

**OHIO SCHOOL PLAN**  
**FINANCIAL STATEMENTS**  
December 31, 2007 and 2006





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Ohio School Plan  
c/o Hylant Administrative Services  
811 Madison Ave  
P.O. Box 2083  
Toledo, Ohio 43624

We have reviewed the *Report of Independent Auditors* of the Ohio School Plan, Lucas County, prepared by Crowe Chizek and Company LLC, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio School Plan is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 11, 2008

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OHIO SCHOOL PLAN  
Columbus, Ohio

FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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**Crowe Chizek and Company LLC**  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Ohio School Plan  
Columbus, Ohio

We have audited the accompanying statements of financial position of Ohio School Plan (the "Plan") as of December 31, 2007 and 2006, 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 audit.

We conducted our audit 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 School Plan as of December 31, 2007 and 2006, 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 3 through 4 and the Ten-Year Claims Development Information on page 15 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2008, on our consideration of the Plan's internal control over financial reporting and our tests of it compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Columbus, Ohio  
April 24, 2008

OHIO SCHOOL PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2007 and 2006

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This section of the Ohio School 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, 2007 and 2006. 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 \$915,949 or 53% and \$778,045 or 82% in 2007 and 2006, respectively. The 2007 increase is due to the Plan's which includes increased retention of property premiums. The 2006 increase is due to an increase in premium levels during 2006 and correspondingly more membership fees being earned.
- In 2007 and 2006, the Plan continued to invest excess funds in fixed income securities of the U.S. Government.
- In 2007, premiums receivable decreased \$43,179 of 100% due to the continued shift of members' policy effective dates to July.
- Reinsurance recoverable has increased \$247,146 or 249% due to the level of property claims compared to that in 2006. Conversely, reinsurance recoverable has decreased \$436,483 or 81% in 2006 due to the level of claim payments being less than the level from the same period in 2005.
- Unearned premiums and membership fees have increased \$465,218 or 97% and \$271,911 or 130% in 2007 and 2006, respectively. Effective July 1, 2007, the Plan retained 100% of the first \$150,000 property treaty. Effective July 1, 2006, the Plan retained 50% of the first \$150,000 property treaty. As such, the Plan was retaining premium associated with risk and earning the retained premiums over the life of the members' policies.
- The increase in unearned and net earned premium did not move at the same rate because the retained property premium makes up a small proportion of the overall written premium.



OHIO SCHOOL PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2007 and 2006

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- In 2007, loss reserves increased \$121,854 or 28%. Effective July 1, 2007, the Plan retained 100% of the first \$150,000 property treaty. In 2006, loss reserves of \$430,254 have been recorded due to the fact that effective July 1, 2006 the Plan began retaining 50% of the first \$150,000 layer property treaty. The Plan also incurred expenses of \$235,464 associated to its share of the property risk. Approximately, \$250,000 of total loss reserves pertain to the Plan's net retention of the 2006-2007 casualty quota share loss corridor.
- The Plan's accumulated surplus increased \$235,034 or 30% and \$50,438 or 7% in 2007 and 2006, respectively due to the Plan's operations.
- Written premiums decreased \$1.9 million or 17% and \$714,519 or 6% in 2007 and 2006, respectively, due to the competitive environment for Ohio public schools.
- Management fees and commission expense have decreased on a percentage basis at the same rate as written premiums as these amounts are a function of written premiums.
- The Plan's operations provided cash of \$700,985 which is \$491,949 or 41% less than 2006. This decrease is due to increased levels of claims payments due to a larger property retention and less written premium due to the competitive marketplace. The cash provided by operations was, in turn, invested in fixed income securities.

