 2007, respectively.

OPRM had 654 and 592 members as of December 31, 2008 and 2007, respectively.

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

OPRM 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 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, OPRM 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. Effective November 1, 2005, OPRM began retaining 15% of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty.

In 2002, OPRM elected to participate in a loss corridor deductible in its first $500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the OPRM's paid loss ratio reaches 55%, OPRM 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.

**NOTE 1 – DESCRIPTION OF THE ORGANIZATION** (Continued)

Effective November 1, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

Health (OPHC)

The health program ("OPHC") members pay an annual membership fee that is based on the number of employees enrolled. These fees are charged to cover professional fees, directors' travel, meeting expenses and other administrative expenses. Membership fees were approximately $16,000 and $2,000 for the years ending December 31, 2008 and 2007, respectively. Membership fees were not implemented until late in the year 2007.

The OPHC had 40 members as of December 31, 2008. Members sign a participation agreement through the end of their renewal period. Pursuant to participation agreements with the OPHC, each member agrees to pay all funding rates associated with the coverage it selects; as such, funding rates are set and billed to the members by Medical Mutual of Ohio, and premiums are billed and paid on a monthly basis. The assigned funding rates consist of administrative fees, stop loss fees, expected claims costs, membership fees and reserves. Reserves are actuarially determined and allocated based on expected claim activity.

The OPHC has an agreement with Herbruck Alder to provide agent management, underwriting, claims management, risk management, accounting and system support services. All of these services are paid for by the OPHC. See Note 2 for further discussion.

The OPHC is a free standing self insured program with stop loss reimbursement arrangements in place to limit the liability of the program. The OPHC has chosen to limit medical care exposure through a reimbursement arrangement to $85,000 on any individual claimant during a policy year. In addition the OPHC, through an additional reimbursement arrangement, has additional protection by limiting total exposure to 104% of all the cumulative expected prescription drug claims and expected medical claims, not to exceed the individual stop loss threshold. Terminal liability protection has been purchased to limit the incurred but unreported claims liability of the plan should the program be discontinued. This terminal liability is limited to the reinsurer established reserve account plus any surplus from the previous 12 months remaining in the deposit liability account on the date of termination. The premium charged and collected from each of our members is fully funded and includes the additional 4% margin of assumed claims risk and a pro-rata share of the terminal liability responsibility of the program.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Plan conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

Use of 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.

Cash and Cash Equivalents: The Plan has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For the OPRM, cash represents a bank account balance of $1,034,094 and $974,013 as of December 31, 2008 and 2007, respectively. For the OPHC, cash represents a bank account balance of $738,833 as of December 31, 2008. The bank account balances are insured up to $250,000 by the Federal Deposit Insurance Corporation.

Investments: The Plan recognizes 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 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 $93,896 and $94,992 in 2008 and 2007, respectively.

(Continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments (continued): 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: OPRM premiums written of $10,944,177 and $10,706,440 were ceded to reinsurers for the years ended December 31, 2008 and 2007, respectively, net of ceding commission of $4,081,791 and $3,867,598, respectively.

OPHC premiums written of $557,857 and $91,189 were ceded for stop loss insurance and terminal liability insurance for the years ending December 31, 2008 and 2007, respectively.

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 have offset 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.

OPRM agent commissions amounted to $1,726,276 and $1,688,418 for the years ended December 31, 2008 and 2007, respectively. OPHC agency fees amounted to $158,286 and $20,035 for the years ended December 31, 2008 and 2007, respectively.

Management Fees: Fees for all administrative and management related services provided to the Plan are based upon a percentage of gross premiums written. OPRM fees for such services amounted to $2,355,515 and $2,179,180 for 2008 and 2007, respectively. OPHC fees for such services are based on a per employee per month basis and amounted to $533,216 and $73,416 for the years ended December 31, 2008 and 2007, respectively.

(Continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Unpaid Losses and Loss Adjustment Expense Reserves: OPRM has not established claims liabilities on reinsured property and casualty risks except for those that it determined are liabilities which are not covered by reinsurers as further discussed in Note 3. For those risks, OPRM has established claims liabilities that are based on estimates of the 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 4 and 5 for further discussion).

