

Chesapeake Employers' Insurance Company

Audited Statutory-Basis Financial Statements and Supplementary Information

*Years ended December 31, 2023 and 2022
with Report of Independent Auditors*

Chesapeake Employers' Insurance Company

Audited Statutory-Basis Financial Statements
and Supplementary Information

Years ended December 31, 2023 and 2022

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Report of Independent Auditors

Board of Directors
Chesapeake Employers' Insurance Company

Opinions

We have audited the statutory financial statements of Chesapeake Employers' Insurance Company (Chesapeake), which comprise the statutory-basis balance sheets as of December 31, 2023 and 2022, and the related statutory-basis statements of income, changes in surplus and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities, and surplus of Chesapeake as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Chesapeake as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, Chesapeake prepared these financial statements using accounting practices prescribed or permitted by the Maryland Insurance Administration, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Maryland Insurance Administration. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chesapeake's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Supplemental Investment Risks Interrogatories, Summary Investment Schedule and Reinsurance Summary Supplemental Filing of Chesapeake as of December 31, 2023, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Maryland Insurance Administration. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 30, 2024

Chesapeake Employers' Insurance Company

Statutory-Basis Balance Sheets

	As of December 31,	
	2023	2022
Admitted Assets		
Bonds	\$ 1,974,508,300	\$ 1,985,144,233
Preferred stock	9,633,566	7,242,636
Common stock	198,576,884	165,334,533
Real estate occupied by Chesapeake, net	7,046,094	7,283,216
Cash, cash equivalents and short-term investments	50,329,671	53,103,400
Other invested assets	146,041,247	131,998,349
Receivable for securities	842,957	582,271
Total cash and invested assets	2,386,978,719	2,350,688,638
Accrued investment income	15,986,006	14,894,657
Uncollected premiums and agents' balances in the course of collection	17,111,908	12,791,035
Deferred premiums	42,605,045	42,704,933
Funds held by or deposited with reinsured companies	1,224,438	1,224,438
Amounts recoverable from reinsurers	-	124,258
Net deferred tax asset	20,955,079	20,669,963
Electronic data processing equipment, net	629,296	796,433
Due from affiliate	13,585,997	13,383,105
Current federal income taxes recoverable	16,270,474	-
Other assets	-	925,237
Total admitted assets	<u>\$ 2,515,346,962</u>	<u>\$ 2,458,202,697</u>
Liabilities and Surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses, net	\$ 953,209,000	\$ 1,036,688,000
Accounts payable and accrued expenses	22,504,392	22,229,814
Current federal income taxes	-	4,909,592
Borrowed money and accrued interest	146,799,399	140,621,462
Unearned premiums	66,827,743	70,788,195
Policyholder dividends payable	85,748,804	35,910,302
Funds held by Chesapeake under reinsurance treaties	285,000	202,000
Advance payments from policyholders	3,962,396	5,159,026
Provision for reinsurance	21,000	-
Payable for securities	1,837,987	1,571,979
Total liabilities	<u>1,281,195,721</u>	<u>1,318,080,370</u>
Surplus:		
Appropriated for subsidiaries	35,000,000	35,000,000
Unappropriated	1,199,151,241	1,105,122,327
Total surplus	<u>1,234,151,241</u>	<u>1,140,122,327</u>
Total liabilities and surplus	<u>\$ 2,515,346,962</u>	<u>\$ 2,458,202,697</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Chesapeake Employers' Insurance Company

