$5,686,000 from the Series 1999 Bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion of the Series 1990 Bonds being advanced refunded. As a result, $5,430,000 of the Series 1990 Bonds are considered to be defeased, and the liability for those bonds has been removed from revenue bonds and notes payable.

The advance refunding resulted in an excess of the reacquisition price over the net carrying amount of the old debt of $392,000. This difference, reported as a deduction from bonds payable, is being amortized to interest expense through the year 2010. The Service completed the advance refunding to reduce its total debt service payments over the next 11 years by $435,000 and to obtain an economic gain of $495,000.

10. Loans from Primary Government:

Component Units — Maryland Food Center Authority (Authority) —

The State loaned the Authority $4,000,000, which the Authority is obligated to repay after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The loan accrued interest until June 30, 1993. The outstanding balance as of June 30, 1999, including deferred interest of $1,577,000 was $5,577,000.

The Authority assumed a non-interest bearing obligation in the amount of $795,000 due to the debt service fund of the primary government pursuant to the transfer of the assets and obligations of the New Marsh Market to the Authority. The Authority is obligated to repay the debt service fund after all principal and interest has been paid on any revenue bonds which may be issued by the Authority. The outstanding principal as of June 30, 1999, is $795,000.

11. 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. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

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 4.0% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 1999 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	$ 7,779	$ 8,951	$ 8,104	$ 8,626
Workers' Compensation	151,000	36,306	28,306	159,000
Employee Health Benefits	32,123	306,241	299,049	39,315
Total Self-Insurance Costs	$190,902	$351,498	$335,459	$206,941

As of June 30, 1999, the Program held $146,229,000 in cash and investments designated for payments of these claims.