OPHC’s reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents an estimate of the ultimate net cost of all claims incurred which were unpaid at December 31, 2008. This includes an estimate of claims incurred but not yet reported as of December 31, 2008. While information is available for the known losses, the liability for which has been established on a case-by-case basis, the unknown losses are based on the OPHC’s estimate of such liabilities.

Although the OPHC considers its experience and industry data in determining such reserves, assumptions and projections as to future events are necessary and ultimate losses may differ significantly from amounts projected. The effects of change in reserve estimates are included in the statements of revenue, expenses and changes in members’ equity in the period in which estimates are changed and the reserves are not discounted.

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, 2008 is reasonable and reflective of anticipated ultimate experience. However, it is possible that 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.

(Continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Unearned Premiums: Unearned premiums represent the portion of net premiums written related to the unexpired risk period of underlying policies. Net OPRM premiums are earned on a pro-rata basis over the term of the related policies. OPHC premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Premiums collected in advance of applicable coverage periods are classified as accrued liabilities.

**NOTE 3 – INVESTMENTS**

As of December 31, 2008 and 2007, the Plan has the following investments.

| | Fair Value | |
|---|---|---|
| Investment Type | 2008 | 2007 |
| U.S. Government agency securities | $ 4,322,413 | $ 4,041,975 |
| Equity securities | 2,461,844 | 3,286,264 |
| U.S. Corporate bonds | 519,170 | 1,105,065 |
| Money market mutual fund | 175,525 | 328,670 |
| | $ 7,478,952 | $ 8,761,974 |

U.S. Government agency Securities and U.S. Corporate bonds have weighted average maturities of 3.3 and 4.1 years and 3.6 and 2.9 years at December 31, 2008 and 2007, respectively, and money market funds have maturities of 30 days or less as of December 31, 2008 and 2007 respectively.

The Plan's U.S. Government agency securities have credit quality ratings of AAA and the U.S. Corporate bonds have a rating of AA+.

The Plan had unrealized losses on investments of $1,598,343 at December 31, 2008 and unrealized gains of $31,014 at December 31, 2007.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy requires any investment to mature within five years from the date of settlement as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan's investment policy does place a limit on the amount it may invest in any single issuer.

(Continued)

**NOTE 3 – INVESTMENTS** (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the custodian, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a formal policy for custodial credit risk. As of December 31, 2008, all of the Plan's investments were held by the investment's custodian.

**NOTE 4 - REINSURANCE**

Prior to September 1, 2002, property and casualty insurance coverages provided by OPRM were fully 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. Effective September 1, 2002, OPRM 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. Effective November 1, 2005, OPRM began retaining 15% of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty.

For treaties effective prior to September 1, 2004, OPRM's paid loss ratio cap on casualty reinsurance coverage includes losses on casualty claims up to $200,000, subject to aggregate limits. OPRM's paid loss ratio cap on older casualty reinsurance coverage is provided in multiple-year treaties to the Plan and the Ohio Fair Participating Plan combined. Both plans share in the same aggregate limits, which are calculated as a function of combined written premium ceded.

OPRM is not expected to exceed the paid loss ratio cap related to older casualty reinsurance coverage available as of December 31, 2008 and 2007.

Effective September 1, 2004, OPRM's casualty quota share 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 OPRM would be liable for such defaulted amounts. Conversely, should OPRM be unable to meet its obligations, amounts due OPRM under reinsurance contracts shall be payable by the reinsurers on the basis of the liability of the OPRM under the original OPRM polices reinsured without diminution. OPRM evaluates the financial condition of its reinsurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

(Continued)

**NOTE 4 – REINSURANCE** (Continued)

Insurance coverages provided by the OPHC are reinsured, up to a limit of $5,000,000 per member, however, fully funded premiums are paid monthly. Stop loss reimbursement coverage is in place to limit the liability of the program. The OPHC has chosen to limit its medical care exposure through a reimbursement arrangement to $85,000 on any individual claimant during a policy year. Additional protection limiting the plan's exposure to 104% of all the cumulative expected prescription drug and medical claims, not to exceed the individual stop loss threshold is in place.

