

Chesapeake Employers' Phase in to NCCI Rates and Future Board Appointments

To our valued policyholders and agents,

I want to give you a brief update on changes affecting Chesapeake Employers and our policyholders.

- Legislation enacted in 2015 has resulted in several changes to Chesapeake Employers, which have and will continue to occur over the next several years. When all steps, as outlined in the legislation are completed, Chesapeake Employers will continue as a mono-line carrier, serving as the workers' compensation guaranteed market writer in Maryland, and with two of its nine Board members appointed by the Governor.
- **Phase-in**
 - A. By law, Chesapeake Employers must join the National Council on Compensation Insurance (NCCI) and adopt their rating methodology, their experience modification calculation, scheduled rating plan and adopt loss costs approved by the Maryland Insurance Administration. (Effective 1/1/2023)

We continue the process of moving toward adoption of NCCI rates and pricing. We are in year four of a seven-year phase-in. This is a controlled phase-in from our current Chesapeake Employers' rates and your individual experience modifications or e-mods to the new NCCI loss costs and e-mod calculations.

Some policyholders may see some changes in pricing and in how we arrive at a final premium rate. Please be assured that our goal in this process is to minimize any negative impact on our policyholders. The end result, changes in premium charged to a customer, will be driven largely by a customer's experience and payroll changes, not by the change in our pricing platform.

- B. Policyholders will eventually elect 7 of the 9 Board members beginning in 2020 as terms expire:
 - 2 elected by policyholders in 2020- (Election information will be communicated in early 2020.)
 - 2 elected by policyholders in 2021
 - 3 elected by policyholders in 2022
- C. By law, Chesapeake Employers will begin to pay federal taxes (2022).
- D. Chesapeake Employers will be able to write workers' compensation in other states (2022), should it elect to.

Over the next few years, we will continue to keep you up-to-date once definitive decisions have been determined and approved by our Board of Directors.

Please contact your agent or Chesapeake Employers directly if you have any questions. Thank you for your continued trust in Chesapeake Employers' Insurance Company.

Tom Phelan, CPA
President and CEO

