

# **Ohio Government Risk Management Plan**

**Financial Statements**

**for the years ended December 31, 2001 and 2000**

**Ohio Government Risk Management Plan**  
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**December 31, 2001 and 2000**

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## **Report of Independent Accountants**

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

We have audited the accompanying balance sheets of the Ohio Government Risk Management Plan (the "Plan") as of December 31, 2001 and 2000, and the related statements of revenues, expenses and changes in members' equity 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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 the Ohio Government Risk Management Plan as of December 31, 2001 and 2000, 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.

We have also issued our report dated April 29, 2002 on the Ohio Government Risk Management Plan's compliance with laws and regulations and internal control over financial reporting. That report is an integral part of our audits conducted under Government Auditing Standards that should be read along with this report on the financial statements.

/s/ PricewaterhouseCoopers LLP

April 29, 2002

**Ohio Government Risk Management Plan**  
**Balance Sheets**  
**December 31, 2001 and 2000**

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	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,170,026	\$ 1,235,256
Short-term investments, at fair value	442,038	312,324
Bonds, at fair value	2,901,813	2,855,556
Equity securities, at fair value	853,218	989,299
Premiums receivable	1,069,444	861,002
Reinsurance recoverable	416,115	106,085
Accrued interest receivable	<u>31,450</u>	<u>40,373</u>
 Total assets	 <u>\$ 6,884,104</u>	 <u>\$ 6,399,895</u>
 <b>Liabilities and Members' equity:</b>		
<b>Liabilities</b>		
Loss and loss adjustment expense reserves	\$ 2,122,787	\$ 8,197
Unearned premiums	206,020	182,588
Accrued liabilities and fees	257,893	123,138
Reinsurance payable	<u>1,391,304</u>	<u>1,077,116</u>
 Total liabilities	 <u>\$ 3,978,004</u>	 <u>\$ 1,391,039</u>
 <b>Members' equity</b>		
Accumulated surplus	<u>2,906,100</u>	<u>5,008,856</u>
 Total members' equity	 <u>2,906,100</u>	 <u>5,008,856</u>
 Total liabilities and members' equity	 <u>\$ 6,884,104</u>	 <u>\$ 6,399,895</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, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
<b>Revenues</b>		
Premiums written	\$ 12,253,510	\$ 10,458,690
Reinsurance premiums ceded	<u>(8,645,401)</u>	<u>(6,996,477)</u>
Net premiums written	3,608,109	3,462,213
Change in unearned premiums	<u>(23,432)</u>	<u>(14,592)</u>
Net premiums earned	3,584,677	3,447,621
Membership fees	150,750	148,726
Net investment income	83,626	202,022
Other income	<u>-</u>	<u>2,430</u>
Total revenues	<u>3,819,053</u>	<u>3,800,799</u>
<b>Expenses</b>		
Loss and loss adjustment expense	2,115,000	-
Management fees	1,924,158	1,760,250
Commission expense	1,248,684	1,073,259
Newsletter publishing and postage	10,675	24,029
Directors' travel and meetings	55,118	52,411
Printing and supplies	3,258	13,275
Risk management committee meetings and seminars	6,484	45,428
Property appraisals	325,000	-
Professional fees	139,190	86,259
Plan marketing	60,899	100,116
Directors' and officers' coverage	17,500	17,500
Website development and maintenance	8,312	17,596
Other	<u>7,531</u>	<u>7,272</u>
Total expenses	<u>5,921,809</u>	<u>3,197,395</u>
(Deficiency) excess of revenues over expenses	(2,102,756)	603,404
<b>Members' equity</b>		
Beginning of year	<u>5,008,856</u>	<u>4,405,452</u>
End of year	<u>\$ 2,906,100</u>	<u>\$ 5,008,856</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, 2001 and 2000**

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	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
(Deficiency) excess of revenues over expenses	\$ (2,102,756)	\$ 603,404
Net change in the fair value of investments	126,975	(12,563)
<b>Changes in operating assets and liabilities</b>		
Premiums receivable	(208,442)	7,226
Reinsurance recoverable	(310,030)	997,226
Receivable from Plan Administrator	-	75,378
Accrued interest receivable	8,923	9,876
Loss and loss adjustment expense reserves	2,114,590	-
Unearned premiums	23,432	14,592
Accrued liabilities and fees	134,755	(85,226)
Reinsurance payable	<u>314,188</u>	<u>(277,912)</u>
Net cash provided by operating activities	<u>101,635</u>	<u>1,332,001</u>
<b>Cash flows from investing activities</b>		
Change in short-term investments	(129,714)	(277,008)
Purchases:		
Bonds	(1,979,333)	(2,089,137)
Sales:		
Bonds	277,678	-
Maturities:		
Bonds	<u>1,664,504</u>	<u>1,959,186</u>
Net cash used in investing activities	<u>(166,865)</u>	<u>(406,959)</u>
Net (decrease) increase in cash and cash equivalents	(65,230)	925,042
Cash and cash equivalents, beginning of year	<u>1,235,256</u>	<u>310,214</u>
Cash and cash equivalents, end of year	<u>\$ 1,170,026</u>	<u>\$ 1,235,256</u>

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

# Ohio Government Risk Management Plan

## Notes to the Financial Statements

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### 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 100% 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 are assessed an annual membership fee which is based on the administrative expenses of the Plan for the year. These expenses consist principally of professional fees, directors' travel and meeting expenses and other administrative expenses. Membership fees were \$150,750 and \$148,726 for the years ended December 31, 2001 and 2000, respectively.

The Plan had 670 and 667 members as of December 31, 2001 and 2000, respectively.

The Plan has an agreement with Hylant Administrative Services, Inc. ("HAS") to provide underwriting, claims 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 100% of coverage provided, with the exception of its casualty finite reinsurance layer.

# Ohio Government Risk Management Plan

## Notes to the Financial Statements, continued

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### 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.

#### *Cash and Cash Equivalents*

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 and cash equivalents held by the Plan to give an indication of the level of risk assumed by the Plan at year end. Category 1 includes cash and cash equivalents that are insured or collateralized with securities held by the Plan or by its agent in the Plan's name. Category 2 includes cash and cash equivalents that are collateralized with securities held by the pledging financial institutions trust department or agent. Category 3 includes cash and cash equivalents that are uncollateralized.

Cash and cash equivalents represents a bank account balance of \$1,563,891 and \$1,492,817 as of December 31, 2001 and 2000, 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 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 solely of shares held in the Fifth-Third Quality Growth Fund. This fund seeks to provide long-term capital appreciation by investing primarily in the stocks of well-established growth 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.

## Ohio Government Risk Management Plan

### Notes to the Financial Statements, continued

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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 \$7,729 and \$7,051 in 2001 and 2000, 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*

Insurance coverages provided by the Plan are 100% reinsured, with the exception of casualty finite reinsurance cover, and the related premiums were 94% and 93% ceded to reinsurers for the years ended December 31, 2001 and 2000, respectively. Ceding commissions amounted to \$3,233,445 and \$2,833,529 for the years ended December 31, 2001 and 2000, respectively.

For the years ended December 31, 2001 and 2000, 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 \$1,248,684 and \$1,073,259 for the years ended December 31, 2001 and 2000, respectively. In 2001, the Plan engaged an external valuation specialist to perform property appraisals of the Plan's members, for the purpose of evaluating property limits. The Plan incurred \$325,000 of fees in conjunction with these appraisals.

#### *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 \$1,924,158 and \$1,760,251 for 2001 and 2000, 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 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

## Ohio Government Risk Management Plan

### Notes to the Financial Statements, continued

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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, 2001 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.

#### *Reclassifications*

Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 presentations.

### **3. Reinsurance**

The Plan reinsures its coverages 100% with various reinsurance companies up to a limit of \$5,000,000 per occurrence, per member, with the exception of its casualty finite reinsurance coverage. The Plan's casualty finite reinsurance coverage includes losses on casualty claims up to \$200,000, subject to aggregate limits. The Plan's casualty finite 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. Due to recent loss developments in several accident years and the establishment of loss reserves, the Plan is expected to ultimately exceed the casualty finite reinsurance coverage available as of December 31, 2001 to all accident years since 1996, and would be liable for future claims occurring during those contract periods. Claims occurring in accident years under the current casualty reinsurance treaty (covering the period September 1, 1999 to August 31, 2002) may be offset by additional limit earned during 2002 and as policies renew. Any new claims reported or adverse development on prior accident years will be incurred by the Plan.

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

Experience accounts have been established by the Plan's reinsurers in accordance with the terms of the treaties whereby the Plan may receive a refund based upon the loss development of these covered losses. The agreements are effective until all losses are settled or the

## Ohio Government Risk Management Plan

### Notes to the Financial Statements, continued

agreements are commuted. No amounts related to these experience accounts have been recognized by the Plan as of December 31, 2001 and 2000.

#### 4. Unpaid Losses and Loss Adjustment Expense Reserves

As of December 31, 2001, net unpaid losses and loss adjustment expense reserves were \$2,122,787. This amount reflects the Plan's actuarially determined known and unknown reserve liabilities, net of reinsurance. Activity in the losses and loss adjustment expense reserves is summarized as follows:

	<u>2001</u>	<u>2000</u>
Balance at January 1	\$ 15,802,526	\$ 13,947,064
Less: reinsurance recoverables	<u>15,794,329</u>	<u>13,938,867</u>
Net balance at January 1	8,197	8,197
Incurred related to:		
Current year	-	-
Prior year	<u>2,115,000</u>	<u>-</u>
Total incurred	2,115,000	-
Paid related to:		
Current year	-	-
Prior year	<u>410</u>	<u>-</u>
Total paid	410	-
Net balance at December 31	2,122,787	8,197
Plus: reinsurance recoverables	<u>28,745,608</u>	<u>15,794,329</u>
Balance at December 31	\$ <u>30,868,395</u>	\$ <u>15,802,526</u>

The net balance of unpaid losses and loss adjustment expense reserves at December 31, 2001 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 2001, the \$2,115,000 of adverse loss development incurred relates to new claims filed on accident years 1996 through 2000. The majority of these losses are due to adverse uninsured motorist litigation developments in the State of Ohio, which have exposed the Plan to losses not originally intended for coverage by underlying policies.

Approximately \$1,500,000 of the losses incurred relate to accident periods August 1999 and prior, for which casualty finite reinsurance coverage is closed to additional premium. Any changes to actuarial estimates as of December 31, 2001 due to positive or adverse loss development on those accident years will directly impact the members' equity of the Plan. The remaining losses incurred in the current year relate to accident years September 1999 to the present, and are subject to aggregate limit growth as additional premium is ceded.

## **Ohio Government Risk Management Plan**

### **Notes to the Financial Statements, continued**

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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 renewed a \$1,000,000 line of credit agreement with Fifth Third Bank of Northwest Ohio, N.A. that expires on June 30, 2003 and is collateralized by the Plan's cash and cash equivalents. As of December 31, 2001 and 2000, 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 under insurance policies issued 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 Accountants  
on Supplemental Information**

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

The report on our audit of the financial statements of the Ohio Governmental Risk Management Plan (the "Plan") as of December 31, 2001 and 2000, and for the years then ended is presented on page one of this document. That audit was 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, 2001 and 2000, and for the years then ended 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.

/s/ PricewaterhouseCoopers LLP

April 29, 2002

# Ohio Government Risk Management Plan Required Supplementary Information

## 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 loss net of loss assumed by reinsures 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.

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Revenues</b>										
Earned*	7,636,301	8,345,425	8,361,815	9,293,127	9,271,278	9,899,718	10,115,810	9,912,258	10,797,276	12,464,454
Ceded**	6,466,728	7,313,425	7,970,859	8,033,416	8,318,125	8,859,336	8,566,337	8,908,778	9,829,986	11,818,243
Net Earned	1,169,573	1,032,000	390,956	1,259,711	953,153	1,040,382	1,549,473	1,003,480	967,290	646,211
<b>Estimated claims and expenses end of policy year:</b>										
Incurred	6,023,743	7,444,949	10,739,382	9,989,355	10,995,967	12,439,017	10,715,155	13,947,064	15,802,526	30,868,395
Ceded	4,989,780	6,671,982	10,220,618	9,860,887	10,906,082	12,385,231	10,706,958	13,938,867	15,794,329	28,745,608
Net Incurred	1,033,963	772,967	518,764	128,468	89,885	53,786	8,197	8,197	8,197	2,122,787
<b>Net Paid (cumulative) as of:</b>										
End of policy year	0	0	0	0	0	0	0	0	0	410
One year later	472,966	401,052	225,796	6,300	15,591	4,042	0	0	410	
Two years later	874,018	626,848	232,096	21,891	19,633	4,042	0	410		
Three years later	1,099,814	633,148	247,687	25,933	19,633	4,042	410			
Four years later	1,106,114	648,739	249,471	25,933	19,633	4,452				
Five years later	1,121,705	652,781	249,471	25,933	20,043					
Six years later	1,125,747	652,781	249,471	26,343						
Seven years later	1,125,747	652,781	249,881							
Eight years later	1,125,747	653,191								
Nine years later	1,126,157									
<b>Reestimated net incurred claims and expenses:</b>										
End of policy year	1,033,963	772,967	518,764	128,468	89,885	53,786	8,197	8,197	8,197	2,122,787
One year later	1,245,933	919,816	354,264	96,185	69,377	12,239	8,197	8,197	2,123,197	
Two years later	1,392,782	755,316	321,981	75,677	27,830	12,239	8,197	2,123,197		
Three years later	1,228,282	723,033	301,473	34,130	27,830	12,239	2,032,288			
Four years later	1,195,999	702,525	259,926	34,130	27,830	1,490,875				
Five years later	1,175,491	660,984	259,926	34,130	961,012					
Six years later	1,133,944	660,984	259,926	421,857						
Seven years later	1,133,944	660,984	374,926							
Eight years later	1,133,944	775,984								
Nine years later	1,248,944									
<b>Increase in estimated net incurred claims and expenses from end of policy year</b>										
	214,981	3,017	(143,838)	293,389	871,127	1,437,089	2,024,091	2,115,000	2,115,000	-

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the Ohio Government Risk Management Plan (the "Plan") as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 29, 2002. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

/s/ PricewaterhouseCoopers LLP

April 29, 2002