

11. Self Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies, and authorities of the State participate in the self-insurance program (the Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the fiscal year ending June 30, 1997. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 1997 were as follows (amounts expressed in thousands).

	Beginning-of-Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of-Fiscal-Year Liability
Property, Casualty and General Liability	\$ 10,500	\$ 6,127	\$ 6,371	\$ 10,256
Workers' Compensation	146,415	32,566	28,981	150,000
Employee Health Benefits	28,321	254,285	256,344	26,262
Total Self-Insurance Costs	\$185,236	\$292,978	\$291,696	\$186,518

As of June 30, 1997, the Program held \$92,397,589 in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 1996 were as follows (amounts expressed in thousands).

	Beginning-of-Fiscal-Year Liability	Claims and Changes in Estimates	Claim Payments	End-of-Fiscal-Year Liability
Property, Casualty and General Liability	\$ 8,627	\$ 8,000	\$ 6,127	\$ 10,500
Workers' Compensation	126,565	48,224	28,374	146,415
Employee Health Benefits	25,670	238,911	236,260	28,321
Total Self-Insurance Costs	\$160,862	\$295,135	\$270,761	\$185,236