

IWIF Workers' Compensation Insurance
2007 ANNUAL REPORT



WHY WE'RE HERE for MARYLAND



WHY WE'RE HERE

IWIF is the first choice and largest provider of workers' compensation insurance in Maryland. While we may be 93 years old, what we do and why we're here have never seemed more relevant. For the people who depend on us, IWIF is more than insurance. We're about making Maryland a safer place to work. We're about always being there to help protect our policyholders' futures. We're about caring for Maryland's injured workers. We're about providing our agent partners with a first-class brand of insurance.

All of us at IWIF thank you for your continuing partnership and for your trust.

IWIF Financial Summary at a Glance

	2007	2006	2005
Earned Premium	\$ 290,824,333	\$ 321,248,920	\$ 321,167,547
Net Investment Income.....	\$ 74,020,717	\$ 66,829,569	\$ 57,044,120
Net Claims Expense	\$ 256,118,504	\$ 278,662,802	\$ 281,193,712
Underwriting Loss.....	\$ (37,263,942)	\$ (29,152,008)	\$ (29,008,428)
Dividends Paid to Policyholders	\$ 5,223,190	\$ 3,897,389	\$ 4,100,730
Total Assets	\$ 1,638,454,701	\$ 1,513,430,774	\$ 1,382,087,128
Fund Equity	\$ 283,023,842	\$ 228,000,752	\$ 186,421,736
Loss/LAE Ratio	88.1%	86.7%	87.6%
Expense Ratio.....	26.4%	22.6%	21.0%
Combined Ratio.....	114.5%	109.3%	108.6%



Tom Phelan

President,
Chief Executive Officer

...we hope you continue to appreciate the value, workers' comp leadership, expertise and first-class customer service that you receive with every IWIF policy; your choice in placing your business and trust with IWIF deserves nothing less. You are truly why we're here.

To our policyholders and business partners:

Throughout my 18-year career with IWIF, my pride for this organization, its professional employees and our mission has continually grown. This is my first year as President and CEO, and I am pleased to join our Board members and Executive Team in sharing the highlights of IWIF's most recent year of service to Maryland and our customers.

Solid Financial Performance in a Competitive Marketplace

Maryland employers are benefiting from a favorably priced workers' compensation insurance market. IWIF's mission is to be a leader by offering competitively and fairly priced insurance products and services, while maintaining astute underwriting discipline. IWIF's primary and unique purpose is to assure a stable, available, adequately priced and viable workers' compensation market for Maryland businesses.

In 2007, although net earned premiums were \$290 million, a reduction of 10% from 2006 levels, total assets grew 8.3% to \$1.63 billion, and net investment income grew 10.8% to \$74 million, which is fundamental in keeping your rates down. IWIF remains the largest provider of workers' compensation in Maryland, with a 28% market share and more than 28,000 policyholders.

Why We're Here Helping Policyholders Maintain a Safe Workplace

IWIF continues to lead and champion workplace safety as a core value for all Maryland businesses and their employees. From our dedicated loss control professionals in the field to our claims representatives and underwriters, we are an organization dedicated to helping our customers understand the lifesaving and dollar saving benefits of our Safety Saves *With* IWIF brand message. Across the State, the benefits of

workplace safety are being embraced. The positive result is that workplace injury claims in Maryland, and especially among IWIF policyholders, continue to decline. We are very encouraged by the 4% decrease in overall reported injuries and the 22% decrease in catastrophic injury cases during the past year. We are equally pleased that, by making safety a priority, 88% of our policyholders reported no workplace injuries in 2007.

Why We're Here With Responsive Care for Injured Workers

When a workplace injury does occur, we work with our policyholders to make sure their employees receive prompt, high quality and appropriate medical care. IWIF's claims adjusters apply best practices in caring for your injured worker while effectively managing the overall cost of the claim, including recommending transitional return-to-work programs. These steps are the most widely acknowledged actions to control medical and indemnity (lost time) costs.

In 2007, IWIF helped care for more than 28,700 injured workers with payment for their medical treatment, indemnity payments or both. Each of these injured workers is not just a claim number; he or she is a fellow citizen and neighbor deserving of the best benefits and medical care.

One of IWIF's fundamental corporate strategies is leadership in occupational medicine. This year we have been in extensive discussions with Johns Hopkins Health System and the University of Maryland Medical System, two internationally renowned institutions, to explore innovative approaches for recovery from occupational injuries. We are committed to investing in research and innovative medical techniques to improve the recovery and quality of life for injured workers.

Why We're Here and Committed to Reducing Claims Costs

A workers' compensation injury claim can be a complex and costly process. We know the facts that are driving these costs: medical inflation, changing definition of work-related injuries, advanced medical technology, limited controls on excessive utilization of medical treatment and a high percentage of claimant attorney representation.

So what is IWIF doing to control these costs? In 2007, we continued to see the care and cost containment benefits of our preferred provider network partnerships, with \$3.1 million in medical cost savings. We know that promoting and working with these experienced occupational medical providers ultimately provides a cost effective and positive outcome for all involved.

