

Teacher Group Insurance Fund

**For the Year Ended
June 30, 2000**

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

April 30, 2001

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable C. Warren Neel, Ph.D., Chairman
Local Education Insurance Committee
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Teacher Group Insurance Fund for the year ended June 30, 2000. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Results of the Audit section of this report. The Department of Finance and Administration's management has responded to the audit finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

John G. Morgan
Comptroller of the Treasury

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Teacher Group Insurance Fund
For the Year Ended June 30, 2000

AUDIT OBJECTIVES

The objectives of the audit were to consider the fund's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, and contracts; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDING

The Tennessee Insurance System Has Significant Problems Which Caused TIS and STARS Not to Reconcile**

Daily activity recorded in the Tennessee Insurance System (TIS) does not agree with the corresponding State of Tennessee Accounting and Reporting System (STARS) accounting transactions, nor can it be reconciled.

** This finding is repeated from prior audits.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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Audit Report
Teacher Group Insurance Fund
For the Year Ended June 30, 2000

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Teacher Group Insurance Fund For the Year Ended June 30, 2000

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Teacher Group Insurance Fund. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Local Education Insurance Committee was created in 1986 by an act of the General Assembly, codified as Title 8, Chapter 27, Section 301, *Tennessee Code Annotated*. The purpose of the committee is to provide access to health insurance coverage to teachers in political subdivisions of the State of Tennessee.

ORGANIZATION

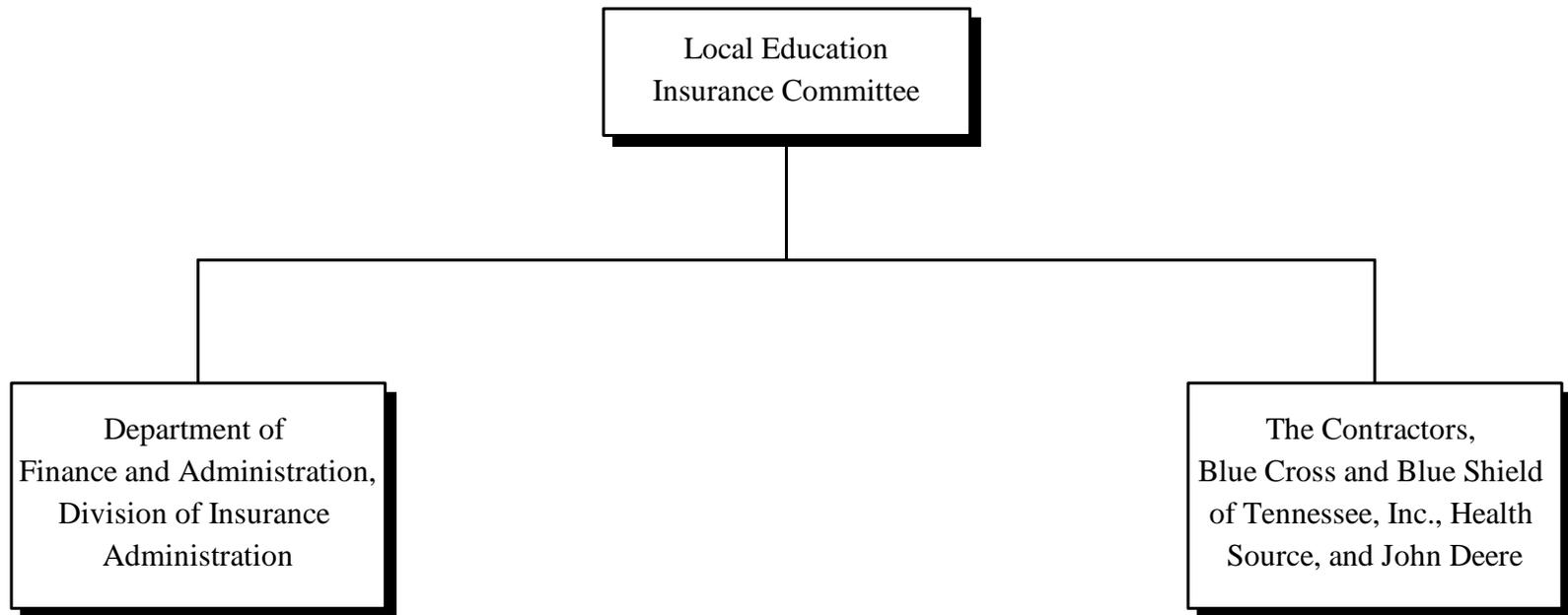
The Local Education Insurance Committee oversees the administration of the Teacher Group Insurance Fund. The insurance committee is composed of the Commissioner of Finance and Administration, the Comptroller of the Treasury, the State Treasurer, the Commissioner of Education, the Commissioner of Commerce and Insurance, a representative of local school boards selected by the Tennessee School Boards Association, and three teachers elected by the Tennessee Education Association.

