

Optimism

at



IWIF Workers'
Compensation
Insurance
2010 ANNUAL REPORT

88% 3.3 4.9%

of IWIF policyholders reported no workplace injuries in 2010

rate of injury cases per 100 full-time workers in Maryland in 2009. This injury rate is one of the five lowest in the U.S.

drop in the number of First Reports of Injury in 2010

Safety

Maryland & IWIF Workers' Comp Snapshot Numbers

90% 88% 4,066

policyholder retention rate in 2010

of IWIF's premium is represented by our agent partners

policyholders received IWIF Loss Control training consultations in 2010

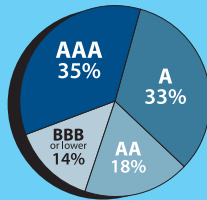
Partnership

96 96% 86%

years of rock solid uninterrupted insurance coverage for Maryland employers and their employees

of IWIF's total investment portfolio consists of high-quality investment grade bonds

of IWIF's bond investments are rated A or higher



Strength

23% 21,000 9TH

market share in Maryland, which continues to make IWIF the #1 workers' comp company in the state

Maryland businesses insure with IWIF

Maryland ranks lowest in the nation for overall workers' comp premium rates

Expertise

76% 13,300 16

of IWIF policyholders are small employers and pay less than \$5,000 in annual premium

IWIF policyholders qualify for their own e-mod premium savings discount

associations and safety group programs whose members qualify for additional policyholder discounts with IWIF

Savings

91% 18% 1,470

overall customer satisfaction rating as reported in our annual policyholder survey - the highest in the 13 years of our customer survey.

increase in subrogation (3rd party) recoveries in 2010

claims settled despite recent Workers' Compensation Commission law changes

Responsive

Balance Sheet Statutory - Basis

	As of December 31 2010	2009
Admitted Assets		
Bonds	\$ 1,172,255,921	\$ 1,255,372,817
Preferred stock.....	—	1,291,000
Common stock	57,004,764	48,595,547
Real estate, occupied by IWIF	10,128,667	10,363,239
Cash and short-term investments	379,982,307	286,977,558
Other invested assets	10,487,396	2,915,617
Total cash and invested assets	1,629,859,055	1,605,515,778
Accrued interest on investments	11,064,226	11,897,312
Premiums receivable.....	56,247,648	55,507,406
Securities lending reinvested collateral assets.....	43,389,625	—
Receivables under reinsurance contracts	2,102,201	1,924,245
Other assets	9,598,285	8,215,546
Total admitted assets	\$ 1,752,261,040	<u>\$ 1,683,060,287</u>
Liabilities and Surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 1,307,070,000	\$ 1,298,070,000
Accounts payable and accrued expenses.....	9,664,005	8,945,029
Unearned premiums.....	80,170,912	82,209,728
Payable for securities lending.....	43,389,625	—
Other liabilities	5,175,097	6,285,855
Total liabilities.....	1,445,469,639	<u>1,395,510,612</u>
Total surplus	306,791,401	287,549,675
Total liabilities and surplus	\$ 1,752,261,040	<u>\$ 1,683,060,287</u>



Tom Phelan

President,
Chief Executive Officer

At the close of business in 2010, there were encouraging signs to suggest that the economy may be starting to rebound. After a couple years of decline, our annual premium has stabilized. Additionally, the frequency of workplace accidents continued to decline in 2010. These are positive indicators for the future.

This information is even more heartening when combined with the good news (provided in our annual customer satisfaction survey) that the majority of our policyholders expect their revenue/profitability to remain static or improve in 2011. With the prospect of better times ahead, IWIF is embracing the future. We hope to capture that feeling in this annual report, which is titled "Optimism at Work."

Last year, we adopted a comprehensive approach to managing medical costs.

- In concert with our Doctors' Council, a group of leading occupational medical providers, we have enhanced the care for injured workers. This includes more frequent discussions with those providing medical care; negotiating discounts for immediate payment of medical invoices; and volume discounts for pharmaceutical and durable equipment.
- IWIF is among the first insurers to fully comprehend the new Medicare requirements and develop compliant processes that facilitate case settlements for the benefit of all parties.
- We continued a major push on the use of electronic data interchange between medical providers and IWIF to eliminate inefficiency and reduce costs.

These initiatives, and many more in the claims arena, have produced added savings for you.