In addition, we continue to see the benefits of our claims management software that reviews the medical billing and treatment utilization for injured workers. This tool helps to identify excessive and costly medical treatment plans for aggressive management, and generates savings of more than \$700,000. IWIF also pays 87% of all medical treatment bills within 14 days of receipt, which has enabled many medical providers to reduce their overall invoices by approximately \$450,000 in recognition of prompt payment.

Why We're Here for Our Agent Partners

IWIF is very appreciative and supportive of our independent agents who work so closely with us to provide the competitive workers' compensation products and services. We have enhanced our array of electronic services to ensure real-time and efficient business interactions. Toward the end of the year, we established a "champions" program to intensify the support given to our producers. With guidance from the IWIF Agency Council, our partnership with all our agents has continued to grow stronger.



Executive Team

Seated L-R

Rona Finkelstein, Esq.,
Vice President, Legal Services
and Human Resources

Thomas Phelan, CPA,
President and
Chief Executive Officer

Dennis Carroll, Esq.,
Executive Vice President,
General Counsel

Standing L-R

Robert Marshall,
Vice President, Information Systems

Tim Michels, Esq.,
Executive Vice President
Claim Services

George Matthews, AAI,
Executive Vice President,
Insurance Operations

Donna Wilson,
Vice President,
Communications &
Strategic Planning

Robert Merritt, CFA,
Executive Vice President,
Chief Investment Officer

Paige Beck, CPA,
Executive Vice President,
Chief Financial Officer

Why We're Here for Maryland – Today and Tomorrow

Since 1914, IWIF has been here protecting the businesses, employees and dreams of our customers. This year's annual report highlights and contrasts the large and small stories of IWIF's success in making a difference in the lives of our customers and our community on a daily basis.

We know you have choices for your workers' compensation business, and we hope you continue to appreciate the value, workers' comp leadership, expertise and first class customer service that you receive with every IWIF policy. Your choice in placing your business and trust with IWIF deserves nothing less. You are truly why we're here.

With appreciation,

Thomas Phelan, CPA
President and CEO

WHY WE'RE HERE

for Maryland's Injured Workers *and* Vince Pleyo

Our mission, as caring and professional claims adjusters and nurse case managers, is to effectively and compassionately manage the claims of each injured worker. Last year, we provided claims services and medical benefits to 28,700 injured workers.

Pictured, left to right: Ashley Hevey, IWIF Associate Claims Adjuster, and from O.T. Neighoff & Sons; Vince Pleyo; Wanda Nappier, Office Manager; Kenneth D. Neighoff, CEO; and Alan Hoyas, Sr., President.

When Vince Pleyo hurt his knee at work in June of 2006, he didn't think much about it, and he was rather embarrassed by the incident. He banged his left knee on a truck hitch while loading equipment for his employer, O.T. Neighoff & Sons, Inc., of Glen Burnie, which provides commercial painting, coatings and construction services.

"I thought it was just bruised," he said of his injured knee. "I felt really clumsy, so I didn't tell anyone at first." However, a couple days later, his knee started hurting, so he confided in Office Manager Wanda Nappier. She sent him for medical treatment and immediately filed the Employer's Report of Injury and all accident investigation forms with IWIF.

As it turned out, Vince's knee injury was not minor and required three months of intensive physical therapy. An orthopedic surgeon also recommended knee surgery, but Vince declined. Two months after stopping

physical therapy, however, his knee began giving him trouble once more, and he again went to Wanda, who again contacted IWIF.

This time, Wanda turned to IWIF's claims professionals for their expertise to help determine what further treatment Vince might need.

"We rely on IWIF to help us manage our claims," explained O.T. Neighoff President Alan Hoyas, Sr. In this case, "we gave them as much detail as we could, and we relied on our claims adjuster to help us help Vince at that point."

Upon further medical examination, IWIF determined that Vince's recurring pain was indeed the result of the initial injury that wasn't completely treated the first time. This time surgery was strongly recommended, and Vince agreed to it.

Vince underwent successful knee surgery, and after a period of recovery



IWIF's Caring Claim Services

- 24/7 Injury reporting hotline or online
- Free first prescription fill for your injured worker
- Statewide network of high-quality medical providers that know how to treat workplace injuries
- Prompt payment of medical bills
- Prompt compensability decisions
- Expert claims and nursing professionals
- Prompt payment of lost-time benefits

and rehabilitation, he returned to full duty employment.

"Vince was the perfect injured worker!" exclaimed IWIF Associate Claims Adjuster Ashley Hevey. Ashley kept in close touch with Vince throughout his recovery period.

"He was very friendly and open throughout the entire time," she reported. "He did everything I asked of him – following up with me after his doctor's appointments, making sure I received his medical and disability slips." In fact, Ashley explained, Vince did not even wait for her to call him after each visit to his doctor or physical therapist but instead would pick up the phone and call her first. "He initiated every conversation. He was a pleasure to work with," she added.

In turn, Vince was grateful to Ashley for helping ease his fears before, and after the surgery. He is extremely grateful to IWIF for its timely payment

of medical bills and indemnity payments throughout the weeks he was recovering from surgery.

"He's very valuable to us; he's a great employee," said company CEO Kenneth D. Neighoff. IWIF has insured O.T. Neighoff for most of the years since its founding in the 1950s, most recently through Saratoga Insurance Brokers, Inc., of Sykesville, MD.

