OHIO SCHOOL PLAN

FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 Horwath LLP, for the audit period January 1, 2008 through December 31, 2008. 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

May 26, 2009

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OHIO SCHOOL PLAN
Columbus, Ohio

FINANCIAL STATEMENTS
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Crowe Horwath LLP
Member Crowe 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, 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 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 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 School 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 3 through 5 and the Ten-Year Claims Development Information on page 16 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.

(Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated, April 17, 2009 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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
April 17, 2009

This section of the Ohio School 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 consists 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:

- The Plan's total assets increased $627,804 or 24% and $915,949 or 53% in 2008 and 2007, respectively. The 2008 increase is related to overall Plan operations. The 2007 increase is due to the Plan's increased retention of property premiums.

- In 2008 and 2007, the Plan continued to invest excess funds in fixed income securities of the U.S. Government.

- In 2008, premiums receivable increased $160,932 or 100% due to the addition of members with December policy effective dates. In 2007, premiums receivable decreased $43,179 or 100% due to the shift of members' renewal to July effective dates.

- Reinsurance recoverable has increased $165,622 or 48% due to losses attributed to the Hurricane Ike occurrence. Reinsurance recoverable also increased $247,146 or 249% in 2007 due to the level of property claim payments and the Plan's increased property retention during that year.

- Unearned premiums and membership fees have decreased $111,443 or 12% and increased $465,218 or 97% in 2008 and 2007, respectively. Competition for Ohio school business continues to be intense. As such, the overall school market rates remained soft in 2008, thus reducing premiums for renewing members. Combine that with a net decline in members and premiums decrease in 2008, thus reducing unearned as well. The increase in 2007 is due to the Plan's increased property retention effective July 1, 2007.

- In 2008, loss reserves decreased $49,876 or 9% due to the timing of property claims related to the current accident year. In 2007, loss reserves increased $121,854 or 28% due to the Plan's increased property retention effective July 1, 2007.

- In 2008, reinsurance payable increased $370,986 or 317% due to the timing of reinsurance payments to property reinsurers. In 2007, reinsurance payable increased $111,875 or 2200% due to timing of reinsurance payments and the level of claims payments in 2007.

- The Plan's accumulated surplus increased $376,588 or 37% and $235,034 or 30% in 2008 and 2007, respectively due to the Plan's operations.

(Continued)

- Written premiums decreased $602,239 or 6% and $1.9 million or 17% in 2008 and 2007, respectively. The declines are related to the on-going competitive insurance environment for Ohio public schools business.
- 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 $241,578 which is $401,856 or 62% less than 2007. This decrease is due to increased levels of claims payments due to 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.

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	$ 3,274	$ 2,646	$ 1,730
Total liabilities	$ 1,873	$ 1,622	$ 941
Accumulated surplus	$ 1,401	$ 1,024	$ 789

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	$ 2,974	$ 2,577	$ 2,452
Membership fees earned	391	436	537
Net investment income	60	69	54
Total	3,425	3,082	3,043
Expenses	3,048	2,847	2,992
Increase in members' equity	377	235	51
Members' equity – beginning of year	1,024	789	738
Members' equity – end of year	$ 1,401	$ 1,024	$ 789

(Continued)

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	$ 241	$ 643	$ 1,154
Investing activities	(235)	(269)	(313)
Net increase in cash	6	374	841
Cash-beginning of year	1,289	915	74
Cash-end of year	$ 1,295	$ 1,289	$ 915

FORWARD LOOKING STATEMENT

The environment in which the Ohio School Plan operates is competitive. There are pooling and traditional insurance options available to Ohio's educational districts. Due to the economic downturn that has affected the country, Ohio's educational districts will be under even greater pressure to control costs. The Ohio School Plan stands ready to provide solutions to our members' coverage and risk management needs.

