



**IWIF** Workers' Compensation Insurance

**Your**

**Workers' Compensation Insurance**

**Professionals**

**2012 Annual Report**



# IWIF Professionals

are dedicated to the highest levels of excellence and quality in their particular field or craft. In this annual report you will get to know a few of the 375 IWIF insurance professionals who make a difference every day for our policyholders, injured workers and agents.

## I build solutions.

Alaina Liberto, Information Systems Project Office Director

My team and I are responsible for working with IWIF operations and support professionals to develop I.S. solutions that make us a great competitor in the workers' comp marketplace. We collaborate with people whose expertise spans a range of disciplines, analyze the challenges, and deliver quality solutions. We also excel in the organizational skills required to deliver cost-effective solutions. Most importantly, we focus on communication; keeping everyone informed about the status of their projects is the key to building collaboration and ensuring success.



## I care and investigate.

Denise Hall, Senior Claims Adjuster

My job as a Senior Claims Adjuster with IWIF is to investigate, evaluate, and resolve claims in a timely manner. I work with injured workers, employers, medical providers, and attorneys to gather pertinent information to make compensability decisions; to process temporary total payments for injured workers authorized to be out of work; and to prepare contested files for litigation. I also evaluate and negotiate appropriate claims for full and final settlement. I strive to build lasting relationships with policyholders, injured workers, and agents by providing them with prompt assistance in every aspect of the claims process.



**Balance Sheet Statutory - Basis**

	As of December 31	
	2012	2011
<b>Admitted Assets</b>		
Bonds .....	\$ 1,434,692,005	\$ 1,388,740,543
Preferred stock.....	1,564,921	—
Common stock .....	106,942,674	79,897,461
Real estate, occupied by IWIF .....	9,654,425	9,891,546
Cash, cash equivalents and short-term investments	76,471,911	137,205,289
Other invested assets .....	22,489,889	13,816,451
Total cash and invested assets .....	1,651,815,825	1,629,551,290
Accrued interest on investments .....	11,764,111	11,500,389
Premiums receivable.....	71,623,371	63,483,755
Securities lending reinvested collateral assets.....	94,471,494	—
Receivables under reinsurance contracts .....	1,066,389	1,730,245
Other assets.....	14,029,602	11,118,586
Total admitted assets .....	\$ 1,844,770,793	\$ 1,717,384,265
<b>Liabilities and Surplus</b>		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 1,293,320,000	\$ 1,291,320,000
Accounts payable and accrued expenses.....	12,761,989	13,052,693
Unearned premiums.....	96,900,699	86,097,152
Payable for securities lending.....	94,471,494	—
Other liabilities .....	58,565,651	5,528,473
Total liabilities.....	1,556,019,833	1,395,998,318
Total surplus.....	288,750,960	321,385,947
Total liabilities and surplus.....	\$ 1,844,770,793	\$ 1,717,384,265

**I price it and service it well.**

Richard Balducci, Underwriting Manager

I manage a team of underwriters to deliver results to our agent partners and their clients, both equally important customers. I use a collaborative approach in assisting my underwriters in the process of correlating price to exposure. We work hard to understand our policyholders' businesses and to understand what drives their business decisions. It is a priority for us to provide solutions to our agent partners, responding quickly to their questions and concerns.





**Tom Phelan**

President,  
Chief Executive Officer

## 2012 Annual Report – President’s Letter

**T**he year 2012 will be remembered as a significant year in the history of IWIF. During the legislative session of 2012, Senate Bill 745, was passed and signed into law. This bill creates the Chesapeake Employers’ Insurance Company. Chesapeake Employers will take on all the assets and liabilities of IWIF and will be a non-stock, not for profit, private insurance company. Chesapeake Employers will begin operations on October 1, 2013. The most critical thing... Chesapeake Employers will still provide the same insurance coverage with the same great service you have come to expect from IWIF. In fact, the entire conversion should be totally transparent to you, our valued customer.