Terminal liability protection has been purchased to limit the incurred but unreported claims liability of the plan should the program be discontinued. This terminal liability is limited to the reinsurer established reserve account plus any surplus from the previous 12 months remaining in the deposit liability account the date of termination . The premium charged and collected from each of our members is fully funded and includes the additional 4% margin of assumed claims risk and a pro-rata share of the terminal liability responsibility of the program.

**NOTE 5 – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES**

Activity in the losses and loss adjustment expense reserves, related to OPRM property and casualty coverage, is summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| Net balance at January 1 | $ 2,388,341 | $ 1,725,746 |
| Incurred related to: | | |
| Current year | 1,038,323 | 896,317 |
| Prior year | 455,347 | 147,805 |
| Total incurred | 1,493,670 | 1,044,122 |
| Paid related to: | | |
| Current year | 366,348 | 266,552 |
| Prior year | 267,958 | 114,975 |
| Total paid | 634,306 | 381,527 |
| Net balance at December 31 | $ 3,247,705 | $ 2,388,341 |

The net balance of unpaid losses and loss adjustment expense reserves at December 31, 2008 and 2007 represent OPRM'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.

(Continued)

**NOTE 5 – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES** (Continued)

During 2008, the net retention on the 2006 and 2007 casualty treaties accounted for the majority of the increase. The prior year development is due to an increase in the IBNR on the 2003 casualty corridor. The 2002 casualty treaty has shown favorable development. On an overall basis, approximately $1.4 million and $1 million of the total reserves pertains to OPRM's paid loss corridor deductibles for 2008 and 2007, respectively.

During 2007, the net retention on the two most current accident years accounted for the incurred losses. Beginning with the 2006-2007 accident year, the OPRM took an increased share of the overall retention.

Activity in the losses and loss adjustment expense reserves, related to OPHC benefits coverage during 2008, its initial year of operation, is summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| Net balance at January 1 | $ 186,663 | $ - |
| Incurred related to: | | |
| Current year | 4,659,588 | 443,818 |
| Prior year | - | - |
| Total incurred | 4,659,588 | 443,818 |
| Paid related to: | | |
| Current year | 3,999,773 | 257,155 |
| Prior year | 186,663 | - |
| Total paid | 4,186,436 | 257,155 |
| Net balance at December 31 | $ 659,815 | $ 186,663 |

The net balance of unpaid losses and loss adjustment expense reserves at December 31, 2008 and 2007 represents the OPHC estimate of claims issued but not paid in the amount of $72,414 for 2008 and claims incurred but not paid in the amounts of $587,401 for 2008 and $186,663 for 2007.

(Continued)

**NOTE 6 – 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.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

The Plan has a $2,000,000 line of credit agreement with a bank which expires on June 30, 2009. The line of credit is collateralized by the Plan's cash and cash equivalents. As of December 31, 2008 and 2007, 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.

**NOTE 8 – SUBSEQUENT EVENT**

Effective January 1, 2009, the Board of Directors voted to form three separate legal entities: Ohio Plan Risk Management, Inc. ("OPRM"), Ohio Plan Healthcare Consortium, Inc. ("OPHC") and The Ohio Plan, Inc. ("OPI"). The OPRM and OPHC were established to better manage the property and casualty and benefits product offerings, and to provide further legal distinction between these operations. The OPI was established to provide strategic direction to OPRM and OPHC.

OHIO GOVERNMENT RISK MANAGEMENT PLAN
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
For the years ending 1999 through 2008

The following table illustrates how the Plan's earned revenue (net of reinsurance) and investment income compare to related costs of loss net of loss assumed by reinsurers of the Plan. 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. This table is reporting the property and casualty product line (OPRM).