Statutory-Basis Statements of Income

	Years ended December 31,	
	<u>2023</u>	<u>2022</u>
Underwriting income:		
Net premiums earned	\$ 191,779,333	\$ 180,653,713
Losses incurred, net	11,978,131	31,662,058
Loss adjustment expenses incurred, net	41,266,371	55,921,001
Commissions	24,758,428	23,109,147
Other underwriting expenses, net	40,471,166	40,096,644
Provision for bad debt	<u>5,499,157</u>	<u>2,007,654</u>
Underwriting income	67,806,080	27,857,209
Net investment income	72,920,788	58,438,017
Net realized loss on investments	<u>(4,248,162)</u>	<u>(1,215,628)</u>
Net investment gain	68,672,626	57,222,389
Other income	473,511	1,334,433
Dividends to policyholders	<u>(65,028,671)</u>	<u>(15,330,177)</u>
Total other loss	(64,555,160)	(13,995,744)
Income before federal income taxes	71,923,546	71,083,854
Federal income tax expense	<u>10,944,934</u>	<u>9,609,592</u>
Net income	<u>\$ 60,978,612</u>	<u>\$ 61,474,262</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Chesapeake Employers' Insurance Company

Statutory-Basis Statements of Changes in Surplus

	Years ended December 31,	
	<u>2023</u>	<u>2022</u>
Surplus at beginning of year	\$ 1,140,122,327	\$ 1,137,532,044
Net income	60,978,612	61,474,262
Change in net deferred income tax	(3,292,785)	34,288,202
Change in net unrealized investment gains (losses) net of capital gains tax of \$7,329,697 and (\$3,274,394) in 2023 and 2022, respectively	27,608,144	(73,403,305)
Change in nonadmitted assets	8,755,943	(20,307,876)
Change in provision for reinsurance	<u>(21,000)</u>	<u>539,000</u>
Surplus at end of year	<u><u>\$ 1,234,151,241</u></u>	<u><u>\$ 1,140,122,327</u></u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Chesapeake Employers' Insurance Company

Statutory-Basis Statements of Cash Flows

	Years ended December 31,	
	2023	2022
Cash from operations		
Premiums collected	\$ 178,607,523	\$ 170,871,826
Loss and loss adjustment expenses paid, net of subrogation received	(136,599,245)	(142,851,266)
Policyholder dividends paid	(15,190,169)	(13,640,945)
Underwriting expenses paid	(60,005,602)	(50,670,123)
Other losses	(4,977,464)	(389,703)
Federal income taxes paid	(32,125,027)	(4,700,000)
Investment income received, net of investment expenses paid	<u>76,964,951</u>	<u>63,525,930</u>
Net cash provided by operations	<u>6,674,967</u>	<u>22,145,719</u>
Cash from investing activities		
Proceeds from investments sold, matured or repaid:		
Bonds	497,535,371	521,450,733
Stocks	33,867,697	38,750,761
Other invested assets	11,835,206	7,131,819
Net gains on cash, cash equivalents and short-term investments	220,040	123,219
Miscellaneous proceeds	<u>5,015,106</u>	<u>2,089,203</u>
Total investment proceeds	<u>548,473,420</u>	<u>569,545,735</u>
Cost of investments acquired (long-term only):		
Bonds	472,527,477	522,321,715
Stocks	54,376,678	61,085,703
Other invested assets	29,552,205	31,718,406
Miscellaneous applications	<u>5,009,759</u>	<u>2,910,907</u>
Total investments acquired	<u>561,466,119</u>	<u>618,036,731</u>
Net cash used in investments	<u>(12,992,699)</u>	<u>(48,490,996)</u>
Cash from financing and miscellaneous activities		
Miscellaneous applications	(2,455,997)	(6,318,304)
Borrowing from FHLB	<u>6,000,000</u>	<u>-</u>
Net cash provided by (used in) financing and miscellaneous activities	<u>3,544,003</u>	<u>(6,318,304)</u>
Net decrease in cash and short-term investments	(2,773,729)	(32,663,581)
Cash, cash equivalents and short-term investments at beginning of year	<u>53,103,400</u>	<u>85,766,981</u>
Cash, cash equivalents and short-term investments at end of year	<u>\$ 50,329,671</u>	<u>\$ 53,103,400</u>

The accompanying notes are an integral part of these statutory-basis financial statements.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements

Years ended December 31, 2023 and 2022

1. Organization and Purpose

The Chesapeake Employers' Insurance Company (Chesapeake) was established as an insurer to provide workers' compensation insurance to Maryland employers under the Workers' Compensation Law enacted in 1914 under the name of the State Accident Fund, which was changed to Injured Workers' Insurance Fund (IWIF) in 1990. In April 2012, Maryland Senate Bill 745 (the Bill) was approved by the Maryland General Assembly, restructuring IWIF into a new company, Chesapeake Employers' Insurance Company (Chesapeake). On October 1, 2013, all insurance operations were transferred from IWIF to Chesapeake, a non-profit, non-stock corporation. Prior to 2020, the Board of Directors was appointed by the governor of the State of Maryland. The Board of Directors is comprised of nine members who appoint a Chief Executive Officer to assist them in operating and administering Chesapeake. Beginning in 2020, the Chesapeake Board of Directors election process began transitioning to policyholder election, which was completed in June 2022. Effective July 1, 2022, Chesapeake became a taxable entity for federal income tax purposes. Prior to June 30, 2022, Chesapeake was exempt from federal income taxes under 501(c)(27) of the Internal Revenue Code (the Code).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying statutory-basis financial statements have been prepared on the basis of accounting prescribed or permitted by the Maryland Insurance Administration (MIA). The MIA requires that insurance companies domiciled in the State of Maryland prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Statements of Statutory Accounting Principles (SSAP), subject to any deviations prescribed or permitted by the MIA. There are no differences from NAIC statutory accounting practices reflected in these financial statements.

The preparation of financial statements in conformity with SSAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

SSAP varies from accounting principles generally accepted in the United States (GAAP). The more significant variances from GAAP are as follows:

- For statutory purposes, bonds are generally recorded at amortized cost or fair value based on the rating received from the NAIC. For GAAP, bonds classified as "available-for-sale" are recorded at fair value, with unrealized gains and losses recorded as a separate component of accumulated other comprehensive income, net of tax. Effective in 2023, the impairment/credit loss model is different for statutory and GAAP purposes.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

- Under SSAP, unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes. Under GAAP, unrealized gains and losses on equity securities are reported directly in net income.
- Under SSAP, majority owned subsidiaries are accounted for using the equity method or are considered non-admitted assets. Under GAAP these entities would be consolidated.
- Investments in convertible bonds are carried at amortized cost in accordance with valuation criteria established by the NAIC. Under GAAP, convertible bonds are carried as investments available for sale and in accordance with accounting standards for accounting for derivative instruments and hedging activities, the conversion feature is bifurcated from the debt host security and recorded at fair value. Under GAAP, the changes in the fair value of the conversion feature are included in the statement of income.
- Agent commissions and other acquisition costs are expensed as incurred under SSAP instead of being deferred and amortized over the terms of the related policy contracts proportionally to the premiums earned, as required under GAAP.
- Reserves for losses and loss adjustment expenses as well as unearned premiums ceded to reinsurers have been reported as reductions to the related reserves rather than as assets, as would be required under GAAP. Effective in 2023, the impairment/credit loss model is different for statutory and GAAP purposes.
- Statutory reserves for unauthorized reinsurance in excess of collateral obtained from such unauthorized reinsurers and for overdue authorized reinsurance are carried as liabilities and charged directly to surplus; under GAAP, such reserves are restored to surplus and a reserve for uncollectible reinsurance is provided through earnings, if necessary.
- Nonadmitted assets, principally receivables over 90 days past due, furniture and equipment, non-operating system software, certain deferred tax assets, and prepaid expenses, are excluded from the statutory-basis balance sheets. Changes in nonadmitted asset balances are charged directly to surplus. Under GAAP, such assets are recorded at historical cost or net realizable value net of appropriate valuation allowances.
- Investment income and expense for real estate occupied by Chesapeake are recorded in the statement of income and would not be included as such under GAAP.
- The statutory statement of cash flows does not classify cash flow consistent with GAAP, and a reconciliation of net income to net cash provided by operating activity is not included.
- Under SSAP, changes in deferred income taxes relating to temporary differences between net income for financial reporting purposes and taxable income are recognized as a separate component of gains and losses in surplus rather than included in income tax expense or benefit as would be required under GAAP.
- Under SSAP, net deferred income taxes are admitted following the application of certain criteria under SSAP No. 101, *Income Taxes*.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

The effect of the differences between SSAP and GAAP on the accompanying financial statements has not been determined but is presumed to be material.

