

PROUD
to CARE
ABOUT
HERE




Chesapeake
Employers Insurance™
Your workers' compensation specialist

2022 Annual Report





HERE
in Frederick

HERE
in Waldorf

HERE
in Cambridge

For Chesapeake Employers Insurance, “HERE” will always be important to us, as Maryland will never be just a market to write. Here is our home, where we care about and insure 20,000 employers, their business passions, and the safety of their employees.

HERE is where an insurance company builds on its craft, promise, and legacy of more than 100 years in doing one thing exceptionally well – workers’ compensation insurance.

HERE business relationships are built each workday when our agent partners proudly recommend Chesapeake Employers and our coverage to their clients.

HERE is where new business owners need dependable coverage to open their doors for the first time to protect their employees and their dreams for the future.

HERE is when an employer welcomes our guidance to help make their workplace safer.

HERE we reward safe employers with lower rates and a potential dividend so they can put money back into their businesses.

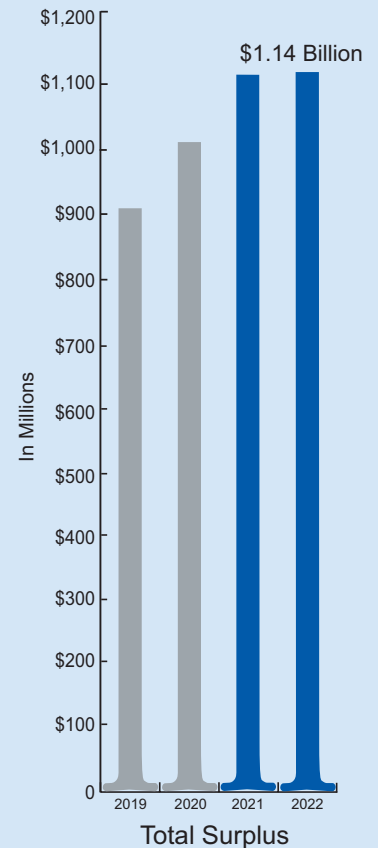
HERE is where we treat each injured worker as a person who deserves compassionate care and prompt, appropriate benefits.

HERE is where our 380 local employees are specialists in making a difference every day with the work they do.

To our agent partners and loyal policyholders, thank you for your trust in allowing us to proudly care about, “Here.”

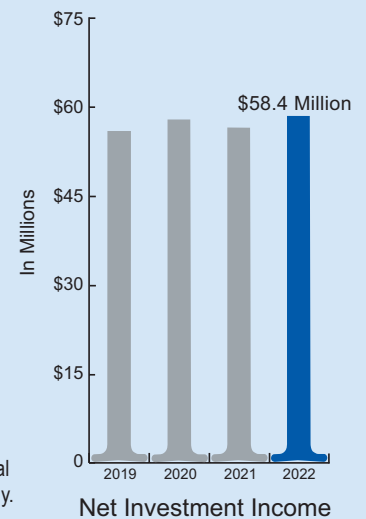
Chesapeake Employers' Insurance Company Financial Highlights at a Glance

	Years Ended December 31	
	2022	2021
Premiums earned	\$ 180,653,713	\$ 168,935,969
Net investment income.....	\$ 58,438,017	\$ 56,617,622
Loss & loss adjustment expenses incurred	\$ 87,583,059	\$ 128,079,223
Underwriting gain (loss)	\$ 27,857,209	\$ (16,130,024)
Dividends expense	\$ 15,330,177	\$ 15,924,910
Total assets.....	\$ 2,458,202,697	\$ 2,512,331,700
Total surplus.....	\$ 1,140,122,327	\$ 1,137,532,044
Loss/LAE ratio	48.5%	75.8%
Expense ratio.....	44.3%	41.7%
Combined ratio.....	92.8%	117.5%