The Department of Finance and Administration, Division of Insurance Administration, is responsible for processing all payments and cash receipts of the fund through the state’s accounting system.

Blue Cross and Blue Shield of Tennessee, Inc., HealthSource, and John Deere are the contractors for the self-insured insurance programs. These contractors process all participant claims, make all claim payments, provide access to a preferred provider organization, and carry out all utilization management functions.

An organization chart of the fund’s administration is on the following page.

**TEACHER GROUP INSURANCE FUND
ADMINISTRATION**



AUDIT SCOPE

The audit was limited to the period July 1, 1999, through June 30, 2000, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 2000, and for comparative purposes, the year ended June 30, 1999. The Teacher Group Insurance Fund forms an integral part of state government and as such has been included as an enterprise fund in the *Tennessee Comprehensive Annual Financial Report*.

The audit covered fund 56 of the State of Tennessee Accounting and Reporting System.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the fund's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with certain provisions of laws, regulations, and contracts;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDING

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Finance and Administration filed its report with the Department of Audit on October 5, 2000. A follow-up of the prior audit finding was conducted as part of the current audit. The prior audit report contained a finding concerning the lack of reconciliation between TIS and STARS. This finding has not been resolved and is repeated in this report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Teacher Group Insurance Fund's financial statements for the year ended June 30, 2000, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. A reportable condition, along with a recommendation and management's response, is detailed in the finding and recommendation. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the Teacher Group Insurance Fund's financial statements.



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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

November 29, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of the Teacher Group Insurance Fund, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 29, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the Teacher Group Insurance Fund's financial statements are free of material misstatement, we performed tests of the fund's compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Teacher Group Insurance Fund'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. However, we noted a matter involving the internal

control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Teacher Group Insurance Fund's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

The following reportable condition was noted:

- The Tennessee Insurance System has significant problems which caused TIS and STARS not to reconcile.

This condition is described in the Finding and Recommendation section of this report.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to the Department of Finance and Administration in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,



Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/ks

FINDING AND RECOMMENDATION

The Tennessee Insurance System has significant problems which have caused TIS and STARS not to reconcile

Finding

As noted in the four prior audits, the Tennessee Insurance System (TIS) has not been designed, implemented, and maintained in a manner which allows it to function efficiently and effectively. As a result, the system is not producing the desired results, and changes are being made directly to the TIS database through the Application Development Facility (ADF). Because these changes are not being made to the insurance accounting on the State of Tennessee Accounting and Reporting System (STARS), TIS and STARS do not reconcile. Management responded to the prior audit finding by stating that it would be initiating a major reengineering project. The TIS upgrade project began in March 2000. The TIS Master Transaction Study will not begin until the upgrade project is complete in spring 2002. Management also stated that it has instituted a training program for agency insurance preparers, and has begun a review of the origins of ADFs. While steps are being taken, the problem still existed during the audit period.

The division is still using Application Development Facility (ADF), a software program, to manually adjust participants' accounts on TIS. These adjustments to participants' accounts are made directly in the TIS database rather than through transactions. The system's security must be overridden in order for an ADF change to be made. The division sends a request for the ADF change to the department's Information Systems Management (ISM) group, which in turn submits a request to the Office for Information Resources (OIR). OIR assigns one of its employees to make the ADF changes on the TIS database. As noted in the prior audit, overriding system security to make manual adjustments is a significant deficiency in the design and operation of the system.

