

For all the right reasons, I want IWTF.

Now, more than ever, I want to know that my workers' comp insurer will be there for me and my company if we should need them. I want my insurance company to be financially stable, competitive with its rates, and focused on me as a customer. I want my insurer to partner with me to help me prevent accidents and protect my company's assets, but I want that company to take care of my workers if one of them gets hurt. I want my insurer to be an expert in the field of claims management and an innovator when it comes to information technology. I want nothing less than excellent customer service whenever I need assistance. I want a company that is tough on fraud. I want a company that is honest, forthright, and shows good judgment in its business decisions. I want a company that will continue to be around for a long time.

**For all these reasons, I want IWIF.**



## Balance Sheets Statutory-Basis

	As of December 31	
	2008	2007
<b>Admitted Assets</b>		
Bonds .....	\$ 1,364,289,011	\$ 1,343,879,563
Preferred stock.....	40,000	260,141
Common stock, at market.....	20,968,113	—
Real estate, occupied by IWIF .....	9,481,223	9,472,763
Cash and short-term investments .....	188,164,285	186,874,947
Receivable for securities and other invested assets .....	289,460	158,021
Accrued interest on investments .....	12,344,274	12,672,734
Premiums receivable and unbilled premiums.....	74,185,935	71,495,322
Amounts receivable under reinsurance contracts.....	3,566,804	4,523,383
Other assets.....	6,528,580	8,570,243
Total admitted assets .....	<u>\$ 1,679,857,685</u>	<u>\$ 1,637,907,117</u>
<b>Liabilities and Surplus</b>		
Liabilities:		
Loss and loss adjustment expenses .....	\$ 1,286,820,000	\$ 1,241,820,000
Accounts payable and accrued expenses.....	12,962,467	11,497,342
Unearned premiums.....	97,600,802	116,000,076
Other liabilities .....	12,943,585	18,288,192
Total liabilities.....	<u>1,410,326,854</u>	<u>1,387,605,610</u>
Total surplus.....	269,530,831	250,301,507
Total liabilities and surplus .....	<u>\$ 1,679,857,685</u>	<u>\$ 1,637,907,117</u>

To our  
policyholders  
and business  
partners:



**Tom Phelan**  
President,  
Chief Executive Officer

What do you want from your insurance carrier? In these challenging economic times, IWIF stands for the service, products, efficiencies and commitment to quality you need to be successful. Standards for excellence guide our quest to be the premier workers' compensation insurance carrier in Maryland.

I am pleased to join our Board members and Senior Management Team in sharing the highlights of IWIF's service to all our customers.

### **Strong financial performance in challenging economic times**

IWIF's primary and unique purpose is to assure a stable, available, fairly priced workers' compensation market for Maryland businesses. Our cost stabilization initiatives, coupled with competitive pricing, have yielded a 25 percent market share and helped to lower Maryland's overall workers' compensation rates to the 8th lowest in the nation. As more policyholders embrace the importance of workplace safety, our brand message, there has been a steady decline in injuries and reported claims. As a result, in 2008, we were pleased to announce a five percent base rate reduction, saving policyholders millions of dollars.

Although net earned premiums declined to \$244 million in 2008, IWIF's total assets remained rock solid at \$1.68 billion. Our conservative investment strategy generated a robust income of \$71 million, which was a key part of IWIF's success in keeping rates in check.

### **Unwavering commitment to reducing claims costs**

Escalating medical expense is a primary cost driver in workers' compensation insurance. IWIF remains vigilant in its commitment to reducing claims costs and has adopted a number of cost control measures. First and foremost, we continued to improve the quality of care, while containing cost, through our network of preferred medical providers. This year marked the creation of a Physicians' Advisory Council to provide feedback and recommendations for IWIF's continuous improvement. Importantly, we entered into partnerships with Johns Hopkins School of Public Health and the University of Maryland Medical System, to research innovative practices to return injured workers to productive lives.

### **Building a brand of choice for our agent partners**

Despite the turmoil among several national financial institutions and insurance carriers, IWIF is honored to have earned the confidence and business trust from our valued independent agents. As of 2008, almost 90 percent of our book of business is represented by our agent partners. Last year, we focused on expanding the range of electronic services and the array of web-based tools that allow agents to interact with IWIF with ease and efficiency. With continued guidance from IWIF's Agency Council, our partnership with all agents continues to evolve and become stronger.