Statement of Operations, Statutory - Basis

	Years Ended December 31	
	2022	2021
Underwriting income:		
Net premiums earned	\$ 180,653,713	\$ 168,935,969
Losses incurred	31,662,058	87,972,585
Loss adjustment expenses incurred	55,921,001	40,106,638
Commissions	23,109,147	21,986,446
Other underwriting expenses, net	40,096,644	33,325,049
Provision for bad debt.....	2,007,654	1,675,275
Underwriting gain (loss)	27,857,209	(16,130,024)
Net investment income.....	58,438,017	56,617,622
Net realized gain on investments	(1,215,628)	100,637,810
Net investment gain	57,222,389	157,255,432
Other income	1,334,433	488,670
Dividends to policyholders	(15,330,177)	(15,924,910)
Total other loss.....	(13,995,744)	(15,436,240)
Income before federal taxes	71,083,854	125,689,168
Federal income tax expense	(9,609,592)	—
Net income	\$ 61,474,262	\$ 125,689,168



AM Best affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" for the Chesapeake Employers' Insurance Company as of May 12, 2022. The outlook assigned by AM Best to both ratings is stable. Chesapeake Employers' reserves are opined by Deloitte Consulting, LLP and a complete Statement of Actuarial Opinion may be obtained upon request from the Chief Financial Officer of Chesapeake Employers' Insurance Company.

The 2022 condensed financial statements, including the balance sheet on page 8, have been derived from complete statutory-basis financial statements, which were audited by Johnson Lambert, LLP.

Hello valued customers, we are glad you are here.



Mark R. Isakson
CEO

I am honored to be the new CEO of Chesapeake Employers' Insurance Company and am grateful to the board of directors for the opportunity to lead this great company. I want to congratulate former CEO, Tom Phelan, on his retirement and recognize his distinguished career with IWIF/Chesapeake. Tom leaves a legacy of building a caring, financially strong company prepared to honor our promise of being *here* for Maryland's businesses and workers when they need us most.

As we look to the future, our focus is on growing Chesapeake's stakeholder relevance and business resilience. We are engaging stakeholders in co-creating Chesapeake's future beginning with uncovering, activating, and embedding Chesapeake's purpose at the core of our business strategy. We have launched our long-range growth journey with an initial focus on bringing clarity in three key areas:

1. Uncovering Chesapeake Employers' founding identity and establishing our bold, inspiring business purpose.
2. Identifying our stakeholder value proposition and impact measures.
3. Aligning our business model, and long-range financial targets with our business purpose.

I am committed to ensuring Chesapeake's unique, purpose-driven business model is a powerful, virtuous economic engine making a massive difference for Maryland's businesses, workers, and communities for generations to come.

I am pleased to present Chesapeake Employers' Insurance Company's 2022 annual report. Our mission to provide dependable workers' compensation coverage to Maryland businesses, help employers ensure safe workplaces, and take care of people if an injury occurs is as relevant today as it was when we were created in 1914. In recognition of our meaningful mission, I am joining our 380 local employees and workers' compensation specialists in proclaiming, we are "Proud to Care About Here."

Over the past seven years we have reduced our base rates **31.5%**

We ended the year with a strong balance sheet of \$2.45 billion in assets and a surplus of more than \$1.14 billion. We grew net premiums earned by 6.7% to \$180.6 million. I am proud to announce the global credit rating company AM Best affirmed our financial strength rating of A (Excellent). This rating continues to recognize a positive outlook on our long-term financial strength and business performance.

Our ability as a not for profit insurance company operating in the best interests of our stakeholders sets us apart in the marketplace. We reward safe employers with lower rates and a potential dividend for eligible policyholders and put money back into their businesses.

In 2022, we reduced base rates for customers by 8%, marking the seventh consecutive year of doing so. Over the past seven years, we have reduced base rates 31.5%.

As an insurance company, we must meet financial benchmarks and surplus levels, but with our not-for-profit mission, we will continue to reward safe policyholders through the rate making process and anticipated annual dividend to help reduce their cost of insurance.