In addition to focusing on preparations for the corporate conversion, the IWIF team continued to improve the company’s financial outcomes in 2012. As the economy strengthened throughout the year, our premium from new business grew, as did retention of existing business.

We enhanced the expert efficiency of our operations, particularly in the areas of: technology supports to ease conducting business with us; curbing the growth of medical costs; and augmenting the quality of our customer service.

The application of predictive modeling technology to all reported claims helps our team of adjusters and nurse case managers to triage the allocation of resources to manage overall claim

costs. Equally important, IWIF was one of the first insurance companies in Maryland to recognize the growing epidemic in prescription narcotic drug abuse. We have assumed a leadership role by establishing a monitoring system to track and intervene in the dispensing of these drugs by prescribers. Through tracking and vigilance, we hope to quicken the recovery and return of injured workers to employment. IWIF also has assumed a leadership role in workplace wellness by presenting annual seminars free-of-charge to encourage and help employers establish programs to improve the overall health of their workforce. Healthier people are healthier workers, and healthier workers tend to have fewer job-related injuries or illnesses.

Through these initiatives, coupled with other programs, such as monitoring adherence of injured workers to in-patient care guidelines, re-pricing the fees of doctors enrolled in our Preferred Provider Organization, and being proactive to identify and capture other medical cost-saving opportunities, we were able to reduce medical costs by \$5.5 million in 2012 and this helps to control your workers’ compensation costs.



**The most critical thing...  
Chesapeake Employers  
will still provide the same  
insurance coverage with the  
same great service you have  
come to expect from IWIF.**



## Senior Management Team

We know it is important for employees to remain current in their respective areas of expertise in order to provide excellent customer service. Therefore, great emphasis is placed on maintaining a culture that values continual learning. This year, the IWIF University expanded course offerings with a focus on key insurance certifications, and established the new IWIF Academy to provide in-depth education and orientation to incoming employees.

Through market research, we learned that IWIF's perceived core competency is our knowledge and understanding of workers' compensation insurance. Therefore, as we transition from IWIF to Chesapeake Employers we will be certain to maintain and carry forward this capability.

IWIF's position as the largest writer of workers' compensation insurance in Maryland is built upon almost 100 years of dedicated service to our agents and policyholders. This annual report spotlights IWIF insurance professionals who provide those expert services to you.

On behalf of the board of directors and my fellow IWIF associates, we truly thank you for your business and look forward to strengthening our relationship as we become Chesapeake Employers' Insurance Company.

Best regards,

Thomas Phelan, CPA, President and CEO

### *Seated L-R*

**Rona Finkelstein, Esq.**,  
Chief Compliance Officer  
**Thomas Phelan, CPA**,  
President and  
Chief Executive Officer  
**Tim Michels, Esq.**,  
Chief Operating Officer  
**Dennis Carroll, Esq.**,  
Executive Vice President,  
General Counsel

### *Standing L-R*

**Paige Beck, CPA**,  
Chief Administrative Officer,  
Chief Financial Officer  
**Paulette Lundy, Esq.**,  
Vice President,  
Human Resources  
**Julio C. Shaik, CFA**,  
Assistant Vice President,  
Chief Investment Officer  
**R. Steven Orr, CPCU**,  
Senior Vice President,  
Marketing & Information  
Systems  
**Kama Kolbe**,  
Vice President, Underwriting  
and Safety Services  
**Carmine D'Alessandro, Esq.**,  
Assistant Vice President,  
Legal Services  
**Donna Wilson**,  
Senior Vice President,  
Communications,  
Customer Service  
and Strategic Planning  
**Lisa Kruska**,  
Assistant Vice President,  
Claims  
**Rial Simons, FCAS, MAAA**,  
Chief Actuary  
**Robert Marshall**,  
Vice President,  
Chief Risk Officer  
**Frank Linardi, Jr., CPA**,  
Vice President, Finance,  
and Controller  
**Elbert Danquah**,  
Vice President, Internal Audit



## I use numbers to make the best decisions for our stakeholders.

Whether it's calculating a proposed class rate for the upcoming year or assessing the historical financial results of a group of policies, having the right data is the first step. Understanding how that data produces the end result and understanding any nuances in the data frames one's judgment about the final decision. I use numbers to make the best decisions on ratemaking, products, and pricing for IWIF and for all our stakeholders.

