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**RELEASE DATE:** May 22, 2012

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**Passage of State's budget during special session advances conversion of IWIF to  
Chesapeake Employers' Insurance Company**

*"Business as usual for policyholders and agents," says IWIF's President*

(TOWSON, Md.) — Maryland's General Assembly has passed, and Governor Martin O'Malley has signed into law legislation that will convert IWIF, the Injured Workers' Insurance Fund, to Chesapeake Employers' Insurance Company (Chesapeake), effective October 1, 2013. Chesapeake will be a non-profit Maryland corporation and will continue to provide workers' compensation insurance to Maryland employers. IWIF is Maryland's largest writer of workers' compensation insurance.

Thomas Phelan, President of IWIF, welcomed the legislation's passage. "This action will position us for continued success in serving the workers' compensation insurance needs of Maryland employers," he noted. "The legislation will protect IWIF's surplus and will allow us to remain financially strong. In addition, there will be no change for our policyholders and the insurance agents with whom we partner.

For them, it will be business as usual." IWIF markets workers' compensation insurance through independent agents and directly to business owners. IWIF's current assets total \$1.7 billion.

(MORE)

The legislation, approved by the General Assembly, establishes Chesapeake Employers' Insurance Company as a private, non-profit workers' compensation insurer with the same mandate to serve Maryland employers only. IWIF's existing nine-member Board of Directors will become the directors of Chesapeake Employers' Insurance Company. The Governor of Maryland will continue to make appointments to Chesapeake's Board.

Under the legislation, the State will no longer have any claim to IWIF's surplus. Over the prior legislative sessions, the State has introduced legislation to transfer funds from IWIF's surplus to the State's general fund. The Governor passed the bill authorizing a \$50 million transfer and authorized a study to determine if additional value is warranted. This value is determined by considering any financial contribution made by the State to IWIF and any financial benefit received by IWIF from the State.

"Protecting and stewarding our surplus for the exclusive benefit of our policyholders is an important priority accomplished with the passage of this legislation," Phelan noted. "Otherwise, our surplus would remain vulnerable to future transfers by the State, rather than be available for their original purpose, which is financial stability to ensure payment of injured worker claims. I am confident IWIF will remain financially strong and will continue to provide exceptional service and rates."

Another change resulting from the legislation involves the status of IWIF's employees. Current IWIF employees will have the right to continue as State employees and participate in the State's retirement system, or they can opt to become employees of the new company and participate in its separate benefits plan. All employees hired on or after October 1, 2013, however, will be employees of Chesapeake Employers' Insurance Company, not the State of Maryland.

Created by the State in 1914 as the Maryland State Accident Fund, IWIF has operated solely from premium and investment income. No taxpayer dollars support IWIF. From its beginning, IWIF has operated as a guaranteed market insurer providing workers' compensation insurance to all who apply, regardless of a company's size or past claims experience. With its obligation to insure all comers, IWIF performs an important role in supporting new business creation in Maryland. Under the legislation, Chesapeake will continue its mission as Maryland's leading provider of workers' compensation insurance.