Senior Management Team

### Enhanced service and advocacy for our municipal and direct customers

IWIF is equally proud of our 94-year tradition of providing coverage to policyholders who choose to purchase directly. To better service this important group of customers, IWIF established a Strategic Business Unit, which includes IWIF professionals from each major operations department. This unit works with direct policyholders and municipal/governmental clients, together with their agents (if represented), to improve communication and the delivery of services.

### Insurance professionals and technology moving forward together

To differentiate ourselves from other insurance companies, we are investing in people and in technology. Talent development through training and education has become an IWIF hallmark. We reward our employees for acquiring certifications in their areas of functional expertise. We are building a more skilled team of insurance experts. Our enhanced information technology is yielding more strategic business intelligence and streamlined processes for improved quality and productivity.

### Welcoming new Board leadership and guidance

I join our Board Chair, Rocky Gonzalez, and his fellow Board members in welcoming Joseph Coale, Charles Dankmeyer, Kenneth Nwafor and Leonard Schuler as new IWIF Board members. All four bring a wealth of business and insurance knowledge to the Board. We also wish to express our sincere appreciation and respect to outgoing IWIF Board Chair, Daniel McKew, and Board members, Maxine Adler, James Simpson and Michael Wagner. They served with distinction and were instrumental in bringing keen insight and direction.

### For all the right reasons, I want to say thank you.

We know you have choices for your workers' compensation business, and we know you have bottom-line needs as a buyer of insurance. This year's annual report highlights the excellent services IWIF provides to meet those needs and exceed your expectations.

We pledge to continue to earn your confidence and trust. For all the right reasons, I wish to thank you, our policyholders and agents, for proudly stating "I'm with IWIF"

With appreciation,

Thomas Phelan, CPA, President and CEO

#### Seated L-R

**Rona Finkelstein, Esq.,**  
Senior Vice President, Legal Services  
Chief Compliance Officer

**Thomas Phelan, CPA,**  
President and  
Chief Executive Officer

**Dennis Carroll, Esq.,**  
Executive Vice President,  
General Counsel

**George Matthews, AAI,**  
Executive Vice President,  
Insurance Operations

#### Standing L-R

**Nancy Wilson,**  
Vice President, Claims

**Frank Linardi, Jr., CPA**  
Vice President, Finance, and Controller

**Paige Beck, CPA,**  
Executive Vice President,  
Chief Financial Officer

**Rial Simons, FCAS, MAAA**  
Chief Actuary

**Donna Wilson,**  
Senior Vice President, Communications,  
Customer Service and Strategic Planning

**Robert Merritt, CFA,**  
Executive Vice President,  
Chief Investment Officer

**Tim Michels, Esq.,**  
Executive Vice President,  
Claims Services

**Kama Kolbe,**  
Vice President, Underwriting and Loss Control

**Robert Marshall,**  
Vice President, Information Systems

**Elbert Danquah,**  
Vice President, Internal Audit



I want a local insurance partner that works to keep my rates down.

Our promise of “accessible, affordable and accountable” workers’ comp coverage allows us to return premium dollars to policyholders through the rate-making process, incentive plans and dividend programs.

George Matthews,  
Executive Vice President,  
Insurance Operations



In 2008, IWIF was pleased to be able to reduce overall base rates by 5 percent. Providing fair and adequate rates allows IWIF to attract and retain competitive business. With IWIF, Maryland’s business owners know that workers’ compensation insurance is always available and always priced fairly.

IWIF is Maryland’s specialist in workers’ compensation insurance, with all efforts concentrated on elevating the services and controlling the costs of this one line of insurance. In 2008, we created “virtual teams” to provide a coordinated approach and service plan for policyholders. This team interaction reinforces our ability to offer our best price and ensures that appropriate services are being provided.

Every IWIF department strives to find ways to reduce operating costs. As you will read in this report, our information systems professionals are leading this strategy by improving existing and creating new online e-Services for both policyholders and agents. Online services ultimately reduce time-consuming processes, streamline our operations, and cut costs, which help to keep rates down.

A recent study conducted by a leading insurance benchmarking and consulting organization recognized IWIF as being one of the most efficient insurers with an expense ratio below the benchmark set by insurers of relative size.