The Division of Insurance Administration uses ADF as a "quick fix" to correct participant balances or errors attributable to unresolved system problems. Although division staff maintain paper documentation of the ADF changes, the system has no history or record of the changes because division staff simply overwrite previous information in the database. If the system had been designed and was functioning properly, use of ADF would not be necessary. As previously noted, making changes directly to a database instead of correcting errors through properly authorized and documented transactions circumvents system controls.

In addition, when the TIS database is corrected using ADF, STARS is not updated concurrently. As a result, the two systems do not agree, nor can they be completely reconciled. The auditors noted that unreconciled amounts between the daily net change in the TIS database and the cumulative accounting transactions passed from TIS to STARS daily during fiscal year 2000 ranged from (\$396,052.60) to \$46,287.82.

Departmental memorandums state that the TIS database is correct but the accounting information on STARS is incorrect. Although STARS has been corrected to the extent possible,

there can be no assurance that all needed corrections have been made since not all ADF changes made to TIS were made on STARS and TIS does not maintain history records of all past transactions. We performed analytical reviews and other measures at year-end to ensure the insurance funds' financial statements presented in the state's Comprehensive Annual Financial Report were fairly stated. These additional procedures would not have been necessary had all TIS activity been properly reflected in STARS.

Recommendation

To ensure that all TIS system problems are corrected as soon as possible, the Director of Insurance Administration should complete the TIS upgrade project that began in March 2000 and the TIS Master Transaction Study that is scheduled for fiscal year 2002. As the system problems are corrected, the use of ADF changes should be limited to rare instances. Until that time, STARS should be concurrently updated as ADF changes are made to TIS. In addition, the work group should continue to meet until all the problems causing the unreconciled amounts are resolved and TIS and STARS can be reconciled. As problems arise in the future, causes of the problems should be quickly identified, and TIS should be corrected quickly through program changes or other appropriate means.

Management's Comment

We concur. The issue of reconciliation between TIS and STARS has been the topic of considerable effort on the part of the Division for quite some time. Accounting transactions (mainly H and I batches) have been brought up to date, except for certain "problem" days, as of January 2001. This was accomplished with the temporary support of other divisions within F&A as well as the addition of two accounting positions to the accounting section within the Division of Insurance Administration. The accounting section is now composed of staff of five accounting positions.

The TIS upgrade project began in March of 2000 and is designed to enhance the capabilities of the present system as well as improve its maintainability. Key areas that will be addressed with this two-year systems project include the following:

- enhance existing functionality,
- add new functions,
- enable TIS to balance with STARS,
- improve interfaces with other systems,
- improve processing, and
- improve reporting.

The Division has devoted significant resources to the successful completion of this project. Additional resources have also been employed strictly to focus on TIS to STARS balancing. A TIS to STARS balancing work group meets regularly for the purpose of identifying problems that are causing the unreconciled amounts between TIS and STARS.

In addition to the TIS upgrade project, the Division recently implemented the TIS automated reconciliation project. The purpose of the automated reconciliation project is to automate existing manual processes that will allow the division, utilizing TIS, to reconcile daily and monthly transactions reported to STARS. This is a four-month project begun in February.

In summary, the Division of Insurance Administration is committed to upgrade TIS, to the judicious use of ADF changes and subsequently to resolve the issue of TIS to STARS balancing.



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Independent Auditor's Report

November 29, 2000

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of the Teacher Group Insurance Fund, as of June 30, 2000, and June 30, 1999, and the related statements of revenues, expenses, and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. 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 the Teacher Group Insurance Fund, as of June 30, 2000, and June 30, 1999, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The required supplementary information, including ten-year claims development information on page 17, is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain

The Honorable John G. Morgan

November 29, 2000

Page Two

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the information described above is not in conformity with guidelines established by the Governmental Accounting Standards Board because the information about cumulative claims paid from July 1, 1990, through June 30, 1998, is not shown and because incurred claims and expenses were not reestimated.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2000, on our consideration of the fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." The signature is written in a cursive style with a prominent initial "A" and a clear "Jr." at the end.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

TEACHER GROUP INSURANCE FUND
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

(Expressed in Thousands)