Subsequent Events

Chesapeake has performed an evaluation of subsequent events through May 30, 2024, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Income Taxes

As noted above, Chesapeake was exempt from the payment of income taxes on its exempt activities under Section 501(c)(27) of the Internal Revenue Code through June 30, 2022. However, Chesapeake was still subject to taxes on its unrelated business activities. Management has concluded that Chesapeake has maintained its exempt status through June 30, 2022. Chesapeake does not have any uncertain tax positions that are material to the financial statements as of December 31, 2023 and 2022. Effective July 1, 2022, Chesapeake is taxed at the corporate level applying rules applicable to property and casualty insurance companies.

Deferred Taxes

Deferred taxes represent income taxes on income and expenses included in the financial statements, which will not be reported as taxable income or expenses until future periods. Deferred tax asset and liability amounts are recognized for future tax benefits and liabilities attributable to differences between the financial statement carrying amount and the carrying amount for tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. Changes in deferred taxes are reported as a separate component of unassigned funds (surplus). The admitted portion of deferred tax assets is based on a formula prescribed by the NAIC.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Investments

Chesapeake invests in various investment instruments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statutory-basis financial statements. Bonds are generally carried at amortized cost using the interest method to amortize purchase discounts or premiums, except for NAIC class 3 through class 6 securities, which are carried at the lower of amortized cost or fair value. Prepayment assumptions for asset-backed or loan-backed bonds are obtained from dealer surveys and are based on the current interest rate and economic environment. The prospective yield method is used to account for significant changes in estimated cash flows from the original purchase assumptions. Common stocks and perpetual preferred stocks are carried at fair value with the net unrealized gain or loss included in surplus. Redeemable preferred stocks, rated highest or high quality (NAIC designation 1 or 2), are carried at amortized cost. Redeemable preferred stocks with NAIC designation 3 through 6 are carried at the lower of cost, amortized cost or fair value. Mandatory convertible preferred stocks (regardless if the preferred stock is redeemable or perpetual) are reported at fair value, not to exceed any currently effective call price, in the periods prior to conversion.

In 2023 and 2022, other invested assets consisted of investments in real estate investment trusts, limited partnerships, and a subsidiary controlled affiliate. For the valuation of real estate investment trusts and limited partnerships, Chesapeake values the holdings using GAAP basis equity of the trust or partnership. For the subsidiary controlled affiliate investment, the value is stated at GAAP equity value, adjusted to a statutory-basis of accounting, in accordance with SSAP No. 97, *Investments in Subsidiaries, Controlled and Affiliated Entities*. Chesapeake considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment.

Other-Than-Temporary Impairment of Investments

Management periodically evaluates whether any declines in the fair value of investments are other-than-temporary. This evaluation considers several factors, including but not limited to length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the fair value of a security; and the intent and ability of Chesapeake to hold the security until the market value recovers. Declines in fair value below cost that are deemed to be other-than-temporary are recorded as realized losses and are included in investment income as realized losses in the statements of income.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Other-Than-Temporary Impairment of Investments (continued)

The recognition, measurement and presentation standards for other-than-temporary impairments (OTTI) for loan-backed and structured securities are recorded in accordance with SSAP No. 43R, *Loan-backed and Structured Securities* (SSAP 43R). Under SSAP 43R, with respect to an investment in an impaired loan-backed or structured security, OTTI occurs if Chesapeake (a) intends to sell the security, (b) has an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis, or (c) the present value of cash flows expected to be collected is less than the amortized cost basis of the security.