Says John McGinn, of Saratoga Insurance, "We've been privileged to represent O.T. Neighoff & Sons for over 15 years. They have always maintained a proactive return-to-work policy. I believe this good business sense results in lower costs for them and better attitudes toward their workers, who ultimately don't want to leave them."

As for Vince Pleyo, he's just glad to be back to work – and to fishing on his free time!

2007 Policyholder Satisfaction Survey Results with IWIF's Claims Services

Courtesy and respect from their claim representative

94%

Providing timely access to high-quality medical care

92%

Taking care of your company's injured workers

90%

Source: 2007 IWIF Customer Service Survey of 400 policyholders, indicating % highly satisfied.



WHY WE'RE HERE

for Maryland's Employers *and* Emmitsburg Glass

Helping Maryland employers find solutions to prevent workplace injuries with safety training, guidance and premium savings is a core mission for IWIF. That's another important reason why IWIF is here.

Pictured, left to right: Bobby Phelan, Insurance Brokers of Maryland (no relation to the IWIF CEO); and from Emmitsburg Glass, Gregory Reaver, Executive Vice President; Anne Reaver, Director of Human Resources; and Sheridan (Dan) Reaver Jr., President.

More than 28,000 Maryland employers choose and depend on IWIF to help protect their workers and keep their companies financially sound by guiding them in how to prevent workplace accidents. From helping a small startup business with implementing its first workplace safety program to helping a larger, established business see the benefits of an exemplary safety record by paying safety dividends, IWIF is passionate about the basic benefit message to all policyholders that "Safety Saves With IWIF."

One IWIF policyholder that sets an example of an award winning safety culture is Emmitsburg Glass. Founded in 1988 by brothers Dan and Greg Reaver, Emmitsburg Glass is a commercial glass installer with a reputation for first-class craftsmanship and a total company-wide focus on safety. "We have a dedication and responsibility to working safely, and that commitment

starts with me as the president of the company," stated Dan Reaver. The company's philosophy for safety is continuously reinforced through the monitoring and training provided by its full-time Safety Director, George Heiderman, with guidance from Mike Howard, IWIF's Loss Control Consultant. George Heiderman believes that "You've got to be safe for your wife and children if not for yourself."

Mike Howard adds that, "Emmitsburg Glass has built its company's reputation and protected its workers with safety as a core foundation. The company has implemented all the proper safety policies, procedures and trainings that have produced positive results both in preventing injuries and in reducing its e-mod." In fact, the company's low e-mod and near perfect loss record enabled IWIF to work with its insurance agent partner, Bobby Phelan (no relation to the IWIF CEO),



Emmitsburg Glass Safety Policies in Place

- Safety officer designated
- Workplace drug screening program
- Safety accountability/performance goals in supervisors' evaluations
- Safety training – in house and with outside consultants
- Scheduled toolbox safety talks
- Safety committee
- Jobsite safety inspections
- HAZCOM program
- Fall protection training
- Safety incentive program
- Prompt accident reporting and investigation
- Early return-to-work program

with Insurance Brokers of Maryland, to pay Emmitsburg Glass a well-deserved safety dividend. In addition, IWIF recognized Emmitsburg Glass with a Safety Saves With IWIF Premier Partnership Award.

The management of Emmitsburg Glass then did what any smart and caring business would do for its employees: it gave a substantial portion of its IWIF safety dividend back to its employees in the form of safety bonus checks. During the all-employee safety meeting and bonus presentation, Dan Reaver was proud to tell his employees, "When each of you does your job safely, strictly follows all safety procedures, wears your safety equipment and watches out for your co-workers, then your actions help to make our company a more profitable, well-respected and sought after commercial contractor. In fact, with our low e-mod built on your commitment to working safely, we are

able to successfully bid on jobs and work with some of the area's biggest general contractors who only pick the best and safest subcontractors. Each of you is to be congratulated and rewarded."

Agent Bobby Phelan extended his kudos to the company's management team: "Congratulations to Emmitsburg Glass Company on its IWIF safety award and for providing a safe working environment for employees. Your tireless commitment to employee safety is an important part of your company's tremendous success."

Helping Maryland employers find solutions to preventing workplace injuries with safety training, guidance and premium savings is a core mission for IWIF. That's another important reason why IWIF is here.