Randy Martin,  
Pricing and Product Analyst

**12,485**

IWIF policyholders qualified for their own beneficial experience modifier or loss-free credit in 2012



## I lead our front-line ambassadors.

Janeen McLean, Corporate Services Director

As Corporate Services Director, I develop the performance objectives and service plans for IWIF's Customer Service Call Center, Imaging and Distribution departments. The Call Center is typically the first point of contact for most IWIF customers. As corporate ambassadors, IWIF's Customer Service Representatives – and the quality of service they provide – have a direct impact on customer perceptions of IWIF's brand. It is incumbent upon us to represent IWIF as “your workers' compensation insurance professionals.” Quality performance in our operations area also has significant impact on customer perceptions of IWIF. Timely preparation and distribution of inbound and outbound mail ensures IWIF's business units have the materials they need to service our customers.

# I help people get back to work.

Linda Buck, Nurse Case Manager

As a certified Nurse Case Manager for IWIF, I try to make a difference in the lives of injured workers. Case management provides quality, cost-effective care to the injured worker. It is a resource for our claims adjusters and a caring, helping hand for our injured workers. I help get people back to work and their daily routines. A work-related injury has a huge impact, not only on the worker, but also on the injured worker's family as well as the employer. I assist injured workers directly, advising them on their treatment plans and assisting their employers with coordinating a safe, medically responsible return to work.



# I build strong business relationships.

Annemarie Coughlin, Territorial Account Executive

As a Territorial Account Executive, I am one of the liaisons between IWIF and over 1,400 independent agents with whom we do business throughout the state. My role is to keep agents informed of changes at IWIF, such as rates, underwriting guidelines, programs, and this year, the transition to Chesapeake Employers Insurance. Should a complaint or concern arise, I address it and strive to reach an amicable solution for all parties. It's essential for agents to know they can trust and depend on me. Our independent agents represent numerous carriers in their agencies. It is important for agents to work with a company whose employees value them and understand their needs.

I hope I provide that personal touch to our agents.

**91%** of our premium and book of business is represented by our agent partners





# I know my customers.

Mitesh Vyas, SBU Underwriting Supervisor

As Underwriting Supervisor in IWIF's Strategic Business Unit (SBU), I manage an important book of direct and agency business with the support of three underwriters and an underwriting technician. The SBU department is dedicated to providing workers' compensation insurance for government entities, housing authorities, boards of education, fire departments and paramedics, as well as private business. I develop underwriting authorities and guidelines for my team, and organize and monitor large account collaboration meetings. Closing an insurance contract is a very personal matter to me. I consider myself to be a respectful and reliable partner to my customers. I believe in long-term relationships with my customers and I like to personally attend to their insurance needs.

# I defend.

Tammy Johnson,  
Senior Attorney

I defend IWIF and its policyholders in workers' compensation cases throughout Maryland. I am responsible for defending IWIF's policyholders in all aspects of workers' comp litigation. I provide insight into what employers can expect from the Maryland Workers' Compensation Commissioners and the Maryland court system. My job is to help employers navigate the complexities of the workers' comp system, while providing professional service and zealous advocacy. I am proud of the personal attention I provide IWIF's policyholders.



# I teach safety and savings.

Les Groff, Senior Safety Consultant

My job as Senior Safety Services Consultant is two-fold. My first priority is to prevent future accidents and the claims they generate. I get a lot of satisfaction from this aspect of my job; I like to say I help prevent the accidents from ever happening in the first place. My second priority is to offer guidance to policyholders on how they can reduce their premiums by implementing our safety recommendations. I share information with customers about the direct relationship between safety and cost savings. As a safety professional, many times I am the only contact our policyholders have with IWIF, especially if they've never had a claim. By developing good working relationships among IWIF, our policyholders, and their agents, I believe we become trusted partners in an all-around successful relationship.