If Chesapeake intends to sell the security, or does not have the intent and ability to retain the security for a period of time sufficient to recover the amortized cost basis, a loss in the entire amount of the difference between the security's carrying value and its fair value at the balance sheet date is reflected in net investment gain in the income statement.

For asset-backed or loan-backed bonds, if Chesapeake determines that it is probable it will be unable to collect all amounts or the present value of cash flows expected to be collected is less than the amortized cost basis of the security and Chesapeake has no intent to sell the debt security and has the intent and ability to hold, a credit loss is recognized in net investment gain in the income statement to the extent that the present value of expected cash flows is less than the amortized cost basis; any difference between fair value and the new amortized cost basis is reflected as an unrealized loss.

Investment Fair Value Measurement

SSAP No. 100 - Revised, *Fair Value Measurements* (SSAP 100) defines fair value, establishes a framework and hierarchy for measuring fair value, and requires disclosures about fair value measurements. SSAP 100 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Investment Fair Value Measurement (continued)

The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that Chesapeake has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, Chesapeake estimates fair value using methods, models and assumptions that management believes relevant to the particular asset or liability. This process may include the use of unobservable inputs in discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

Premiums Receivable

Premiums receivable represent amounts currently due from insureds, with provision made for accounts considered uncollectible or nonadmitted in accordance with SSAP. Chesapeake routinely assesses the collectibility of premiums receivable, and any uncollectible receivable is written off in the period the determination is made. As of December 31, 2023 and December 31, 2022, the allowance for uncollectible premiums receivable was \$3,727,758 and \$3,102,758, respectively.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Deferred Premiums

Deferred premiums consist of unbilled premiums that represent installment premiums not yet due as well as earned but unbilled (EBUB). As of December 31, 2023 and December 31, 2022, the unbilled premiums was \$31,421,771 and \$33,396,659, respectively. As of December 31, 2023 and December 31, 2022, the EBUB was \$11,183,274 and \$9,308,274, respectively. Chesapeake conducts audits on its policyholders annually to determine the actual premium incurred for the term. EBUB premiums are adjustments to premium for payroll growth, industry mix and other economic factors. Chesapeake estimates EBUB based on historical patterns reflective of the policy mix as of December 31.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consists of bank deposits, commercial paper and money market funds. Short-term investments include fixed maturity securities with maturity dates of one year or less from the date of purchase. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by federal law. Chesapeake may hold funds with financial institutions in excess of the FDIC insured amount. However, Chesapeake has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Loss and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses (LAE) includes case basis estimates of reported losses, plus supplemental reserves for incurred but not reported losses (IBNR) calculated based upon loss projections utilizing certain actuarial assumptions and studies of historical loss experience and industry statistics. Chesapeake discounts future lifetime compensation indemnity claims using a 2.90% interest rate in 2023 and 2022. Chesapeake uses an actuarial analysis in determining estimates for unpaid losses. The actuary employs accepted methodologies such as the incurred and paid loss development methods, expected loss ratios and the Bornhuetter-Ferguson method in devising projected estimates for ultimate incurred losses, also taking into account prior period development to identify trends for evaluating adequacy of the provision. Management believes that its aggregate liability for unpaid losses and LAE at December 31, 2023 represents its best estimate of the amount necessary to cover the ultimate cost of losses based upon an actuarial analysis prepared by a consulting actuary. However, because of future events beyond the control of management, such as changes in approved benefit rates, changes in law, judicial interpretations of law and medical inflation, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Equipment and Software

Equipment consists of electronic data processing (EDP) equipment. EDP equipment and software are recorded at cost net of accumulated depreciation and is depreciated on a straight-line basis over three years. Non-operating system software is recorded as a non-admitted asset in accordance with SSAP.

Real Estate

Chesapeake has recorded its real estate occupied by Chesapeake at depreciated cost. Chesapeake's real estate, excluding land, is depreciated on a straight-line basis over a period of forty years.

Premiums and Unearned Premiums

Premiums are recognized as revenue ratably over the contract period. Unearned premiums represent the portion of premium that is applicable to the unexpired terms on policies in force at the balance sheet date.