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
<u>ASSETS</u>		
Current assets:		
Cash (Note 2)	\$ 22,798	\$ 19,097
Accounts receivable	<u>116</u>	<u>973</u>
Total assets	<u>\$ 22,914</u>	<u>\$ 20,070</u>
 <u>LIABILITIES AND EQUITY</u>		
Liabilities:		
Current liabilities:		
Warrants payable	\$ 2,562	\$ 2,893
Accounts payable and accruals	17,522	15,230
Deferred revenue	<u>370</u>	<u>253</u>
Total liabilities	<u>20,454</u>	<u>18,376</u>
Equity:		
Contributed capital	12,600	12,600
Retained earnings, unreserved	<u>(10,140)</u>	<u>(10,906)</u>
Total equity	<u>2,460</u>	<u>1,694</u>
Total liabilities and equity	<u>\$ 22,914</u>	<u>\$ 20,070</u>

The notes to the financial statements are an integral part of this statement.

TEACHER GROUP INSURANCE FUND
 STATEMENTS OF REVENUES, EXPENSES,
 AND CHANGES IN EQUITY
 FOR THE YEARS ENDED JUNE 30, 2000, AND JUNE 30, 1999

(Expressed in Thousands)

	<u>Year Ended June 30, 2000</u>	<u>Year Ended June 30, 1999</u>
<u>OPERATING REVENUES</u>		
Premiums	\$ <u>143,720</u>	\$ <u>122,491</u>
Total operating revenues	<u>143,720</u>	<u>122,491</u>
<u>OPERATING EXPENSES</u>		
Contractual services	12,283	5,952
Rentals and insurance	23,528	31,721
Benefits	109,806	90,456
Other	<u>978</u>	<u>733</u>
Total operating expenses	<u>146,595</u>	<u>128,862</u>
Operating loss	<u>(2,875)</u>	<u>(6,371)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	<u>961</u>	<u>928</u>
Loss before operating transfer	(1,914)	(5,443)
Operating transfers from general fund	<u>2,680</u>	<u>2,051</u>
Net income (loss)	766	(3,392)
Equity, July 1	<u>1,694</u>	<u>5,086</u>
Equity, June 30	\$ <u><u>2,460</u></u>	\$ <u><u>1,694</u></u>

The notes to the financial statements are an integral part of this statement.

TEACHER GROUP INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2000, AND JUNE 30, 1999

(Expressed in Thousands)

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Cash flows from operating activities:		
Operating loss	\$ <u>(2,875)</u>	\$ <u>(6,371)</u>
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	857	(912)
Increase (decrease) in warrants payable	(331)	80
Increase in accounts payable	2,292	2,193
Increase in deferred revenue	<u>117</u>	<u>76</u>
Total adjustments	<u>2,935</u>	<u>1,437</u>
Net cash from (used for) operating activities:	<u>60</u>	<u>(4,934)</u>
Cash flows from noncapital financing activities:		
Operating transfers in	<u>2,680</u>	<u>2,051</u>
Net cash from noncapital financing activities	<u>2,680</u>	<u>2,051</u>
Cash flows from investing activities:		
Interest received	<u>961</u>	<u>928</u>
Net cash from investing activities	<u>961</u>	<u>928</u>
Net increase (decrease) in cash	3,701	(1,955)
Cash, July 1	<u>19,097</u>	<u>21,052</u>
Cash, June 30	\$ <u><u>22,798</u></u>	\$ <u><u>19,097</u></u>

The notes to the financial statements are an integral part of this statement.

**Teacher Group Insurance Fund
Notes to the Financial Statements
June 30, 2000, and June 30, 1999**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Teacher Group Insurance Fund is used to account for revenues received and claims paid on behalf of teachers in political subdivisions of the state who have elected coverage under a group medical plan similar to that offered to state employees. The fund has been included as an enterprise fund in the *Tennessee Comprehensive Annual Financial Report*.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Teacher Group Insurance Fund follows all applicable GASB pronouncements as well as applicable private-sector pronouncements issued on or before November 30, 1989.

C. Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

D. Cash

Cash is defined as cash on hand; demand deposits, such as the pooled investment fund; and investments with three months or less to maturity when purchased.