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, 2008 and 2007

	2008	2007
ASSETS		
Cash	$ 1,295,390	$ 1,288,716
Short-term investments, at fair value	4,819	21,347
Bonds at market value	1,297,799	981,174
Premiums receivable	160,932	-
Reinsurance receivable	511,881	346,259
Interest receivable	3,168	8,689
Total assets	$ 3,273,989	$ 2,646,185
LIABILITIES AND MEMBERS' EQUITY		
Loss and loss adjustment expense reserves	$ 502,232	$ 552,108
Reinsurance payable	487,945	116,959
Accrued liabilities and fees	48,315	6,766
Unearned premiums and membership fees	834,665	946,108
Total liabilities	1,873,157	1,621,941
MEMBERS' EQUITY		
Accumulated surplus	1,400,832	1,024,244
Total liabilities and members' equity	$ 3,273,989	$ 2,646,185

See accompanying notes to financial statements

OHIO SCHOOL PLAN
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
Years ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Premiums written	$ 8,675,513	$ 9,277,752
Reinsurance premiums ceded	(5,812,842)	(6,235,177)
Net premiums written	2,862,671	3,042,575
Change in unearned premiums	111,443	(465,218)
Net premiums earned	2,974,114	2,577,357
Membership fees earned	391,364	436,453
Net investment income	59,672	68,548
Total revenues	3,425,150	3,082,358
EXPENSES		
Loss and loss adjustment expenses	1,029,781	739,536
Management fees	1,331,479	1,414,677
Commission expense	443,827	463,888
Professional fees	54,321	53,388
Plan marketing fees	150,691	150,149
Directors' and officers' coverage	21,353	23,489
Directors' travel and meetings	9,003	1,242
Other	8,107	955
Total expenses	3,048,562	2,847,324
Excess of revenues over expenses	376,588	235,034
Members' equity		
Beginning of year	1,024,244	789,210
End of year	$ 1,400,832	$ 1,024,244

See accompanying notes to financial statements

OHIO SCHOOL PLAN
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Receipt of premiums	$ 8,514,581	$ 9,320,931
Receipt of membership fees	391,364	436,453
Losses paid	(1,079,658)	(617,682)
Premiums paid to reinsurers	(5,607,477)	(6,370,448)
Expenses paid	(1,977,232)	(2,125,820)
Net cash provided by operating activities	241,578	643,434
Cash flows from investing activities		
Change in short-term investments	16,528	(17,200)
Sales of bonds	-	99,604
Maturities of bonds	1,229,000	1,810,000
Purchase of bonds	(1,528,850)	(2,219,295)
Receipt of investment income	48,418	57,551
Net cash used in investing activities	(234,904)	(269,340)
Net change in cash	6,674	374,094
Cash, beginning of year	1,288,716	914,622
Cash, end of year	$ 1,295,390	$ 1,288,716
Reconciliation of excess of revenues over expenses to cash flows from operating activities		
Excess of revenues over expenses	$ 376,588	$ 235,034
Net (gains) on securities	(65,193)	(65,206)
Changes in operating assets and liabilities		
Premiums receivable	(160,932)	43,179
Reinsurance receivable	(165,622)	(247,146)
Loss and loss adjustment expense reserves	(49,876)	121,854
Reinsurance payable	370,986	111,875
Unearned premiums and membership fees	(111,443)	465,218
Accrued liabilities and fees	41,549	(18,032)
Interest receivable	5,521	(3,342)
Net cash provided by operating activities	$ 241,578	$ 643,434

See accompanying notes to financial statements

NOTE 1 – DESCRIPTION OF THE 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 $391,364 and $436,453, for the years ended December 31, 2008 and 2007.

The Plan had 275 and 304 members as of December 31, 2008 and 2007.

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.

(Continued)

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 November 1, 2008, the Plan's loss corridor includes losses paid between 75% and 79% of premium earned under this treaty.

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. Effective July 1, 2008, the Plan continued to retain 100% of the first $150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is $800,000.

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.

(Continued)

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 $1,330,472 and $1,431,948 as of December 31, 2008 and 2007, respectively. The bank account balance is insured up to $250,000 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 $2,465 and $1,824 in 2008 and 2007, 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% of gross premiums written, amounting to $1,775,306 and $1,878,565 for the years ended 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.

(Continued)

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 expensed as incurred. Agent commissions are paid at 5% of gross premiums written, amounting to $443,827 and $463,888 for the years ended December 31, 2008 and 2007, respectively.