Our partnership with insurance agents and brokers is a key to our success. This year's dominant theme was "ease of doing business." To that end, the IWIF team created or refined a number of software programs for the electronic flow of information, ease of quoting new and renewal business and sharing business intelligence. In recognition of these efforts, IWIF received an award from Applied Systems, the leader in technology solutions for insurance agents, for advancing the business of insurance. I am excited to announce that our marketing team added a deductible product to meet the needs of larger accounts; and we also expanded our association (safety group) program. We offer our agents accredited continuing education programs that assist them with licensing standards. The bottom line is that the agents helped our insurance operations team achieve almost 90% retention of accounts.

While I am pleased with the innovations we continue to implement, we never lose sight of our longstanding mission to champion workplace safety. IWIF has a large, dedicated loss control staff that provides free safety training to policyholders. Their services range from individual instructions for a risk manager to "toolbox talks" with all staff members. One of our specialties is helping policyholders develop a "Return-to-Work" program for injured workers. These tailored programs assist the worker and employer in reducing the human and financial costs of workplace accidents.



Senior Management Team

I encourage you to take advantage of IWIF’s “Safety University.” Our library/university offers educational videos on industry topics, safety posters, tip sheets, and award-winning educational flip-books for non-English speaking Hispanic workers – all free of charge. Most of these can be downloaded or accessed by mobile media, and are included in our redesigned website.

On a broader spectrum, IWIF recognizes the direct correlation among safety, health, wellness and workplace productivity. In 2010, we launched the first annual Workplace Health and Wellness Symposium, which featured nationally renowned and local health experts discussing pertinent topics. The symposium was offered free of charge to all Maryland businesses, with almost 250 attendees, and was underwritten by an impressive list of corporate sponsors.

On behalf of IWIF’s Board of Directors and all IWIF employees, I want to extend our thanks to you for the confidence and trust you display when you place your workers’ compensation business with us. We will never take that for granted. To earn your continued support, we are committed to delivering the best possible service in a timely, efficient, and economical manner.

In closing, I want to recognize the efforts of my coworkers. It is through their efforts that we have achieved and maintained the status of Maryland’s leading writer of workers’ compensation insurance. My “optimism” going forward is based on the confidence that I have in our staff. That confidence is well placed based upon results from our latest customer service survey, referenced earlier in this letter, which indicate that you graded our customer service as “world class.”

This annual report is dedicated to your resilience, innovation and investment in safety that we discover as we work alongside with you. Together we will make Maryland the best possible state in which to work.

With appreciation for your business,

Thomas J. Phelan, CPA
President and CEO

- Seated L-R*
- Rona Finkelstein, Esq.,**
Senior Vice President,
Legal Services and
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*
- Paulette Lundy,**
Vice President,
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 - 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,
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 - Robert Merritt, CFA,**
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Chief Investment Officer
 - Tim Michels, Esq.,**
Executive Vice President,
Claims Services
 - Kama Kolbe,**
Vice President, Underwriting
and Loss Control
 - Robert Marshall,**
Vice President,
Chief Technology Officer
 - Elbert Danquah,**
Vice President, Internal Audit

IWIF Financial Highlights at a Glance

	Years Ended December 31	
	2010	2009
Premiums earned.....	\$ 168,859,162	\$ 182,624,617
Net investment income	\$ 53,190,630	\$ 61,394,381
Loss & loss adjustment expenses incurred	\$ 186,171,791	\$ 202,751,866
Underwriting loss.....	\$ (53,011,282)	\$ (57,081,834)
Dividends paid to policyholders	\$ 869,353	\$ 2,037,107
Total assets	\$ 1,752,261,040	\$ 1,683,060,287
Total surplus.....	\$ 306,791,401	\$ 287,549,675
Loss/LAE ratio	110.3%	111.0%
Expense ratio.....	21.9%	23.2%
Combined ratio.....	132.2%	134.2%

Statement of Operations, Statutory - Basis

	Years Ended December 31	
	2010	2009
Underwriting income:		
Net premiums earned.....	\$ 168,859,162	\$ 182,624,617
Losses incurred.....	161,513,346	178,285,665
Loss adjustment expenses incurred	24,658,445	24,466,201
Commissions.....	15,393,303	15,643,908
Other underwriting expenses, net.....	18,831,543	19,482,609
Provision for bad debt	1,473,807	1,828,068
Underwriting loss.....	(53,011,282)	(57,081,834)
Net investment income	53,190,630	61,394,381
Net realized gain (loss) on investments ...	11,945,981	8,941,400
Net investment gain	65,136,611	70,335,781
Other income.....	752,942	869,381
Dividends to policyholders.....	(869,353)	(2,037,107)
Net income	\$ 12,008,918	\$ 12,086,221



The 2010 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 11 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.