**2,852**

policyholders received  
IWIF Safety Services  
consultations in 2012



# I guard and inspect.

Lorie Timmons, Senior Investigator

I guard IWIF's assets by making sure that all policyholders are treated fairly and pay the appropriate amount of premium for their business risk. IWIF has a zero tolerance for fraud. When a potential payroll/classification misrepresentation is reported, I conduct a fact based investigation. I examine and evaluate financial documents; implement an investigation plan; conduct interviews with witnesses and policyholders; review and evaluate court documents; and make determinations for civil or criminal action. Additionally, I am responsible for collecting all outstanding premium realized as a result of my investigative findings. Attention to detail is probably one of my greatest strengths, as it is crucial to any successful investigation.



# I review fairly.

Don Potter, Senior Field Auditor  
-Team Lead

I offer professional premium audit services to all of my external customers. My job entails auditing our policyholders' payroll and financial records to complete the audit process so that IWIF collects the proper premium for the coverage provided – no more, no less. I work very hard at making the audit experience a professional and non-confrontational learning experience for both me and the insured. As I am often the only face the insured will ever see from IWIF, I want it to be a positive experience.



# I strive for better claims outcomes.

Vikki Aumiller, Senior Claims Adjuster

My position as a Claims professional entails working with injured workers who have remained out of work for four years or more due to a significant injury. I analyze their treatment histories and the barriers preventing them from returning to the workforce. I work with doctors, attorneys, and employers to get injured workers on the path to returning to work and moving their claims forward toward resolution. I care for and investigate all cases thoroughly, with an eye toward meeting the needs of both the employer and the injured worker. I enjoy providing the best possible customer service, acting as a mediator between both parties. I pride myself on being able to get everyone working together toward resolution and closure for the policyholder and the injured worker.

# I open IWIF for business.

Latoya Towns, Distribution Document Analyst

I am part of the team that ensures all incoming mail is accurately prepared for scanning and indexing as quickly as possible. Medical bills for treatment and services provided to injured workers; Workers' Compensation Commission (WCC) notices; premium payments; and new business applications are just a few examples of the 700 (on average) documents received in the mailroom each day. Correspondence is then scanned and digitally routed to the various IWIF business units for account management and processing.



**\$3.6**

million saved in 2012 with our PPO medical network

**\$1.8**

million saved in 2012 with our medical bill screening tool

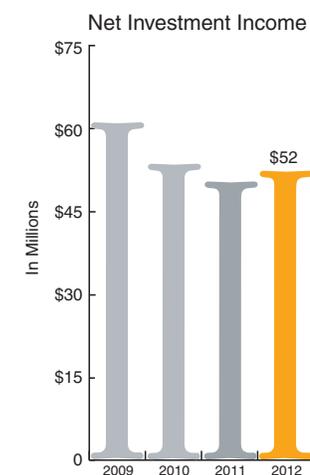
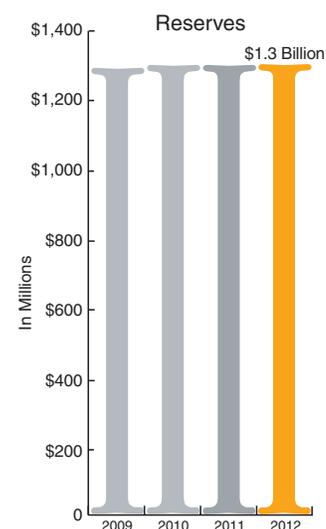
## I double-check medical bills.