#### **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 SCHOOL PLAN  
BALANCE SHEETS  
December 31, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	\$ 1,288,716	\$ 914,622
Short-term investments, at fair value	21,347	4,147
Bonds at market value	981,174	663,828
Premiums receivable	--	43,179
Reinsurance receivable	346,259	99,113
Interest receivable	<u>8,689</u>	<u>5,347</u>
 Total assets	 <u>\$ 2,646,185</u>	 <u>\$ 1,730,236</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Loss and loss adjustment expense reserves	\$ 552,108	\$ 430,254
Reinsurance payable	116,959	5,084
Accrued liabilities and fees	6,766	24,798
Unearned premiums and membership fees	<u>946,108</u>	<u>480,890</u>
 Total liabilities	 1,621,941	 941,026
 <b>MEMBERS' EQUITY</b>		
Accumulated surplus	<u>1,024,244</u>	<u>789,210</u>
 Total liabilities and members' equity	 <u>\$ 2,646,185</u>	 <u>\$ 1,730,236</u>

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See accompanying notes to financial statements

OHIO SCHOOL PLAN  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY  
 For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Premiums written	\$ 9,277,752	\$ 11,178,549
Reinsurance premiums ceded	<u>(6,235,177)</u>	<u>(8,469,541)</u>
Net premiums written	3,042,575	2,709,008
Change in unearned premiums	<u>(465,218)</u>	<u>(257,080)</u>
Net premiums earned	2,577,357	2,451,928
Membership fees earned	436,453	536,576
Net investment income	<u>68,548</u>	<u>54,160</u>
 Total revenues	 <u>3,082,358</u>	 <u>3,042,664</u>
<b>EXPENSES</b>		
Loss and loss adjustment expenses	739,536	485,710
Management fees	1,414,677	1,708,952
Commission expense	463,888	558,927
Professional fees	53,388	51,397
Plan marketing fees	150,149	152,968
Directors' and officers' coverage	23,489	22,014
Directors' travel and meetings	1,242	4,549
Other	<u>955</u>	<u>7,709</u>
 Total expenses	 <u>2,847,324</u>	 <u>2,992,226</u>
 Excess of revenues over expenses	 235,034	 50,438
<b>Members' equity</b>		
Beginning of year	<u>789,210</u>	<u>738,772</u>
End of year	<u>\$ 1,024,244</u>	<u>\$ 789,210</u>

See accompanying notes to financial statements

OHIO SCHOOL PLAN  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Receipt of premiums	\$ 9,320,931	\$ 11,172,020
Receipt of membership fees	436,453	551,407
Losses paid	(617,682)	(55,456)
Receipt of investment income	57,551	39,095
Premiums paid to reinsurers	(6,370,448)	(8,027,974)
Expenses paid	<u>(2,125,820)</u>	<u>(2,486,158)</u>
Net cash provided by operating activities	700,985	1,192,934
 <b>Cash flows from investing activities</b>		
Change in short-term investments	(17,200)	2,914
Sales of bonds	99,604	465,893
Maturities of bonds	1,810,000	770,000
Purchase of bonds	<u>(2,219,295)</u>	<u>(1,591,315)</u>
Net cash used in investing activities	<u>(326,891)</u>	<u>(352,508)</u>
 Net change in cash	374,094	840,426
 Cash, beginning of year	<u>914,622</u>	<u>74,196</u>
 Cash, end of year	<u>\$ 1,288,716</u>	<u>\$ 914,622</u>
 <b>Reconciliation of excess of revenues over expenses to cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 235,034	\$ 50,438
Net (gains) on securities	(7,655)	(9,718)
Changes in operating assets and liabilities		
Premiums receivable	43,179	(6,529)
Reinsurance receivable	(247,146)	436,483
Loss and loss adjustment expense reserves	121,854	430,254
Reinsurance payable	111,875	5,084
Unearned premiums and membership fees	465,218	271,911
Accrued liabilities and fees	(18,032)	20,358
Interest receivable	<u>(3,342)</u>	<u>(5,347)</u>
 Net cash provided by operating activities	<u>\$ 700,985</u>	<u>\$ 1,192,934</u>

See accompanying notes to financial statements

OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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**NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

Organization: The Ohio School Plan (the Plan) was organized in January of 2002, 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 purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan include public school districts, educational service centers, joint vocational schools, centers of government, and mental retardation/developmentally disabled boards 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, automobile, violence, and other coverages to its members sold through designated 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 developed the policy forms and endorsements of coverage and substantially reinsured these coverages. The individual members are only responsible for their self-retention (deductible) amounts that vary from member to member. See Note 4 for further discussion.