Through our “Champions” program for agents and our message that we are “open for business,” IWIF successfully wrote and welcomed 4,337 new customers in 2008. We launched a new agent service initiative online—the “eXpedite” quoting system. IWIF also introduced new safety group discount programs for the Maryland National Capital Building Industry Association (MNCBIA) and the Home Builders Association of Maryland (HBAM). This brings to a total of 14 the associations and safety group programs whose members qualify for additional policyholder discounts with IWIF.

# I want a risk management expert to show me how safety can help save my company money.

Using our loss cost computer model, we can show you just how much each accident really costs your company—both directly and indirectly. And we can show you how preventing those accidents can save lives and money, both in the short and long term.

Ultimately, our loss prevention strategies are designed to protect your company's employees as well as lower your loss experience or e-mod. And, as many companies already know, a favorable e-mod helps to reduce a company's premium costs. This is what we mean when we say "Safety Saves with IWIF"

IWIF's risk management services are delivered by highly trained professionals with experience in a host of different industries. In 2008, our consultants visited some 4,200 Maryland businesses for consultations and/or training presentations.

We also continued to have an educational presence throughout the state by way of our free Policyholder Seminars focusing on workplace safety instruction and best practices in claims management.

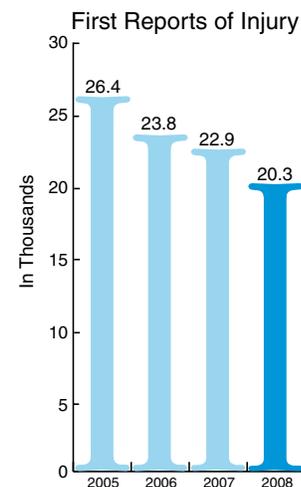
Additionally, IWIF created several industry-specific training workshops last year—for the construction industry and for the healthcare industry. We also created a "Safety Best Practices" training program for Maryland's grocery retailers, and developed a new Safety Grant Program, which seeks to provide financial assistance for our policyholders to help offset the cost of purchasing approved safety equipment.



**IWIF provides its loss control services free of charge to our policyholders. It's an added value we feel you deserve, not one for which you should have to pay extra. Safety is really an investment in your company's employees and in your company's future.**

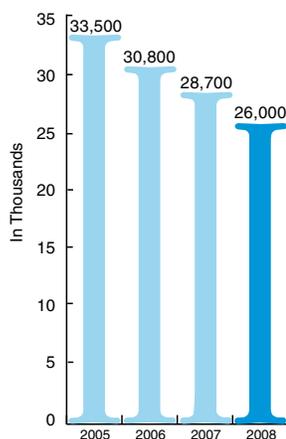
Kama Kolbe, Vice President, Underwriting and Loss Control

I-7



I want an insurance company that works to control medical costs while improving healthcare for injured workers.

Injured workers receiving indemnity and/or medical payments



Combining innovation and established best practices allows IWIF to deliver prompt and appropriate medical care and benefits to injured workers in a cost effective manner. We start with timely three-point contact with the employer, injured worker and treating doctor. This coordinated communication and care leads to prompt compensability decisions and the best possible outcomes for our customers.

In 2008, we continued to see the cost containment benefits of our preferred provider network, with \$3.2 million in medical cost savings. Other cost saving health initiatives include rigorous medical bill review, which helps control the escalating costs of medical treatment. Last year, our medical bill review system saved \$1 million. In addition, IWIF pays medical bills within an average of 10 days of receipt, which has encouraged many hospitals and medical providers to reduce their invoices in recognition of prompt payment.

IWIF is a leader in championing the appropriate and best treatment possible for injured workers. We have partnered with Johns Hopkins University on a research project that will target complex claims most likely to need early medical case management. We are also working with the University of Maryland Medical System to identify pre-loss best practices and injury care guidelines for professionals in the healthcare and nursing home field.

Our claims services help injured workers receive prompt quality care and benefits to facilitate a speedy recovery and a healthy return to work.

Tim Michels, Executive Vice President, Claims Services





## want an insurance company with fast, easy and secure online services.

Our Information Systems team is responsible for designing, testing and implementing efficient technological service improvements, which are the foundation for our customer-focused organization. In fact, in our 2008 Customer Service Survey, the 100 agent/broker-partners we surveyed cited "ease of doing business" among the top three reasons for their satisfaction with IWIF.