Connie Kowalski, Medical Bill Adjudicator

I am a Certified Professional Coder (CPC), and an Associate in Claims (AIC) in IWIF's Health Services department. I understand the complex business relationships between IWIF, its Preferred Provider Organization, and the medical community. I review and investigate appeals and reconsiderations of medical bills from providers to ensure appropriate allowances for services provided to injured workers. I also work with IWIF's Pre-Certification and Claims departments to coordinate and negotiate competitive pricing agreements for Durable Medical Equipment (DME). I am committed to using my knowledge, experience and resources to resolve issues to reach the best solutions for everyone involved.



## IWIF Financial Highlights at a Glance



	Years Ended December 31	
	2012	2011
Premiums earned.....	\$ 189,093,506	\$ 170,595,070
Net investment income .....	\$ 52,040,479	\$ 50,184,421
Loss & loss adjustment expenses incurred	\$ 185,552,888	\$ 178,878,060
Underwriting loss.....	\$ (46,598,804)	\$ (50,232,905)
Dividends paid to policyholders .....	\$ (50,661)	\$ 275,229
Total assets .....	\$ 1,844,770,793	\$ 1,717,384,265
Total surplus.....	\$ 288,750,960	\$ 321,385,947
Loss/LAE ratio .....	98.1%	104.9%
Expense ratio.....	25.1%	23.6%
Combined ratio.....	123.2%	128.5%

### Statement of Operations, Statutory - Basis

	Years Ended December 31	
	2012	2011
Underwriting income:		
Net premiums earned.....	\$ 189,093,506	\$ 170,595,070
Losses incurred.....	152,993,788	150,861,819
Loss adjustment expenses incurred .....	32,559,100	28,016,241
Commissions.....	19,406,981	16,649,823
Other underwriting expenses, net.....	30,215,728	23,375,769
Provision for bad debt .....	1,309,713	1,131,323
Premium deficiency reserves .....	(793,000)	793,000
Underwriting loss.....	(46,598,804)	(50,232,905)
Net investment income .....	52,040,479	50,184,421
Net realized gain (loss) on investments .....	23,031,452	16,811,079
Net investment gain .....	75,071,931	66,995,500
Other income.....	(20,705,204)	613,932
Dividends to policyholders.....	(50,661)	275,229
Net income .....	<u>\$ 7,717,262</u>	<u>\$ 17,651,756</u>

The 2012 condensed financial statements, including the balance sheet on page 1, have been derived from complete statutory-basis financial statements which were audited by Johnson Lambert & Co. LLP. The schedules referred to in the Actuarial Opinion on page 11 relate to the "Yellow Book" schedules. A complete set of audited financial statements, with the unqualified opinion in accordance with the statutory-basis accounting practices and complete set of footnotes, may be obtained upon request.

**Injured Workers' Insurance Fund****Identification**

I, Kevin M. Bingham, am a Principal with the firm of Deloitte Consulting 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 an Associate of the Casualty Actuarial Society. I was appointed by the Board of Directors of the Injured Workers' Insurance Fund (IWIF) on September 10, 2012 to render this opinion. The prior opining actuary, David E. Heppen, is no longer employed by Deloitte Consulting LLP.

**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, 2012, and reviewed information provided to me through February 27, 2013. 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 our opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by Ms. Paige Beck, Chief Administrative Officer and Chief Financial Officer of IWIF. I evaluated that data for reasonableness and consistency. I also reconciled the data to Schedule P - Part 1 of IWIF's current Annual Statement. In other respects, my examination included the use of such actuarial assumptions and methods 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.

My opinion is for unpaid losses and loss adjustment expenses on a combined basis.

**Relevant Comments**

IWIF will convert to Chesapeake Employers' Insurance Company, effective October 1, 2013, operating as a nonprofit, non-stock private corporation. As a result of this conversion, IWIF is required to transfer \$50,000,000 to the State of Maryland's Budget Restoration Fund at the end of May 2013. IWIF has recorded a liability of \$50,000,000 on Page 3 Liabilities, Surplus and Other Funds page, Col 1, Line 19 for this transfer.