In 2022, we were pleased to increase our annual corporate dividend from \$10 million to \$15 million.

Approximately 20,000 policyholders received a corporate dividend that averaged 11% on their premium returned. In total, over the past five years, we have paid \$55 million


\$15 MILLION in CORPORATE DIVIDENDS to Qualifying Policyholders in 2022

in corporate dividends to our qualifying policyholders. With our customers' focus on workplace safety, together with our financial strength, we look forward to continuing to reward safe Maryland employers.

Our leadership role as the largest writer of workers' compensation insurance in Maryland would not be possible without strong partnerships with our independent insurance agents. We value the input and guidance we receive from our agents as we continuously improve our company. As Maryland's workers' compensation specialist we continuously focus on improving and innovating to be the most recommended choice for workers' compensation insurance.



Throughout 2022 in preparation for and then implementation on January 1, 2023, Chesapeake Employers became fully affiliated with the National Council on Compensation Insurance (NCCI). This was an enormous undertaking that saw the culmination of seven years of planning, testing, piloting, and then full implementation to transition to NCCI. Our full affiliation means we now follow NCCI's standard operating procedures for rating methodology, experience modification, scheduled rating plan and loss costs. We continue to work to ensure minimal disruption to our policyholders throughout this transition. Please reach out to your insurance agent if you have questions about your Chesapeake Employers' policy and the NCCI conversion.

The membership of our Board of Directors continues to evolve as policyholders now elect seven of our nine board members. In 2022, there were three board members elected with two of the elected members having been previously appointed, including Mr. Franklin Hajek and Ms. Keturah McGhee. We are also pleased to welcome our newest elected board member, Ms. Sally Jameson. Sally has served as a member of the Maryland House of Delegates and possesses experience as a member and employee of labor unions. The Board and I also want to thank outgoing board member Ms. Maria Tildon, whose service and guidance have been invaluable to our company.

Our work in the community is a shining example of how we care about here. We strive to impact the lives of Marylanders by supporting charitable organizations that are based here in Maryland. These community initiatives include our employee "VolunCheer" program where employees receive 12 hours annually to "Cheer" on and help local nonprofits tell their stories and fulfill their missions.

In addition, the company awards grants to Maryland-based charities that provide services supporting the education and development of children and promote safety and health in the community. Our primary corporate charity we support is the Kids' Chance of Maryland, Inc. scholarship fund. Chesapeake Employers is proud to be one of the founding financial sponsors for Kids' Chance of Maryland and its mission of providing educational scholarships to children of catastrophically or fatally injured workers.

I am inspired by our employees' passion, expertise, and commitment to improving our stakeholders' lives and livelihoods every day. We are proud of our business heritage and the trust customers and our agent partners place in us. We recognize Maryland businesses are facing an uncertain and continuously changing economic environment. We are committed to taking on these on-going challenges by focusing Chesapeake's business purpose on growing the impact and value we create for our stakeholders.

I want to close by sharing how honored I am to lead Chesapeake Employers into the future and work alongside our passionate, purpose-driven employees in bringing to life every day what it means to be "Proud to Care About Here."

Thank you.

Mark R. Isakson, CEO
Chesapeake Employers' Insurance Company

2022 Board Members
L-R,

Suzanne Carter
Thompson,
Board Chair;

John J. Scott, Jr.,
Vice Chair;

Tedd Alexander,
Member;

Spencer P. Cavalier,
Member;

Franklin J. Hajek, CPA,
Member;

Keturah McGhee,
Member;

Sally Jameson,
Member;

Martin G. Madden,
Member;

Jason M. Schupp,
Member.

Honoring Retired CEO Tom Phelan



Chair of the Board Suzanne Thompson spoke on behalf of the Board of Directors: "We would like to express our appreciation for Tom's strategic vision and leadership as CEO over the last 15 years and his innumerable contributions to the organization, deep commitment to workers' safety and recovery, and devotion to Chesapeake's people and causes throughout his 32-year career with Chesapeake and its predecessor, the Injured Workers' Insurance Fund. Among his many achievements, Tom skillfully led the transformation of Chesapeake from IWIF, built a solid financial foundation for the company that has been recognized through an A rating from AM Best, and markedly enhanced Chesapeake's community impact."



HERE WE
CHAMPION
SAFETY
FOR
ALL
MARYLAND
WORKERS.



Safety Services & Dividends Highlights

Our Safety Services professionals understand the unique needs of Maryland employers. We know the diversity of Maryland businesses and the safety exposures they face. Our areas of expertise include construction, manufacturing, healthcare, transportation, non-profit, municipalities and many more. We also make safety information and resources available for all Marylanders on our website. Here at Chesapeake Employers, helping keep all Marylanders safe at work is our passion.

Safety Know-how

We have a dedicated team of safety and risk management professionals, many holding one or more industry certifications, including:

- Certified Safety Professional (CSP)
- Certified Ergonomic Assessment Specialist (CEAS)
- Workers' Compensation Professional (WCP®)
- Associate in Risk Management (ARM)



Safety Online

Now in its second year, policyholders can take advantage of our valued-added "Safety Center," an online portal featuring a comprehensive library of workplace safety resources offered through Zywave, a third-party partner. The Safety Center provides policyholders a Learning Management System for assigning and tracking employee training, and an OSHA Recordkeeping Tool where policyholders and risk managers can create trending injury reports and their requisite OSHA 300 logs.

- We now offer policyholders virtual reality safety training and an ergonomic assessment application tool.
- Using the Safety Center as our information resource hub, we increased our targeted safety emails to now reach approximately 3,500 policyholders.

Corporate Dividends Increased to \$15 Million

In 2022, Chesapeake Employers continued its 5th consecutive year of rewarding our qualified policyholders by increasing our corporate dividend program amount to \$15 million dollars. This dividend distribution is a direct result of our financial strength and our policyholders' focused efforts to make workplace safety a priority. Returning these corporate dividend dollars continues to be an important way we help Maryland businesses financially and the Maryland economy.

2,185
policyholders
received a virtual
or in-person safety
consultation in 2022.

92.4%
of our policyholders
reported no workplace
injuries in 2022.

20,293
policyholders
received a corporate
dividend in 2022.

We insure

20,137
policyholders.

With approximately

188,061
covered workers.

11,793

policyholders reduced their premium
by qualifying for their own beneficial
experience modifier or merit rating plan.

A physical therapist, a woman with blonde hair and glasses wearing blue scrubs, is assisting an elderly man on a treadmill. The man is wearing a light blue t-shirt, dark blue pants, and a white safety harness. He is looking down at his feet on the treadmill. The woman is standing behind him, holding his arm for support. The background shows a clinical or hospital setting with other equipment and a blue bed.

WE
WILL
ALWAYS
BE HERE
FOR
INJURED
WORKERS.



Proud to Care for Injured Workers

Claims, Medical, Subrogation & Legal Services Highlights

Our care starts as soon as we receive an employers' first report of injury. We never forget that at the center of all we do is a person who is injured. When an employee is hurt, they have concerns about their job, paying their bills and their recovery. We will always be here to help them through the process of medical treatment, healing and paying appropriate benefits to help return them back to their lives and to work.

Chesapeake Employers is equally committed to containing claims costs through our integrated health and claims services. Our team of in-house doctors, nurses and a pharmacist, work side-by-side with experienced claims professionals with a goal to ensure medical treatment for injured workers is swift, thorough, and appropriate.

- In 2022, we cared for and covered 6,728 injured workers* for their medical treatment, indemnity (lost-time) payments or both.
- We continued our mission as the “safety & security net” for injured workers with compensable injuries. In 2022, Chesapeake Employers paid \$87.6 million in indemnity, loss adjustment expense, and medical treatment costs.
- Our Catastrophic Injury Care Team provided coordinated claims services and benefits to 31 severely injured workers and to the families of 7 fatally injured workers in 2022. This was our lowest number of catastrophic injury claims received in the last six years.
- Our Subrogation Unit reviewed 1,271 new claim cases for possible third-party involvement and generated \$7.8 million in recovery and offset savings for policyholders.
- The Legal Department reviewed 2,314 assigned injured worker cases (from Chesapeake policyholders) and 526 of these cases were heard at the Maryland Workers' Compensation Commission.

Medical and Prescription Cost Savings

Our industry-leading medical team approach monitors medical treatment plans, physical therapy utilization and prescriptions with a continued focus on reducing opioid dependency and addiction. This effort is led by our in-house pharmacist and physician who work with our nurses and pharmacy benefits manager to provide continuous monitoring of all opioid prescriptions. We also increased the use of generic drugs when filling prescriptions, resulting in significant cost savings.

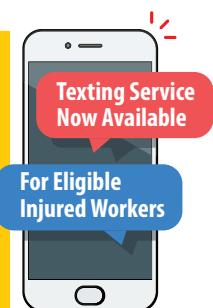
In 2022, we piloted a Virtual Reality Therapy meditation program where an initial group of injured workers were given a VR headset to wear that led to improved sleep quality, decreased pain, and decreased depression. A number of the VR pilot participants were able to control pain, take less medication, and were able to return to work.

2022 Prescription Benefits Positive Trends

- Prescription counts were down 12% and costs were down 11% from 2021 (\$2.9M to \$2.6M).
- Generic drug utilization increased to 91% in 2022.

6,728
injured workers*
were covered for their
medical treatment,
indemnity (lost-time)
payments or both in
2022. *Policyholders

Our Subrogation Unit
recovered
\$5.5 million
from responsible
3rd parties.



To provide faster communication and information to eligible injured workers, we added the new “Hi Marley” texting service, which has been well received.

OUR BALANCE SHEET

Balance Sheet Statutory - Basis

	Years Ended December 31	
	2022	2021
Admitted Assets		
Bonds	\$ 1,985,144,233	\$ 2,007,579,520
Preferred stock.....	7,242,636	7,754,464
Common stock.....	165,334,533	204,742,403
Real estate, occupied by Chesapeake Employers	7,283,216	7,520,336
Cash, cash equivalents and short-term investments ...	53,103,400	85,766,981
Other invested assets.....	131,998,349	107,245,467
Receivable for securities.....	582,271	9,091,094
Total cash and invested assets.....	2,350,688,638	2,429,700,265
Accrued interest on investments	14,894,657	12,013,812
Premiums receivable	55,495,968	54,308,368
Receivables under reinsurance contracts	1,224,438	674,438
Other assets.....	35,898,996	15,634,817
Total admitted assets.....	<u>\$ 2,458,202,697</u>	<u>\$ 2,512,331,700</u>
Liabilities and Surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 1,036,688,000	\$ 1,092,116,000
Accounts payable and accrued expenses	27,139,406	16,805,010
Borrowed money and accrued interest	140,621,462	140,034,218
Unearned premiums	70,788,195	74,244,383
Other liabilities	42,843,307	51,600,045
Total liabilities.....	<u>1,318,080,370</u>	<u>1,374,799,656</u>
Total surplus.....	1,140,122,327	1,137,532,044
Total liabilities and surplus	<u>\$ 2,458,202,697</u>	<u>\$ 2,512,331,700</u>

PROUD
to CARE
ABOUT
HERE.



**IN 2022, WE WERE PROUD TO ANNOUNCE THE GLOBAL CREDIT RATING
COMPANY AM BEST AFFIRMED OUR FINANCIAL STRENGTH RATING OF
A (EXCELLENT).**

8722 Loch Raven Blvd.
Towson, MD 21286
www.ceiwc.com



**WE ARE GLAD
YOU ARE HERE.**