And those agents and brokers confirmed that satisfaction by placing as much as \$25 million in policy premium with IWIF in 2008 by way of our eQuotes for new business and eRenewals for renewal business. Our new "eXpedite" real-time quoting system was launched last year specifically for our agents so that they could obtain quotes even faster.

Our online ePayment options continue to increase in popularity among our customers, with direct deposits eclipsing \$35 million in 2008, a 20 percent increase from the previous year. IWIF offers our policyholders and agents two ways to pay premiums online, by credit card or through Electronic Funds Transfer (EFT). Both options are immediate and completely secure.

Security of your online transactions is paramount to IWIF. All IWIF online transactions are completely secured by encryption. Additionally, each year, IWIF contracts with an independent company to do penetration security testing against our external web servers to test for vulnerabilities. The results give us feedback that we use to ensure we are at minimal risk and to assure our policyholders and agents that their online transactions with IWIF are completely safe.



While policyholders are familiar with ePayments, eFROIs, and eCerts, many more IWIF eServices are available to IWIF's insurance agent partners to improve their ease of doing business with IWIF.

Robert Marshall, Vice President,  
Information Systems

I want an insurer that is tough on fraud and makes sure everyone is playing fairly by the same rules.

**IWIF**  
**FIGHTING**  
**FRAUD**  
 on all Fronts

IWIF values its reputation as an insurance carrier that aggressively identifies and investigates fraudulent activity. IWIF's Special Investigations Unit (SIU) identifies and prosecutes fraudulent activity of all kinds, including claimant and premium avoidance fraud.

IWIF's fraud initiatives involve a team approach with our claims adjusters, underwriters, loss control consultants, attorneys, and policyholders providing information and insight to our investigators. The SIU is staffed by experienced professionals, surveillance specialists, former police officers, and administrators and is assisted by a nationwide network of surveillance vendors.

Common types of insurance fraud include misrepresenting facts, submitting false claims, staging accidents, and working while collecting Temporary Total Disability benefits. In 2008, the SIU referred 28 individuals for prosecution or arrest due to claimant or premium fraud. We have a thorough "Alive and Well" case review process of all permanent injury award recipients. The unit also recovered \$3.2 million from premium avoidance fraud and another \$159,000 in claimant restitution. Additionally, the SIU helped save \$45.7 million in claims reserves last year as a result of identifying false or exaggerated claims.

It is important to note that the majority of claims are, in fact, legitimate, and that most injured workers are honest and hard-working individuals. Oftentimes, our efforts simply serve to verify a legitimate, compensable injury claim.

Workers' comp fraud prevention, detection and prosecution are top priorities for IWIF. Fighting fraud on all fronts helps keep premium costs down for our policyholders.

Jerry Landsman, Director, Special Investigations Unit





I want an insurance company with the reputation and financial strength I can depend on.

Since 1914, IWIF has weathered numerous economic downturns and has maintained its financial strength while providing a guaranteed market for workers' compensation insurance. In our 94-year history, we have never experienced an interruption in the policy coverage or services provided to policyholders.

#### Key facts of financial confidence in IWIF

IWIF is subject to financial regulation by the Maryland Insurance Administration to the same extent as all insurance companies. Additionally, IWIF is audited annually by Johnson Lambert & Co., LLP. Our reserves are reviewed by Deloitte Consulting LLP.

IWIF operates solely on premiums and investments. No taxpayer dollars fund our operations.

We continue to achieve favorable earnings as a result of a disciplined approach to controlling operating expenses combined with a very prudent, conservative and well-diversified, high quality investment portfolio. IWIF's investment strategy has been to astutely manage assets for the duration of our liabilities and income generation.

IWIF's assets and investment portfolio totals \$1.68 billion. The investment portfolio currently consists of 88 percent in high-quality investment grade bonds, 10 percent in cash equivalent investments and 2 percent in equities.

IWIF has a sound reinsurance program in place with A-rated reinsurers protecting not only IWIF capital but also our policyholders against catastrophic loss.



Our rock solid financial standing and our long history of successfully navigating through different business cycles are proof that IWIF will be here today and tomorrow—serving our customers' needs.

Paige Beck,  
Executive Vice President,  
Chief Financial Officer

I want my insurance company to value my business—to value me as a customer.

IWIF's focus continues to be on providing our customers with responsive service in every aspect of our insurance relationship with you. We are Maryland's expert when it comes to workers' comp insurance.

In our most recent Customer Satisfaction Survey of 300 randomly selected policyholders, 87 percent said they were satisfied with IWIF. Policyholders overall said they were satisfied with IWIF because (1) we are knowledgeable and professional; (2) we are easy to work with; and (3) they haven't experienced any problems with us. Similarly, Maryland's largest 100 commercial insurance agents give us a 91 percent overall satisfaction rating.

We are an insurance organization committed to continuous learning for our employees. Last year, our Human Resources team created the "IWIF University" to give employees the opportunity to pursue professional designations onsite, including certifications offered by the American Institute of Chartered Property and Casualty Underwriters (CPCU). Our expertise helps ensure quality customer service.

IWIF's Core Values, which are shared by all of us—employees and management alike—are Integrity, Teamwork, Excellence, Accountability, and Moving Forward (through innovation). These Core Values are the underpinnings of our successful corporate culture.



The way a company treats its customers can make or break that precious relationship a company has with its customers. We want you to know we appreciate you. How can we do more to help?

Donna Wilson, Senior Vice President, Communications,  
Customer Service and Strategic Planning

# I want an insurance leader working in Annapolis to improve comp for all stakeholders.

Since our founding in 1914 as the “insurance cornerstone” serving both the guaranteed and competitive workers’ compensation insurance markets, IWIF has been there to provide information to the Maryland State legislature.

Our executive team maintains a visible and active role in providing expert opinion and supplying information in Annapolis relating to various workers’ compensation issues. As Maryland’s leading writer for workers’ compensation insurance, we are able to take a position on topics that seek to improve the overall workers’ compensation system for both employers and injured workers.

Providing fact-based, accurate and proactive information to the legislative decision makers provides real value for our policyholders in knowing their insurance partner is looking out for their best interests. IWIF’s legacy as an insurance leader in Annapolis has greatly benefited Maryland employers and the Maryland economy.

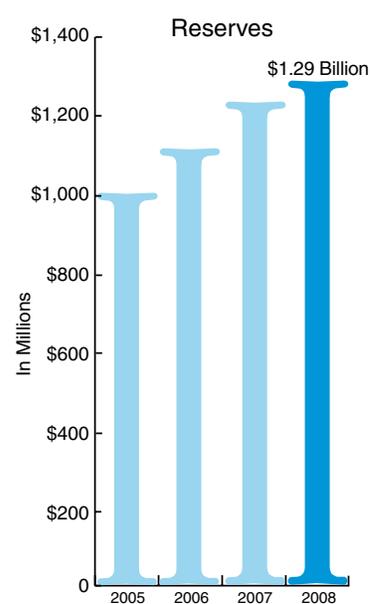
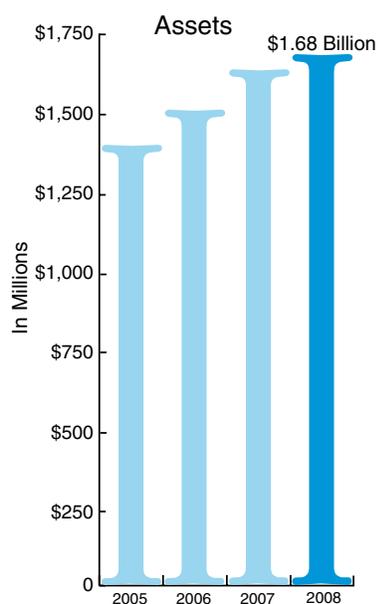
**As the largest writer of workers’ compensation insurance in Maryland, we are in a leadership position to provide information and input on a number of issues affecting our stakeholders.**

Dennis Carroll, Executive Vice President, General Counsel



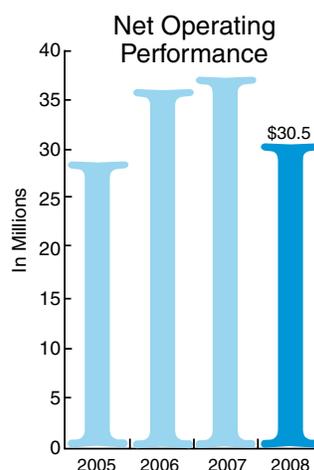
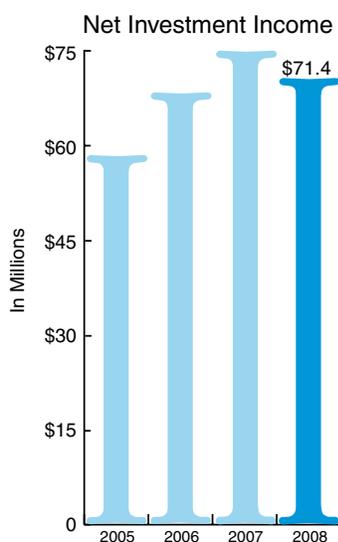
## IWIF Financial Highlights at a Glance