**A. Risk of Material Adverse Deviation**

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

- (a) With respect to this Statement of Actuarial Opinion, the amount of adverse deviation that I consider to be material is \$57,433,000. My basis for determining this amount is approximately 20% of surplus which is an amount that would represent a reasonable upward fluctuation in reserves from those carried by IWIF that would be material to surplus. My selection of materiality standard was driven by the fact that this opinion is prepared for the regulatory review of IWIF. Other measures of materiality might be used for reserves that are being evaluated in a different context.

(b) The major factors underlying the risks and uncertainties which could result in material adverse deviation are as described above as well as in the section below. These include but are not necessarily limited to:

- IWIF's relatively high ratio of loss and loss adjustment reserves to surplus;
- The nature of the coverage written, which is limited to one line of business (workers' compensation) in one State (Maryland);
- Impact of soft market conditions;
- Changes in medical inflation and utilization;
- Additional regulation requiring approval of medical settlements;
- Retention of key personnel required to efficiently settle claims;
- Significant changes in volume of business in recent years; and
- Discounting of the tabular unpaid losses for workers compensation.

## **B. Other Disclosures in Exhibit B**

### **Salvage and Subrogation**

IWIF recognizes salvage and subrogation when it is collected. IWIF also recognizes amounts that may be collected in the future as a reduction to IBNR reserves. The amount of anticipated salvage and subrogation recognized by IWIF as of December 31, 2012 is \$10,160,000.

### **Discounting**

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 United States Life Tables, 2008, published by the CDC, National Vital Statistics Volume 61, Number 3. The discount rate selected by IWIF management is 3.25%. The amount of tabular discount of \$80,636,746 was determined by Mr. Rial Simons, Chief Actuary of IWIF. Mr. Simons is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. I have reviewed the methodology and assumptions utilized by Mr. Simons for reasonableness. The total discount of \$80,636,746 represents approximately 28% of IWIF's stated surplus as of December 31, 2012.

### **Underwriting Pools or Associations**

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

### **Asbestos Exposures and Environmental Exposures**

I have reviewed IWIF's exposure to asbestos and environmental claims. IWIF's exposure to asbestos losses arises from the sale of workers' compensation insurance. IWIF carries \$0 of net reserves for loss and loss adjustment expenses associated with asbestos and environmental as of December 31, 2012, 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.

### **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. 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, or are not rated by A.M. Best. Ceded reserves in the aggregate are not material to IWIF's reserves. 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 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.

**D. NAIC IRIS Tests**

I reviewed the results of the following three NAIC IRIS Tests: One Year Reserve Development to Surplus, Two Year Reserve Development to Surplus and Estimated Current Reserve Deficiency to Surplus as calculated by IWIF's management. No exceptional values were calculated for the One Year Reserve Development to Surplus and Two Year Reserve Development to Surplus tests. The result for the Estimated Current Reserve Deficiency to surplus test is unusual. This is primarily a result of significant growth in earned premium. IWIF's 2012 net earned premiums are approximately 11% higher than those earned in 2011 and are approximately 12% higher than those earned in 2010. The use of historical loss and loss adjustment expense reserves to earned premium ratios creates a distorted result for this test when applied to current premium levels.

**E. Methods and Assumptions**

I have not employed any significant changes in actuarial assumptions and/or methods from those used to render the prior Statement of Actuarial Opinion.

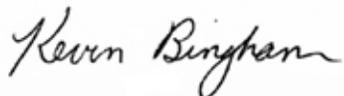
**F. General Uncertainty**

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 database 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.