2007 Policyholder Satisfaction Survey Results with IWIF's Loss Control Services

Courtesy and professionalism of the staff

98%

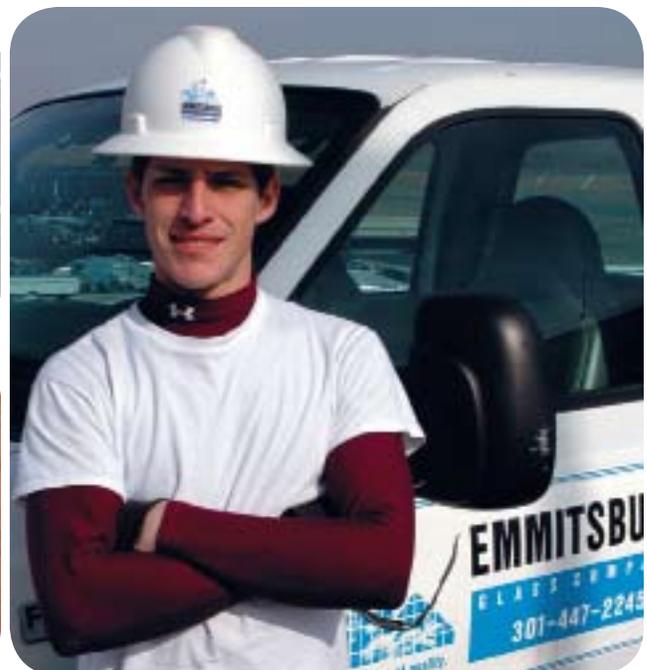
Knowledge and experience of the staff

97%

Usefulness of recommendations by the staff

92%

Source: 2007 IWIF Customer Service Survey of 400 policyholders, indicating % highly satisfied.



WHY WE'RE HERE

for our Community

with the
**IWIF &
YOU**
*Charitable
Program*

Caring for Marylanders is something we are passionate about. For us, the term "Local Focus" means more than just being a Maryland-based company serving the local market. It means that we, as residents and neighbors, are focused on serving our local communities.

But this corporate commitment starts at the top. IWIF President and CEO Tom Phelan values IWIF's reputation as a strong corporate citizen, and continues to place community involvement and support high on the agenda for the company. On a more personal level, he, along with many other members of IWIF's executive management team, takes an active role on the board of several local civic and charitable organizations.

The IWIF & You Charitable Program

At the center of our efforts is the IWIF & You Charitable Contributions Program. This program includes a number of components that allow employees to reach out to their favorite charities in

several ways, including grants, matching donations and volunteer hours.

Overseeing these efforts are IWIF's Board members, executive management team and a five-member volunteer committee. Their goals are to ensure charitable funds and support remain consistent with the company's values and goals. Priority is given to non-profit 501(c)(3) organizations that support families' and children's health and education, safety in the workplace and home and disaster relief funds.

Maryland Charity Campaign

Among the organizations that benefit from our employees' generous donations of time, talent, and treasure is the Maryland Charity Campaign. Since 2000, IWIF employees have contributed more than \$300,000 to this campaign. Combined with a dollar-for-dollar corporate match, this donation is the largest financial grant given by IWIF each year.

1. 2007 IWIF Employee Charitable Committee
L-R: Nancy Harple, Claims Adjuster;
Tina Thomas-Lyght, Underwriter;
Carolyn Guterth, Mgr. Community Affairs;
Beverly Reed, Claims Assistant;
Deborah Levy, Senior Attorney.



IWIF Large Grant Recipients

Baltimore Educational Scholarship Trust • Big Brothers Big Sisters • Cystic Fibrosis • Franciscan Center • Junior League of Baltimore • Kids' Chance of Maryland, Inc. Scholarship Fund • Maryland Charity Campaign • Mergenthaler Voc/Tech High School (MERVO) • My Sister's Place • YMCA of Central Maryland

Kids' Chance of Maryland, Inc.

IWIF is a founding sponsor and key contributor to Kids' Chance of Maryland, Inc., a non-profit organization created in 1996 to provide educational scholarships to children of catastrophically or fatally injured workers in Maryland. In 2007, Kids' Chance awarded \$90,000 in scholarships to 15 deserving college students through contributions made by IWIF, its employees, and other caring businesses and individual donors.

Additional Giving

Through the "IWIF and You Charitable Program," we encourage our employees to reach out to their favorite organizations in other ways as well. Each year, IWIF awards more than 75 grants to charitable organizations throughout Maryland and matches numerous employee donations up to \$250 per employee. In addition, IWIF encourages and allows employees to volunteer hundreds of hours in the community.

The giving doesn't stop there. Each week, employees generously donate food, clothing or school supplies to area food banks, homeless shelters and neighborhood schools in need. Other activities include American Red Cross blood drives, walkathons, bake sales and so much more.

IWIF even has a long-standing safety partnership with Baltimore City's Mergenthaler Vocational Technical High School, which includes annual safety training for teachers and cash donations for shop safety equipment.

"I am proud of the work IWIF employees do in the community," says Tom Phelan, IWIF President and CEO. "Caring for Marylanders is another reason why we're here."

Charitable program highlights pictured I-r:

- Several recent Kids' Chance of Maryland scholarship recipients.
- IWIF safety equipment donation to Baltimore's Mergenthaler Vocational/ Technical High School.
- IWIF employees joined the Baltimore Ravens "Build a Playground Day."
- IWIF employees are mentors and volunteers with the Big Brothers Big Sisters program.
- IWIF hosts quarterly onsite Red Cross blood donation drives for employees.
- IWIF sponsored the "Drawing Attention to Workplace Safety" poster contest for Baltimore County High School students.