Premium Deficiency Reserves

Chesapeake establishes premium deficiency reserves, when required, for the amount by which anticipated future benefit costs and contract maintenance costs under a group of existing contracts will exceed unearned premiums and reinsurance recoveries on those contracts. Such reserves are continually monitored and reviewed, and any changes in estimates are reflected in current operations. Chesapeake anticipates investment income as a factor in its premium deficiency reserve calculation. For the years ended December 31, 2023 and 2022, Chesapeake did not record a premium deficiency reserve.

Reinsurance Premiums

Chesapeake limits the maximum net loss that can arise from large or catastrophic losses by reinsuring certain levels of risks with other insurers or reinsurers. Prospective reinsurance premiums and ceded reserves are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Certain reinsurance contracts contain premium refund provisions that are recorded based on loss experience under the contracts. Chesapeake records such adjustable features using assumptions consistent with those used in estimating the liability for losses and loss adjustment expenses.

In entering into reinsurance agreements, management considers a variety of factors, including the creditworthiness of reinsurers. In preparing financial statements, management makes estimates of amounts receivable from reinsurers which includes consideration of amounts, if any, estimated to be uncollectible based on an assessment of factors, including an evaluation of the creditworthiness of the reinsurers. Management believes that all amounts receivable and recoverable from reinsurers are fully collectible at December 31, 2023 and 2022. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing reinsurance agreements, Chesapeake would be contingently liable for such amounts.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs incurred and included in other underwriting expenses were \$1,499,679 and \$1,810,928 for the years ended December 31, 2023 and 2022, respectively.

Dividends to Policyholders

Chesapeake has safety group and individual dividend programs that allow participating members to receive a dividend upon meeting certain loss ratio and other criteria. Chesapeake incurred \$28,671 and \$330,177 in 2023 and 2022 respectively, for the safety dividend and individual dividend programs.

During 2023 and 2022, the Board These balances are reconciled as part of the financial close process and monitored with the crop hail and MPCI/Livestock settlement process.of Directors authorized corporate dividends of \$65 million and \$15 million respectively. These dividends are based on policyholder loss ratios for accident years 2022 and 2023.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

3. Regulatory Matters

Chesapeake is subject to regulation by the MIA. The MIA, under statute, mandates the maintenance of minimum surplus. Chesapeake was in compliance with these requirements at December 31, 2023 and 2022.

In addition to the surplus requirement, the MIA has adopted the NAIC Risk-based Capital (RBC) requirements. The NAIC's RBC calculation is a method of measuring the minimum amount of capitalization appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. Chesapeake's RBC is calculated by applying factors to various asset, premium and reserve items. The capital requirements are higher for those items with greater underlying risk, and correspondingly lower as risk level decreases. The adequacy of an insurance company's statutory-basis surplus can then be measured by a comparison to its RBC as determined by the formula.

At December 31, 2023 and 2022, Chesapeake's RBC regulatory ratio exceeds all of the action levels as defined by the NAIC and MIA.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments

Chesapeake is authorized to invest its excess cash in those investments that are permitted for insurance companies domiciled in the State of Maryland as authorized in Title 5, Subtitle 6, of the Insurance Article, Annotated Code of Maryland. The Board has adopted an investment policy and reviews all investment transactions for compliance with the investment policy.

Proceeds from the sales of bonds were \$451,477,371 and \$467,715,733 for 2023 and 2022, respectively. Gross realized gains of \$23,175,072 and \$14,207,463 and gross realized losses of \$21,382,585 and \$18,369,737 were realized on the sales of investments in bonds in 2023 and 2022, respectively. Gross realized gains of \$5,503,654 and \$8,249,797 and gross realized losses of \$6,821,130 and \$3,336,943 were realized on the sales of investments in equities in 2023 and 2022, respectively. Gross realized gains of \$233,687 and \$224,574 with \$13,932 and \$150,029 in gross realized losses were realized on sales of other long term assets in 2023 and 2022, respectively. In addition, Chesapeake recognized other-than-temporary impairment losses of \$5,009,755 and \$2,089,203 for the years ended December 31, 2023 and 2022. Management has concluded that the remaining unrealized losses are temporary as of December 31, 2023.