	Years Ended December 31	
	2008	2007
Premiums earned	\$ 244,314,656	\$ 290,824,333
Net investment income	\$ 71,389,013	\$ 75,798,301
Loss & loss adjustment expenses incurred	\$ 234,549,453	\$ 273,925,557
Underwriting loss	\$ (38,309,720)	\$ (33,031,234)
Dividends paid to policyholders	\$ 2,555,733	\$ 5,323,190
Total assets	\$ 1,679,857,685	\$ 1,637,907,117
Total surplus	\$ 269,530,831	\$ 250,301,507
Loss/LAE ratio	97.0%	96.0%
Expense ratio	18.6%	15.9%
Combined ratio	115.6%	111.9%



## Statements of Operations Statutory-Basis

	Years Ended December 31	
	<b>2008</b>	2007
Underwriting income		
Net premiums earned.....	<b>\$ 244,314,656</b>	\$ 290,824,333
Losses incurred.....	<b>208,478,126</b>	244,853,856
Loss adjustment expenses incurred .....	<b>26,071,327</b>	29,071,701
Commissions.....	<b>20,288,720</b>	23,034,801
Other underwriting expenses.....	<b>22,312,527</b>	20,967,160
Provision for bad debt .....	<b>5,473,677</b>	5,928,050
Underwriting loss.....	<b>(38,309,721)</b>	(33,031,234)
Net investment income .....	<b>71,389,913</b>	75,798,301
Net realized (loss) gain on sale of investments.....	<b>(8,908,192)</b>	10,422,648
Net investment gain .....	<b>62,481,720</b>	86,220,949
Other income.....	<b>601,237</b>	613,508
Dividends to policyholders.....	<b>(2,555,733)</b>	(5,323,190)
Net income .....	<b>\$ 22,217,504</b>	\$ 48,480,033



The 2008 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 14 relate to the "Yellow Book" schedules. A complete set of audited financial statements, with the unqualified opinion and complete set of footnotes, may be obtained upon request.



February 26, 2009

## STATEMENT OF ACTUARIAL OPINION

### Injured Workers' Insurance Fund

#### Identification

I, Jan A. Lommele, am a Principal with the firm of Deloitte Consulting LLP, which is affiliated with Deloitte & Touche 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 a Fellow of the Casualty Actuarial Society. Through the contract dated June 23, 1997 and the approval of the Board of Directors, Deloitte Consulting LLP has been retained by the Injured Workers' Insurance Fund (IWIF) to perform actuarial services including my rendering of this opinion.

#### 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, 2008. 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 my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by Ms. Paige Beck, Executive Vice President of IWIF. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P - Part 1 of IWIF's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used 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 actuarial 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.

## Relevant Comments

### A. Risk of Material Adverse Deviation

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

With respect to this Statement of Actuarial Opinion, the amount of adverse deviation that I consider to be material is \$53,906,166. My basis for determining this amount is 20% of surplus which is an amount that would represent a reasonable upward fluctuation in reserves from those carried by IWIF that I would consider material. My selection of materiality standard was driven by the fact that this Opinion is prepared for regulatory purposes. Other measures of materiality might be used for reserves that are being evaluated in a different context.

The size of IWIF's loss and loss adjustment expense reserves relative to its surplus is relatively large compared to industry norms. Therefore, there is more than a remote possibility that adverse fluctuations of actual versus expected liabilities will be material. For this reason, I believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and loss adjustment expense reserves. Other major factors underlying the risks and uncertainties which could result in material adverse deviation include, but are not necessarily limited to:

- The nature of the coverage written, which is limited to one line of business (workers' compensation) in one state (Maryland);
- Changes in medical inflation rates;
- Changes in claims-handling procedures increasing the difficulty to estimate ultimate losses;
- Retention of key personnel required to efficiently settle claims;
- Significant growth of business in recent years;
- Discounting of the tabular unpaid losses for workers' compensation; and
- The collectability of ceded reinsurance if losses emerge toward the high-end of a range of reasonableness.