IWIF is a proud insurance partner with these associations and safety programs:

Alternative Dispute Resolution Union Program
 Associated Builders and Contractors
 Building Materials Dealers Educators Benefit Services
 Independent Schools Homebuilders Association of Maryland
 Marina & Yacht Club
 Maryland Arborist Association
 Maryland Association of Nonprofit Organizations
 Maryland Automobile Dealers Association
 Maryland Retailers Association
 Maryland State Licensed Beverage Association
 National Federation of Independent Businesses
 Remodelors Council of Maryland
 Washington Area New Automobile Dealers Association

Marketplace Initiatives

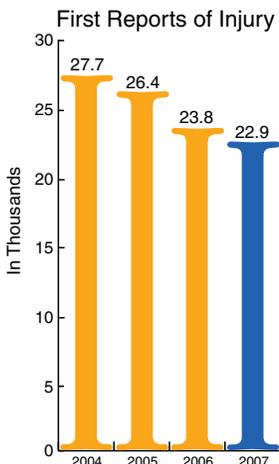
- The Marketing and Underwriting departments worked together to expand our association and safety group partnership programs in 2007, adding the Maryland State Licensed Beverage Association and the Homebuilders Association of Maryland. This brings the total to 14 associations and industry safety groups with IWIF.
- IWIF entered into a partnership with Payce Payroll Services in order to assist policyholders to better manage their cash flow, while providing another ease of doing business tool.
- In 2007, we increased our ease of doing business for those many Maryland employers that pursue business opportunities in other states.
- IWIF continued to strengthen our commitment to our independent insurance agent partners. Some initiatives included expansion of electronic data interface, cooperative advertising, and structuring a new “champions” support program. The results generated 5,533 new customers and 84% retention of existing customers.
- At the time of policy expiration or cancellation, we worked with policyholders to ensure their premium was priced accurately and fairly, based on risk exposure – no more and no less. As a result, in 2007, \$17.9 million in audited premium was assessed.

Dependable Loss Control Services

- Loss Control Consultants made more than 3,600 customer consultations and training visits in 2007. The safety trainings most often covered:
 - Building a workplace safety culture
 - Creating effective return-to-work programs
 - Implementing a drug-testing program
 - Promoting safety for non-English speaking Hispanic workers
- New and improved loss trend reports were created to allow for greater detail and ease of understanding for our policyholders.
- We are committed to continual education of all employees, and training for our Loss Control Consultants included: Consulting Skills, Six Sigma/Service Problem Solving, and Spanish for Construction Workers.

Responsive Claims and Legal Services Contain Loss Costs

- IWIF was committed to caring for more than 28,700 injured workers and/or their dependents, paying for their medical care, indemnity (lost time) payments, or both in 2007. This was a decrease from 30,800 in 2006.
- A continuing and encouraging trend for 2007 was a 4% decrease in workplace injuries overall*. This includes a 9.1% decrease in workplace injuries reported by private sector policyholders to IWIF, which was preceded by a decrease in reported injuries of 10.7% in 2006. * Includes both private sector employees, Beth Steel and Maryland State employees.



Responsive Claims and Legal Services *continued*

- Our focus on claim case closures and settlements continues, where appropriate. In 2007, we settled 1,825 private sector claims cases and 873 State claims.
- Our Medical Bill Payment department has established an internal service standard to process all medical invoices within three to five business days.
- IWIF's Subrogation department settled 122 cases with recoveries totaling \$8.5 million.
- The Special Investigations Unit produced a total of 35 claimant arrests or prosecution referrals, recovered \$133,900 in claim cash recoveries and generated \$46.3 million in claim reserve reductions associated with potential claimant fraud.
- IWIF attorneys prepared for 8,263 legal hearings in 2007, down slightly from the 8,400 hearings in 2006.
- Attorneys conducted 433 policyholder visits in 2007, more than in any other year. Policyholders surveyed rated their overall satisfaction with attorney representation at 92%.

State Employee Risk Management Administration (SERMA)

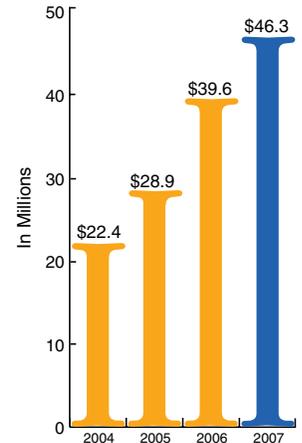
The State of Maryland self-insures to cover the workers' compensation costs for its 85,000 employees. IWIF is proud to partner with the State acting as a third-party administrator to provide loss control and claims adjusting services.

- SERMA worked with the Governor's Office to support the StateStat initiative as it relates to workers' compensation issues.
- In 2007, SERMA Risk Management Consultants made 635 visits to state facilities to provide hazard assessments and training.

Customer Service and Ease of Doing Business

- The results of IWIF's 2007 Policyholder Satisfaction Survey of 400 randomly selected customers indicated 88% of policyholders were satisfied with IWIF. Similarly, 91% of our 100 leading agents and brokers were satisfied with IWIF's services.
- We expanded electronic data interface with key medical providers for efficient payment for services rendered.
- We continued to advance IWIF's data security initiatives, including encryption of hard drives on all laptop computers to guarantee the safety and privacy of all data pertaining to policyholders and injured workers.

Claim Reserve Reduction Associated With Potential Claimant Fraud



Policyholders satisfied or very satisfied with the service and value they received from IWIF.

88%

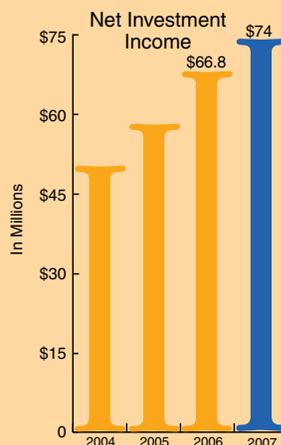
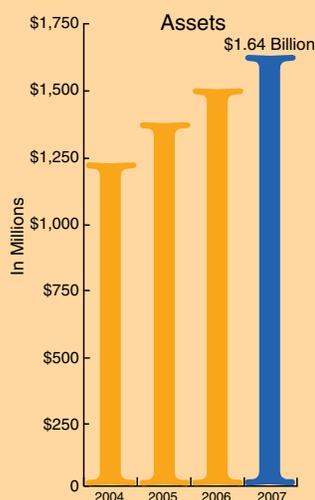
Agent/Brokers satisfied or very satisfied with the service and value they received from IWIF.

91%

Source: 2007 IWIF Customer Service Survey of 400 policyholders and 100 agents.

Balance Sheet

	Years Ended December 31	
	2007	2006
ASSETS		
Cash and cash equivalents	\$ 186,874,947	\$ 266,503,019
Investments, available for sale	1,352,949,161	1,151,033,096
Investments, held to maturity	3,999,689	3,999,390
Accrued interest on investments	12,672,734	11,272,787
Premiums receivable	24,073,622	28,127,370
Land, building, and equipment	15,681,459	15,925,124
Reinsurance recoverable on paid losses	6,309	
Reinsurance recoverable on unpaid losses	21,929,000	19,298,000
Other receivable under reinsurance contracts.....	4,517,074	2,164,826
Other assets	15,750,706	15,107,162
Total assets	\$1,638,454,701	\$ 1,513,430,774
LIABILITIES AND FUND EQUITY		
Liabilities:		
Loss and loss adjustment expenses	\$1,263,749,000	\$ 1,184,746,000
Unearned premiums	61,896,325	72,226,980
Accounts payable and accrued expenses	11,518,731	11,945,835
Other liabilities	18,266,803	16,511,207
Total liabilities.....	1,355,430,859	1,285,430,022
Total fund equity.....	283,023,842	228,000,752
Total liabilities and fund equity	\$1,638,454,701	\$ 1,513,430,774

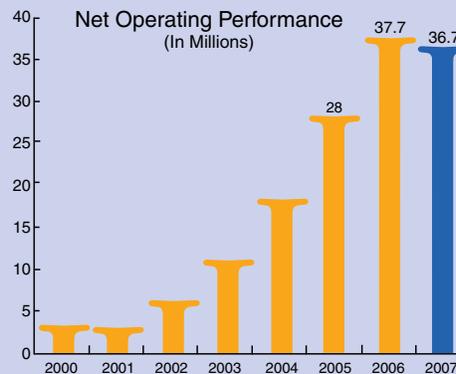


Statement of Operations

	Years Ended December 31	
	2007	2006
REVENUES		
Premiums earned	\$ 290,824,333	\$ 321,248,920
Net investment income.....	74,020,717	66,829,569
Net realized capital gains.....	9,822,760	9,671,274
Other income	613,508	717,253
Total revenues	375,281,318	398,467,016
EXPENSES		
Loss and loss adjustment expenses incurred	256,118,504	278,662,802
Net operating expenses incurred	71,969,771	71,738,126
Total expenses incurred.....	328,088,275	350,400,928
NET INCOME	\$ 47,193,043	\$ 48,066,088

I am proud to report on IWIF's financial results for 2007 as the new Executive Vice President and Chief Financial Officer. Over the past several years, IWIF has posted very strong financial results, and the year 2007 proved to be no exception, as it was IWIF's fourth strongest financial year on record. We achieved these favorable earnings as a result of a disciplined approach to controlling operating expenses combined with a very prudent investment strategy. I want to personally thank all of our employees for their tremendous efforts and teamwork in making it another successful year at IWIF. I also want to thank our Board for its continued support. For our valued policyholders and agent-partners, we are proud to report that IWIF remains the largest provider of workers' compensation insurance in Maryland, thanks to you. We remain dedicated to our mission of offering competitive and fairly priced insurance products and services to all Maryland businesses, regardless of size. We expanded coverage for those many Maryland employers who pursue business opportunities in areas beyond Maryland's borders. We continue to thank you for placing your business and trust with IWIF. We want you to know that we are here for you – and we are here to stay.

Paige Beck
Executive Vice President & Chief Financial Officer



The 2007 condensed financial statements have been derived from complete GAAP financial statements which were audited by Johnson Lambert & Co. LLP. The schedules referred to in the Actuarial Opinion on page 14 relate to the "Yellow Book" schedules. A complete set of audited financial statements, with the unqualified opinion and complete set of footnotes, may be obtained upon request.