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Earned* | $ 9,912,258 | $ 10,811,868 | $ 12,490,361 | $ 13,455,252 | $ 14,834,453 | $ 14,281,246 | $ 14,713,542 | $ 15,558,238 | $ 16,500,143 | $ 15,205,022 |
| Ceded | 8,908,778 | 9,844,578 | 11,861,568 | 14,211,935 | 14,262,035 | 12,718,225 | 13,052,088 | 13,741,032 | 14,574,038 | 15,028,968 |
| Net Earned | 1,003,480 | 967,290 | 628,793 | (756,683) | 572,418 | 1,563,021 | 1,661,454 | 1,817,206 | 1,926,105 | 176,054 |
| Estimated net incurred claims and expenses at end of policy year | - | - | - | 43,180 | 625,353 | 92,873 | 82,249 | 574,152 | 896,317 | 1,038,323 |
| Net paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | - | - | - | 937 | 32,761 | 41,234 | 27,884 | 151,987 | 266,552 | 366,348 |
| One year later | - | - | - | 35,750 | 90,455 | 97,378 | 37,559 | 204,052 | 387,084 | |
| Two years later | - | - | - | 44,285 | 125,780 | 109,614 | 70,659 | 262,531 | | |
| Three years later | - | - | - | 91,370 | 133,142 | 129,599 | 106,249 | | | |
| Four years later | - | - | - | 92,990 | 141,854 | 160,057 | | | | |
| Five years later | - | - | - | 94,256 | 160,415 | | | | | |
| Six years later | - | - | - | 98,594 | | | | | | |
| 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 | 82,249 | 574,152 | 896,317 | 1,038,323 |
| One year later | - | - | - | 201,511 | 796,738 | 286,884 | 121,144 | 831,834 | 1,009,681 | |
| Two years later | 90,909 | - | - | 304,656 | 880,967 | 304,872 | 195,706 | 1,066,414 | | |
| Three years later | 32,015 | - | - | 353,684 | 885,323 | 194,219 | 279,266 | | | |
| Four years later | - | - | - | 353,819 | 820,765 | 330,411 | | | | |
| Five years later | - | - | - | 344,592 | 905,581 | | | | | |
| Six years later | - | - | - | 361,408 | | | | | | |
| Seven years later | - | - | - | | | | | | | |
| Eight years later | - | - | | | | | | | | |
| Nine years later | - | | | | | | | | | |
| Increase in estimated net incurred claims and expenses from end of policy year | $ - | $ - | $ - | $ 318,228 | $ 280,228 | $ 237,538 | $ 197,017 | $ 492,262 | $ 113,364 | $ - |

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

(Continued)

# OHIO GOVERNMENT RISK MANAGEMENT PLAN
# TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
## For the years ending 1999 through 2008

The following table illustrates how the Plan's earned revenue (net of reinsurance) and investment income compare to related costs of loss net of loss assumed by reinsurers of the Plan. 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. This table is reporting the benefit product line (OPHC).

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | | | | | | | | | | |
| Earned* | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 767,425 | $ 5,943,978 |
| Ceded | - | - | - | - | - | - | - | - | 184,640 | 557,857 |
| Net Earned | - | - | - | - | - | - | - | - | 582,785 | 5,386,121 |
| Estimated net incurred claims and expenses at end of policy year | - | - | - | - | - | - | - | - | 443,818 | 4,659,588 |
| Net paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | - | - | - | - | - | - | - | - | 257,155 | 3,999,773 |
| One year later | - | - | - | - | - | - | - | - | 443,818 | |
| Two years later | - | - | - | - | - | - | - | | | |
| Three years later | - | - | - | - | - | - | | | | |
| Four years 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 | - | - | - | - | - | - | - | - | 443,818 | 4,659,588 |
| One year later | - | - | - | - | - | - | - | - | 443,818 | |
| Two years later | - | - | - | - | - | - | - | | | |
| Three years later | - | - | - | - | - | - | | | | |
| Four years later | - | - | - | - | - | | | | | |
| Five years later | - | - | - | - | | | | | | |
| Six years later | - | - | | | | | | | | |
| Seven years later | - | | | | | | | | | |
| Eight years later | | | | | | | | | | |
| Nine years later | | | | | | | | | | |
| Increase in estimated net incurred claims and expenses from end of policy year | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

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