Management fees: Fees for all administrative, management and brokerage related services provided to the Plan are incurred at a cost of 15% of gross premiums written. Fees for such services amounted to $1,331,479 and $1,414,677 for the years ended December 31, 2008 and 2007, 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, 2008 and 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.

(Continued)

NOTE 3 – INVESTMENTS

As of December 30, 2008 and 2007, the Plan has the following investments.

Investment Type	Fair Value 2008	2007
U.S. Government Agency Bonds	$ 1,297,799	$ 981,174
Money Market Funds	4,819	21,347
	$ 1,302,618	$ 1,002,521

U.S. Government Agency bonds have a weighted average maturity of 0.6 and 0.9 years and money market funds have maturities of 30 days or less as of December 31, 2008 and 2007 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 not place a limit on the amount it may invest in any single issuer.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution to fulfill its obligations, the Plan will not be able to recover the value of its deposits in the possession of an outside party. The Plan does not have a formal policy for custodial credit risk. As of December 31, 2008, the carrying amount of the Plan's deposits was $1,295,390 and the bank balance was $1,330,471. Of the bank balance, $270,821 was covered by federal depository insurance, and the remaining $1,059,650 was exposed to 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. As of December 31, 2008, all of the Plan's investments were held by the investment's counterparty.

(Continued)

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. The Plan has the ability to access additional property reinsurance capacity if needed.

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, 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 November 1, 2008, the Plan's loss corridor includes losses paid between 75% and 79% of premium earned under this treaty.

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. Effective July 1, 2008, the Plan continued to retain 100% of the first $150,000 layer of property reinsurance. The Plan's annual loss aggregate under this property treaty is $800,000.

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, amounts due the Plan under reinsurance contracts shall be payable by the reinsurers on the basis of the liability of the Plan under the original Plan policies reinsured without diminution. 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.

(Continued)

NOTE 5 – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSE RESERVES

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

	2008	2007
Balance at January 1	$ 552,108	$ 430,254
Incurred related to:		
Current year	853,000	600,000
Prior year	176,782	139,536
Total incurred	1,029,782	739,536
Paid related to:		
Current year	627,796	298,138
Prior year	451,862	319,544
Total paid	1,079,658	617,682
Net balance at December 31	$ 502,232	$ 552,108

During 2008, the timing and level of the property losses increased due to losses associated with the Hurricane Ike occurrence.

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

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.

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

	2002	2003	2004	2005	2006	2007	2008
Revenues							
Earned*	$ 10,208,223	$ 10,051,064	$ 11,272,623	$ 12,509,385	$ 11,512,205	$ 9,317,535	$ 9,237,992
Ceded	(7,575,856)	(7,704,333)	(8,633,826)	(9,693,397)	(8,469,541)	(6,235,177)	(5,812,842)
Net Earned	2,632,367	2,346,731	2,638,797	2,815,988	3,042,664	3,082,358	3,425,150
Claims							
Gross	$ 4,943,645	$ 5,929,545	$ 5,704,941	$ 6,556,653	$ 6,684,091	$ 19,237,559	$ 5,785,171
Ceded	(4,943,645)	(5,929,545)	(5,704,941)	(6,556,653)	(6,448,627)	(18,637,559)	(4,932,171)
Estimated net incurred claims and expenses at end of policy year	-	-	-	-	235,464	600,000	853,000
Net paid (cumulative) as of:							
End of policy year	-	-	-	-	55,456	298,138	627,796
One year later	-	-	-	-	375,000	750,000	
Two years later	-	-	-	-	375,000		
Reestimated net incurred claims and expenses as of:							
End of policy year	-	-	-	-	235,464	600,000	853,000
One year later	-	-	-	208,538	375,000	750,000	
Two years later	-	-	41,708	208,538	406,870		
Three years later	-	-	41,708	208,538			
Four years later	-	-	36,620				
Increase in estimated net incurred claims and expenses from end of policy year:			36,620	208,538	171,406	150,000	-

* 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 Horwath
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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, 2008, and have issued our report thereon dated April 17, 2009. 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.

(Continued)

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*.

We noted certain matters that we reported to management of Ohio School Plan in a separate letter dated April 17, 2009.

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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
April 17, 2009

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
JUNE 9, 2009

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