During 2023 and 2022, Chesapeake received a prepayment penalty and acceleration fees on called securities. In 2023, the called securities included 4 CUSIPs with total aggregate investment losses of \$24,504. During 2022, the called securities included 11 CUSIPs with total aggregate investment income of \$76,446.

The carrying value, gross unrealized gains and losses and fair values of bonds consist of the following as of December 31, 2023:

	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. treasury obligations	\$ 50,320,590	\$ 127,266	\$ (3,113,570)	\$ 47,334,286
U.S. government agency bonds	14,892,768	5,192	(868,298)	14,029,662
State, municipal and provincial	289,760,540	247,019	(27,977,669)	262,029,890
Corporate bonds	1,162,190,521	38,611,168	(45,476,970)	1,155,324,719
Mortgage-backed securities:				
Government sponsored	332,206,131	3,875,396	(20,865,429)	315,216,098
Commercial and residential	<u>125,137,750</u>	<u>139,777</u>	<u>(12,619,087)</u>	<u>112,658,440</u>
Totals	<u>\$1,974,508,300</u>	<u>\$ 43,005,818</u>	<u>\$ (110,921,023)</u>	<u>\$1,906,593,095</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

The carrying value, gross unrealized gains and losses and fair values of bonds consist of the following at December 31, 2022:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury obligations	\$ 53,196,387	\$ 112,993	\$ (3,536,069)	\$ 49,773,311
U.S. government agency bonds	11,930,000	-	(1,207,866)	10,722,134
State, municipal and provincial	291,835,937	47,144	(38,406,159)	253,476,922
Corporate bonds	1,209,483,118	38,338,605	(82,154,388)	1,165,667,335
Mortgage-backed securities:				
Government sponsored	280,970,719	1,138,836	(24,447,953)	257,661,602
Commercial and residential	<u>137,728,072</u>	<u>2,322</u>	<u>(15,731,089)</u>	<u>121,999,305</u>
Totals	<u>\$1,985,144,233</u>	<u>\$ 39,639,900</u>	<u>\$ (165,483,524)</u>	<u>\$1,859,300,609</u>

The cost, gross unrealized gains and losses and fair values of preferred, common stock and other equity consist of the following as of December 31, 2023:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Redeemable preferred stock	\$ 9,633,566	\$ 45,413	\$ (160,726)	\$ 9,518,253
Common stock	<u>188,186,601</u>	<u>36,691,759</u>	<u>(26,301,476)</u>	<u>198,576,884</u>
Totals	<u>\$ 197,820,167</u>	<u>\$ 36,737,172</u>	<u>\$ (26,462,202)</u>	<u>\$ 208,095,137</u>

The cost, gross unrealized gains and losses and fair values of preferred, common stock and other equity consist of the following as of December 31, 2022:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Redeemable preferred stock	\$ 7,242,636	\$ 153,228	\$ (227,148)	\$ 7,168,716
Common stock	<u>184,825,267</u>	<u>23,525,918</u>	<u>(43,016,652)</u>	<u>165,334,533</u>
Totals	<u>\$ 192,067,903</u>	<u>\$ 23,679,146</u>	<u>\$ (43,243,800)</u>	<u>\$ 172,503,249</u>

All common stocks held as of December 31, 2023 and 2022 are categorized as industrial and miscellaneous industries.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

Included in other invested assets on the balance sheet is Chesapeake's wholly-owned, affiliated, non-insurance subsidiary, iCubed Ventures LLC (iCubed), which is stated at GAAP equity adjusted to a statutory-basis of accounting. During 2022, the Chesapeake board of directors agreed to invest an additional \$20,000,000 into iCubed as needed in the future. