

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 will make several changes to Chesapeake Employers, which will occur over the next several years. When all steps, as outlined in the legislation are completed, Chesapeake Employers will be just like any other mono-line insurance carrier except: (a) we will continue to be the workers' compensation guaranteed market writer in Maryland and (b) 2 of the 9 Board members will be appointed by the Governor.
- **Phase-in to start in 2020:**
 - 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 and file rates with the Maryland Insurance Administration. (Effective 1/1/2023)

This will be a controlled phase-in from our current Chesapeake Employers' rates and your individual experience modifications or e-Mods to the new NCCI based rates and their e-mod calculations. We plan a very orderly transition with minimal changes occurring each year.

Please be assured that our goal in this process is to minimize any negative impact on our policyholders. Internally we are meeting regularly with key operations departments to analyze, plan and test the phase-in to NCCI rates. I am personally leading this planning process and the six-year transition to NCCI.

- B. Policyholders will eventually elect 7 of the 9 Board members beginning in 2020 as terms expire:
 - 2 elected by policyholders in 2020
 - 2 elected by policyholders in 2021
 - 3 elected by policyholders in 2022
 - 2 appointed by the Governor in 2023
- 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). Initially we will explore the possibility of writing business in Virginia and the District of Columbia. Writing coverage in additional nearby states is a possibility in the future.

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