NOTE 2. DEPOSITS

The Teacher Group Insurance Fund had \$22,797,945 in the State Treasurer's pooled investment fund at June 30, 2000, and \$19,096,576 at June 30, 1999. The pooled investment fund administered by the State Treasurer is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer approval to

Teacher Group Insurance Fund
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and agency obligations, limited money market mutual funds, and obligations of the State of Tennessee pursuant to *Tennessee Code Annotated*, Section 9-4-602(b). The pooled investment fund's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 3. RISK MANAGEMENT

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers in the political subdivisions of the state. In accordance with *Tennessee Code Annotated*, Section 8-27-302, all local education agencies are eligible to participate. Fund members at June 30, 2000, included 120 local education agencies and two education cooperatives, with 39,446 teachers and support personnel, and 2,323 retirees enrolled in one of three health care options: preferred provider plan, point of service plan, or a health maintenance organization. The state does not retain any risk for losses by this fund.

The Teacher Group Insurance Fund assumes responsibility for determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait 24 months before rejoining the plan if the employer elects to withdraw from the plan. In the case of the individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates, which are 16.5% of the prior 12 months' claims. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The

Teacher Group Insurance Fund
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	<u>2000</u>	<u>1999</u>
Unpaid claims at beginning of year	\$ 15,093	\$ 13,263
Incurred claims, provision for insured events of the current year	<u>113,760</u>	<u>93,546</u>
Total incurred claims expenses	128,853	106,809
Payments	<u>111,337</u>	<u>91,716</u>
Total unpaid claims at end of year	<u>\$ 17,516</u>	<u>\$ 15,093</u>

**Teacher Group Insurance Fund
Required Supplementary Information
Ten-Year Claims Development Information**

(Expressed in Thousands)

The table below illustrates how the Teacher Group Insurance Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Teacher Group Insurance Fund as of the end of each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund, including overhead. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. (4) This section shows the cumulative amounts paid as of the end of successive years for each fiscal year; some of these amounts are unavailable. (5) This section shows how each fiscal year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal years.

	Fiscal Year Ended June 30									
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
(1) Net earned required contribution and investment revenues	\$43,308	\$51,804	\$63,291	\$75,715	\$79,410	\$83,340	\$95,185	\$109,968	\$123,418	\$144,681
(2) Unallocated expenses	931	991	1,234	2,224	1,794	3,722	3,768	5,193	6,685	13,261
(3) Estimated incurred claims and expenses, end of fiscal year	45,439	51,605	58,521	69,157	73,741	78,678	86,086	79,297	93,546	113,760
(4) Paid (cumulative) as of:										
End of fiscal year	*	*	*	*	*	*	*	*	75,858	100,218
One year later	*	*	*	*	*	*	*	*	86,595	
Two years later	*	*	*	*	*	*	*	*		
Three years later	*	*	*	*	*	*	*			
Four years later	*	*	*	*	*	*				
Five years later	*	*	*	*	*					
Six years later	*	*	*	*						
Seven years later	*	*	*							
Eight years later	*	*								
Nine years later	*									

**Teacher Group Insurance Fund
Required Supplementary Information
Ten-Year Claims Development Information (Cont.)**

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
(5) Reestimated incurred claims and expenses:										
End of fiscal year	45,439	51,605	58,521	69,157	73,741	78,678	86,086	79,297	93,546	113,760
One year later	45,439	51,605	58,521	69,157	73,741	78,678	86,086	79,297	93,546	
Two years later	45,439	51,605	58,521	69,157	73,741	78,678	86,086	79,297		
Three years later	45,439	51,605	58,521	69,157	73,741	78,678	86,086			
Four years later	45,439	51,605	58,521	69,157	73,741	78,678				
Five years later	45,439	51,605	58,521	69,157	73,741					
Six years later	45,439	51,605	58,521	69,157						
Seven years later	45,439	51,605	58,521							
Eight years later	45,439	51,605								
Nine years later	45,439									
(6) Increase (decrease) in estimated incurred claims and expense from end of fiscal year	0	0	0	0	0	0	0	0	0	0

* Data not available