February 28, 2008

STATEMENT OF ACTUARIAL OPINION

Injured Workers' Insurance Fund

Identification

I, Jan A. Lommele, am a Principal with the firm of Deloitte Consulting LLP, which is affiliated with Deloitte & Touche LLP. I am a member of the American Academy of Actuaries and meet its qualification standards for rendering this Statement of Actuarial Opinion, and I am a Fellow of the Casualty Actuarial Society. Through the contract dated June 23, 1997 and the approval of the Board of Directors, Deloitte Consulting LLP has been retained by the Injured Workers' Insurance Fund (IWIF) to perform actuarial services including my rendering of this opinion.

Scope

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of IWIF as prepared for filing with state regulatory officials, as of December 31, 2007. The loss and loss adjustment expense reserves specified in Exhibit A, on which I am expressing an opinion, reflect the Loss Reserve Disclosure items (8 thru 13) listed in Exhibit B.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by Ms. Paige Beck, Executive Vice President of IWIF. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P - Part 1 of IWIF's current Annual Statement. Please refer to the Schedule P Reconciliation paragraph on page 17 for additional information. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary.

My review was limited to items listed in Exhibit A, and did not include an analysis of any other balance sheet items. I have not examined the assets of IWIF and I have formed no opinion as to the validity or value of these assets. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet the cash flow requirements of the liabilities.

Opinion

In my opinion, the amounts carried in Exhibit A on account of the items identified:

- (A) meet the requirements of the insurance laws of the State of Maryland;
- (B) are consistent with reserves computed in accordance with accepted loss reserving standards and principles; and
- (C) make a reasonable provision for all unpaid loss and loss expense obligations of IWIF under the terms of its contracts and agreements.

Relevant Comments

A. Risk of Material Adverse Deviation

The company is exposed to the uncertainty of variability of the reserves which could result in material adverse deviation.

With respect to this Statement of Actuarial Opinion, the amount of adverse deviation that I consider to be material is \$50,060,301. My basis for determining this amount is 20% of surplus which is an amount that would represent a reasonable upward fluctuation in reserves from those carried by IWIF that I would consider material. My selection of materiality standard was driven by the fact that this Opinion is prepared for regulatory purposes. Other measures of materiality might be used for reserves that are being evaluated in a different context.

The size of IWIF's loss and loss adjustment expense reserves relative to its surplus is relatively large compared to industry norms. Therefore, there is more than a remote possibility that adverse fluctuations of actual versus expected liabilities will be material. For this reason I believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and loss adjustment expense reserves. Other major factors underlying the risks and uncertainties which could result in material adverse deviation include but are not necessarily limited to:

- The nature of the coverage written, which is limited to one line of business (workers compensation) in one State (Maryland);
- Changes in medical inflation rates;
- Changes in claims handling procedures increasing the difficulty to estimate ultimate losses;
- Retention of key personnel required to efficiently settle claims;
- Significant growth of business in recent years;
- Discounting of the tabular unpaid losses for workers compensation; and
- The collectibility of ceded reinsurance if losses emerge toward the high-end of a range of reasonableness.

B. Disclosure of Unearned Premium Reserves for Long Duration Contracts

IWIF writes no policies or contracts related to single or fixed premium policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium increase (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts).

C. Other Disclosures in Exhibit B

Discounting, Item 4.

IWIF discounts liabilities for unpaid losses associated with both case outstanding and incurred but not reported reserves for Workers Compensation, as disclosed in this Statement of Actuarial Opinion.

Long-term unpaid Workers Compensation indemnity claims are discounted on a tabular basis using the 2004 National Vital Statistics United States Life Tables Volume 56, Number 9. The discount rate selected by IWIF management is 3.25%. The amount of tabular discount is \$86,202,486. I am not expressing an opinion on the appropriateness of the interest rate or mortality tables chosen. The total discount of \$86,202,486 represents approximately 34% of IWIF's stated surplus.

Underwriting Pools or Associations, Item 5.

Management has informed me that IWIF does not participate in any pools or associations.

Asbestos Exposures and Environmental Exposures, Item 6.

I have reviewed IWIF's exposure to asbestos and environmental claims. IWIF currently carries \$579,699 of net reserves for loss and loss adjustment expenses, which is intended to represent IWIF's ultimate liability for these items. Estimation of ultimate liabilities for these claims is unusually difficult due to outstanding issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages, and allocation of such damages to financially responsible parties. Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

D. Reinsurance**Reinsurance Collectibility**

My opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. Ceded reserves for losses and loss adjustment expenses are all with companies rated A- (Excellent) or better by A.M. Best. IWIF Management has informed me that it does not anticipate reinsurance collectibility problems with respect to these recorded reinsurance recoverables. With respect to loss and loss adjustment expense reserves net of ceded reinsurance recorded by IWIF, I have not anticipated any contingent liability which could arise if any of the reinsurers prove unable to meet their loss and loss adjustment expense obligations under the terms and conditions of their contracts with IWIF.

Retroactive Reinsurance, Financial Reinsurance

Based on discussions with IWIF management and its description of the IWIF's ceded and assumed reinsurance, I am not aware of any other reinsurance contract that either has been or should have been accounted for as a retroactive reinsurance or financial reinsurance.

E. NAIC IRIS Tests

I reviewed the results of the following three NAIC IRIS Tests: One Year Reserve Development, Two Year Reserve Development and Estimated Current Reserve Deficiency to Surplus, as calculated by IWIF's management. No exceptional values were calculated for these tests.