### B. 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 13 months or greater which are non-cancelable and not subject to premium increase (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts).

### C. Other Disclosures in Exhibit B

#### Discounting, Item 4.

IWIF discounts liabilities for unpaid losses associated with both cases 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 2004 National Vital Statistics United States Life Tables Volume 56, Number 9. The discount rate selected by IWIF management is 3.25%. The amount of tabular discount is \$85,824,703. I am not expressing an opinion on the appropriateness of the interest rate or mortality tables chosen. The total discount of \$85,824,703 represents approximately 32% of IWIF's stated surplus.

**Underwriting Pools or Associations, Item 5.**

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

**Asbestos Exposures and Environmental Exposures, Item 6.**

I have reviewed IWIF's exposure to asbestos and environmental claims. IWIF currently carries \$523,784 of net reserves for loss and loss adjustment expenses, 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.

**D. 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 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.

**E. NAIC IRIS Tests**

I reviewed the results of the following three NAIC IRIS Tests: One-Year Reserve Development, Two-Year Reserve Development and Estimated Current Reserve Deficiency to Surplus, as calculated by IWIF's management. No exceptional values were calculated for these tests.

**F. September 11, 2001 Terrorist Attack Losses**

I reviewed IWIF's exposures to terrorist attack losses. No claims have been presented to date. The risk of significant liabilities as of December 31, 2008 arising from terrorist attack losses is remote, given the nature of the coverages provided by IWIF and prevailing coverage interpretations.

**G. 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.



Jan A. Lommele, FCAS, MAAA, FCA  
Deloitte Consulting LLP  
City Place 33rd Floor, 185 Asylum Street  
Hartford CT 06103-3402  
(860)-725-3050  
February 26, 2009



2008 Statement of Actuarial Opinion  
Injured Workers' Insurance Fund

Exhibit A: SCOPE

<b>Loss Reserves:</b>	<b>Amount</b>
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Line 1) .....	\$1,201,032,000
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Line 3) .....	\$85,788,000
<b>Total Net Loss and Loss Adjustment Expenses Reserves.....</b>	<b>\$1,286,820,000</b>
3. Reserve of Unpaid Losses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 13 and 15).....	\$1,220,051,000
4. Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 17, 19 and 21).....	\$85,788,000
<b>Total Gross Loss and Loss Adjustment Expense Reserves.....</b>	<b>\$1,305,839,000</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

2008 Statement of Actuarial Opinion  
Injured Workers' Insurance Fund  
Exhibit B: DISCLOSURES

Item:	Amount
1) Name of Appointed Actuary:	Lommele, Jan A.
2) The Appointed Actuary's Relationship to the Company:	C ( <i>Consultant</i> )
3) The Appointed Actuary is a Qualified Actuary based upon what qualifications:	F ( <i>FCAS</i> )
4) Type of Opinion, as identified in the Opinion Paragraph:	R ( <i>Reasonable</i> )
5) Materiality Standard expressed in \$US (used to answer question #6):	\$53,906,166
6) Is there a Significant Risk of Material Adverse Deviation:	Yes
7) Statutory Surplus .....	\$269,530,831
8) Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P:.....	\$13,372,000
9) Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P:	
9. (a) Nontabular Discount.....	\$0
9. (b) Tabular Discount.....	\$85,824,703
10) The net reserves for losses and expenses for IWIF'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 IWIF carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expense lines.	
11. (a) Asbestos, as disclosed in the Notes to Financial Statements.....	\$523,784
11. (b) Environmental, as disclosed in the Notes to Financial Statements .....	\$0
12) The total claims made extended loss and expense reserve (Schedule P Interrogatories)	
12. (a) Amount reported as loss reserve .....	\$0
12. (b) Amount reported as unearned premium reserves .....	\$0
13) Other items on which the Appointed Actuary is providing Relevant Comments.....	\$0

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### Our Mission

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.

# The 372 Dedicated Professionals with

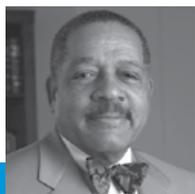
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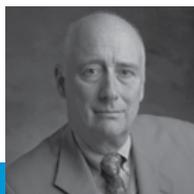
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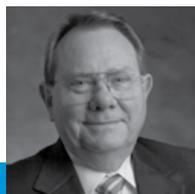
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