The members are charged an annual membership fee, which is based on a percentage of each member's annual premium. These fees are charged to cover professional fees, directors' travel and meeting expenses and other administrative and marketing expenses. Earned membership fees were \$436,453 and \$536,576, for the years ended December 31, 2007 and 2006.

The Plan had 304 and 328 members as of December 31, 2007 and 2006.

The Plan has an agreement with Hylant Administrative Services, LLC (HAS) to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing for the Plan. HAS also coordinates reinsurance brokerage services for 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 public educational entities. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of substantially reinsuring coverage provided.

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(Continued)

OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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

Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65% and 80% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 65%, the Plan would pay all the losses incurred related to this treaty up to the next 15% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80% is exceeded. Effective November 1, 2005, the Plan's loss corridor includes losses paid between 65% and 75% of premium earned under this treaty. Effective November 1, 2006, the Plan's loss corridor includes losses paid between 65% and 73% of premium earned under this treaty. Effective November 1, 2007, the Plan's loss corridor includes losses paid between 70% and 74% of premium earned under this treaty.

Effective July 1, 2006, the Plan began retaining 50% of the first \$150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is \$375,000. Effective July 1, 2007, the Plan began retaining 100% of the first \$150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is \$750,000.

**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).

Basis of accounting: For financial reporting purposes, the Plan is engaged in business-type activities. Accordingly, the Plan's financial statements have been presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Plan has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its business-type activities provided that they do not conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of the 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.

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OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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

Cash: 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.

Cash represents a bank account balance of \$1,431,948 and \$1,128,349 as of December 31, 2007 and 2006, respectively. The bank account balance is insured up to \$100,000 by the Federal Deposit Insurance Corporation (the FDIC).

Investments: The Plan recognizes its bonds 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.

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.

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 \$1,824 and \$907 in 2007 and 2006, 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 substantially reinsured. Ceding commissions are paid to the Plan at 20% and 20% of gross premiums written, amounting to \$1,878,565 and \$2,267,879 for the years ended December 31, 2007 and 2006, 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.

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(Continued)

OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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

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 expenses as incurred. Agent commissions are paid at 5% of gross premiums written, amounting to \$463,888 and \$558,927 for the years ended December 31, 2007 and 2006, respectively.

Management fees: Fees for all administrative, management and brokerage related services provided to the Plan are incurred at a cost of 15% and 15% of gross premiums written. Fees for such services amounted to \$1,414,677 and \$1,708,952 for the years ended December 31, 2007 and 2006, respectively.

Unpaid losses and loss adjustment expense reserves: The Plan has established claim liabilities gross of reinsurance 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).

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, 2007 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.

Other income: Member fees are earned by the Plan on a prorata basis over the life of the policy.

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OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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**NOTE 3 - INVESTMENTS**

As of December 30, 2007 and 2006, the Plan has the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>2007</u>	<u>2006</u>
U.S. Government Agency Bonds	\$ 981,174	\$ 663,828
Money Market Funds	<u>21,347</u>	<u>4,147</u>
	<u>\$ 1,002,521</u>	<u>\$ 667,975</u>

U.S. Government Agency bonds have a weighted average maturity of 0.9 and 1.6 years and money market funds have maturities of 30 days or less as of December 31, 2007 and 2006 respectively.

The Plan's investments have credit quality ratings of AAA.

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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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, 2007, all of the Plan's investments were held by the investment's counterparty.

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(Continued)

OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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**NOTE 4 - REINSURANCE**

With the exception of the property treaty effective July 1, 2006 and the paid loss corridor deductible, the Plan fully reinsures its coverages with various reinsurance companies. Effective November 1, 2004, casualty and auto liability coverages were reinsured up to a limit of \$5,000,000 per occurrence, per member. Effective March 15, 2003, the Plan began offering property coverage to its members. These coverages are reinsured up to a limit of \$250,000,000 per occurrence.

Effective January 1, 2004, the Plan elected to participate in a paid loss ratio corridor deductible in its first \$1 million layer of casualty reinsurance. The corridor includes losses paid between 65% and 80% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 65%, the Plan would pay all the losses incurred related to this treaty up to the next 15% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 80% is exceeded. Effective November 1, 2005, the Plan's loss corridor includes losses paid between 65% and 75% of premium earned under this treaty. Effective November 1, 2006, the Plan's loss corridor includes losses paid between 65% and 73% of premium earned under this treaty. Effective November 1, 2007, the Plan's loss corridor includes losses paid between 70% and 74% of premium earned under this treaty.

Effective July 1, 2006, the Plan began retaining 50% of the first \$150,000 property reinsurance layer. The Plan's annual aggregate under this property treaty is \$375,000. Effective July 1, 2007, the Plan began retaining 100% of the first \$150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is \$750,000.

In the event that the reinsurance company should be unable to meet their obligations under the existing reinsurance agreements, the Plan would be liable for such defaulted amounts. Conversely, should the Plan be unable to meet its obligations under the existing reinsurance agreement, the reinsurers would be liable for their share of 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.

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OHIO SCHOOL PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007 and 2006

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

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

	<u>2007</u>	<u>2006</u>
Balance at January 1	\$ 430,254	\$ --
Incurred related to:		
Current year	600,000	235,464
Prior year	<u>139,536</u>	<u>250,246</u>
Total incurred	<u>739,536</u>	<u>485,710</u>
Paid related to:		
Current year	298,138	55,456
Prior year	<u>319,544</u>	<u>--</u>
Total paid	<u>617,682</u>	<u>55,456</u>
Net balance at December 31	<u>\$ 552,108</u>	<u>\$ 430,254</u>

During 2007, the Plan retained 100% of the first \$150,000 property treaty. Current year incurred losses reflect this increased retention.

During 2006, the net retention of the 2004-2005 casualty quota share loss corridor accounted for approximately \$250,000 of the increase in loss reserves. The remainder of the increase in loss reserves is related to the Plan's retention of 50% of the first \$150,000 layer of property reinsurance.

**NOTE 6 - TAX STATUS**

Effective January 4, 2005, 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 individual members of the Plan are named as defendants in various lawsuits. 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's members will not materially impact the Plan's financial position, results of operations or cash flows.

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OHIO SCHOOL PLAN  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION  
FOR THE YEARS ENDING 2002 THROUGH 2007

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.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues						
Earned*	\$ 10,208,223	\$ 10,051,064	\$ 11,272,623	\$ 12,509,385	\$ 11,512,205	\$ 9,317,535
Ceded	<u>(7,575,856)</u>	<u>(7,704,333)</u>	<u>(8,633,826)</u>	<u>(9,693,397)</u>	<u>(8,469,541)</u>	<u>(6,235,177)</u>
Net Earned	2,632,367	2,346,731	2,638,797	2,815,988	3,042,664	3,082,358
Claims						
Gross	\$ 4,943,645	\$ 5,929,545	\$ 5,704,941	\$ 6,556,653	\$ 6,684,091	\$ 19,237,559
Ceded	<u>(4,943,645)</u>	<u>(5,929,545)</u>	<u>(5,704,941)</u>	<u>(6,556,653)</u>	<u>(6,448,627)</u>	<u>(18,637,559)</u>
Estimated net incurred claims and expenses at end of policy year	--	--	--	--	235,464	600,000
Net paid (cumulative) as of:						
End of policy year	--	--	--	--	55,456	298,138
One year later	--	--	--	--	375,000	
Reestimated net incurred claims and expenses as of:						
End of policy year	--	--	--	--	235,464	600,000
One year later	--	--	--	208,538	375,000	
Two years later	--	--	41,708	208,538		
Three years later	--	--	41,708			
Increase in estimated net incurred claims and expenses from end of policy year:			41,708	208,538	139,536	--

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

NOTE: The Plan commenced operations in 2002. Accordingly, there is no prior years' development.



**Crowe Chizek and Company LLC**  
Member Horwath International

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

Board of Directors  
Ohio School Plan  
Columbus, Ohio

We have audited the financial statements of Ohio School Plan as of and for the year ended December 31, 2007, and have issued our report thereon dated April 24, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio School 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, but not for the purpose of expressing an opinion on the effectiveness of the Ohio School Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ohio School Plan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio School Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

  
Crowe Chizek and Company LLC

Columbus, Ohio  
April 24, 2008



**Mary Taylor, CPA**  
Auditor of State

**OHIO SCHOOL PLAN**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 23, 2008**