F. September 11, 2001 Terrorist Attack Losses

I reviewed IWIF's exposures to terrorist attack losses. No claims have been presented to date. The risk of significant liabilities as of December 31, 2007 arising from terrorist attack losses is remote, given the nature of the coverages provided by IWIF and prevailing coverage interpretations.

G. Schedule P Reconciliation

Effective January 1, 1998, the NAIC adopted “new” definitions of allocated and unallocated loss adjustment expenses (i.e. ALAE and ULAE). Briefly, the new definition for ALAE includes all defense and cost containment expense, whether internal or external to IWIF. This expense category is now referred to as Defense & Cost Containment Expense (DCC). The revised definition of ULAE essentially includes all claims adjusting expense whether internal or external to IWIF. This expense category is now referred to as Adjusting & Other Expense (A&O). The actuarial report supporting this opinion is based on the “old” definition.

Beginning with the December 31, 2001 evaluation, IWIF adopted the new DCC and A&O definitions. IWIF displays the DCC portion of the ULAE reserves, based on the “old” definition, within the DCC category of Schedule P Part 1 (Columns 6, 7 and 17-20) and the A&O portion of the ULAE reserves within the A&O category of Schedule P Part 1 (Columns 8, 9, 21 and 22). However, IWIF has included ALAE, based on the “old” definition, within the loss category of the Annual Statement and Schedule P Part 1 (Liabilities, Surplus, and Other Funds page, Losses line and Schedule P Part 1 Columns 4, 5 and 13-16).

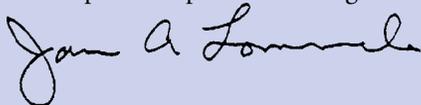
H. General Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expense, it is necessary to project future loss and loss adjustment expense payments. It is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. No warranty is expressed or implied that such variance will not occur. Further, my projections make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in IWIF’s historical data base or which are not yet quantifiable.

Actuarial Report

An actuarial report and underlying actuarial workpapers supporting the findings expressed in this Statement of Actuarial Opinion will be provided to IWIF to be retained for a period of seven years in the administrative offices of IWIF and available for regulatory examination.

This Opinion is provided for regulatory purposes only and is not intended for any other purpose.



Jan A. Lommele, FCAS, MAAA, FCA
Deloitte Consulting LLP
City Place 33rd Floor, 185 Asylum Street,
Hartford CT 06103-3402
(860)-725-3050
February 28, 2008

2007 Statement of Actuarial Opinion
Injured Workers' Insurance Fund

Exhibit A: SCOPE

Loss Reserves:	Amount
A. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Line 1)	\$1,157,628,000
B. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Line 3)	\$84,192,000
Total Net Loss and Loss Adjustment Expenses Reserves.....	\$1,241,820,000
C. Reserve of Unpaid Losses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 13 and 15).....	\$1,179,556,000
D. Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 17,19 and 21).....	\$84,192,000
Total Gross Loss and Loss Adjustment Expense Reserves.....	\$1,263,748,000
E. The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	\$0
F. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion	\$0
Premium Reserves:	
G. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts.....	\$0
H. Reserve for Net Unearned Premiums for Long Duration Contracts	\$0
I. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion	\$0

2007 Statement of Actuarial Opinion
Injured Workers' Insurance Fund

Exhibit B: DISCLOSURES

Item:	Amount
1) Name of Appointed Actuary:	Lommele, Jan A.
2) The Appointed Actuary's Relationship to the Company:	C (Consultant)
3) The Appointed Actuary is a Qualified Actuary based upon what qualifications:	F (FCAS)
4) Type of Opinion, as identified in the Opinion Paragraph:	R (Reasonable)
5) Materiality Standard expressed in \$US (used to answer question #6):	\$50,060,301
6) Is there a Significant Risk of Material Adverse Deviation:	Yes
7) Statutory Surplus	\$250,301,507
8) Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P:.....	\$14,330,000
9) Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P:	
9. (a) Nontabular Discount.....	\$0
9. (b) Tabular Discount.....	\$86,202,486
10) The net reserves for losses and expenses for IWIF's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	\$0
11) The net reserves for losses and loss adjustment expenses that IWIF carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expense lines.	
11. (a) Asbestos, as disclosed in the Notes to Financial Statements.....	\$579,699
11. (b) Environmental, as disclosed in the Notes to Financial Statements	\$0
12) The total claims made extended loss and expense reserve (Schedule P Interrogatories)	
12. (a) Amount reported as loss reserve	\$0
12. (b) Amount reported as unearned premium reserves	\$0
13) Other items on which the Appointed Actuary is providing Relevant Comments.....	\$0

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Vice-Chairman



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Secretary



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Queen Logan Gladden
Board Member



Michael J. Wagner
Board Member

OUR MISSION

IWIF, a dedicated team of 386 workers' compensation professionals, protects more Maryland workers than our competitors by providing high quality services at a fair market price. We champion workplace safety to protect all Maryland workers. And, by providing insurance to the largest share of businesses, we support the State of Maryland and its economy.

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James Bernard Adams
Joan Adelman
Jose Adia
Prabha Agarwal
Florence Albertini
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