Kevin M. Bingham, ACAS, MAAA  
Deloitte Consulting LLP  
City Place I, 33rd Floor, 185 Asylum Street  
Hartford, CT 06103  
(860) 725-3056 kbingham@deloitte.com  
February 27, 2013

Exhibit A: SCOPE

<b>Loss Reserves:</b>	<b>Amount</b>
1) Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	\$1,196,125,000
2) Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	<u>\$97,195,000</u>
<b>Total Net Loss and Loss Adjustment Expenses Reserves</b>	<b>\$1,293,320,000</b>
3) Reserve of Unpaid Losses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 13 and 15, Line 12 * 1,000)	\$1,237,738,000
4) Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Should equal Schedule P, Part 1, Summary, Totals from Cols. 17, 19 and 21, Line 12 * 1,000)	<u>\$97,195,000</u>
<b>Total Gross Loss and Loss Adjustment Expense Reserves</b>	<b>\$1,334,933,000</b>
5) The Page 3 write-in item reserve, “Retroactive Reinsurance Reserve Assumed”	\$0
6) Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion	\$0
<b>Premium Reserves:</b>	
7) Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$0
8) Reserve for Net Unearned Premiums for Long Duration Contracts	\$0
9) Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion	\$0

2012 Statement of Actuarial Opinion  
Injured Workers' Insurance Fund

Exhibit B: DISCLOSURES

Item:	Column 1	Column 2	Column 3	Column 4
<b>1. Name of Appointed Actuary</b>		Last Bingham	First Kevin	Middle M.
<b>2. The Appointed Actuary's Relationship to the Company.</b> Enter E or C based upon the following: E if an Employee of the Company or Group, C if a Consultant			C	
<b>3. The Appointed Actuary has the following designation:</b> F if a Fellow of the Casualty Actuarial Society (FCAS) A if an Associate of the Casualty Actuarial Society (ACAS) M if not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council, as documented with the attached approval letter. O for Other			A	
<b>4. Type of Opinion, as identified in the OPINION paragraph.</b> Enter R, I, E, Q, or N based upon the following: R if reasonable I if Inadequate or Deficient Provision E if Excessive or Redundant Provision Q if Qualified. Use Q when part of the OPINION is Qualified. N if No Opinion			R	
<b>5. Materiality Standard expressed in \$US</b> (Used to answer Question #6.)	\$57,433,000			
<b>6. Are there significant risks that result in Material Adverse Deviation?</b> YES, NO, or Not Applicable (N/A)				YES [X] NO [ ] N/A [ ]
<b>7. Statutory Surplus</b> (Liabilities, Col 1, Line 37)	\$287,165,978			
<b>8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1, Summary, Col 23, Line 12 *1,000)</b>	\$10,160,000			

2012 Statement of Actuarial Opinion  
Injured Workers' Insurance Fund  
Exhibit B: DISCLOSURES

Item:	Column 1	Column 2	Column 3	Column 4
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P				
9.1 Non-tabular Discount [Notes, Line 32B23, (Amounts 1,2,3 & 4)], Electronic Filing Cols 7,8,9, & 10	\$0			
9.2 Tabular Discount [Notes, Line 32A23, (Amounts 1&2)], Electronic Filing Cols 7 & 8	\$80,636,746			
10. The net reserves for losses and expenses for the Company'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 the Company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expense lines.*				
11.1 Asbestos, as disclosed in the Notes to Financial Statements [Notes, Line 33A03D, ending net asbestos reserves for current year] Electronic Filing Col 5	\$0			
11.2 Environmental, as disclosed in the Notes to Financial Statements [Notes, Line 33D03D, ending net environmental reserves for current year] Electronic Filing Col 5	\$0			
12. The total claims made extended loss and expense reserve (Greater than or equal to Schedule P Interrogatories)				
12.1 Amount reported as loss reserves	\$0			
12.2 Amount reported as unearned premium reserves	\$0			
13. Other items on which the Appointed Actuary is providing Relevant Comments (list separately)	\$0			

\* The reserves disclosed in item 11, above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post-1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.

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To provide Maryland businesses with a readily available source for workers' compensation insurance that features high-quality products and services at a fair price, and to protect workers and employers by championing workplace safety.

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IWIF to become  
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## 2012 Annual Report

# Your Workers' Compensation Insurance Professionals

# What do you do really well?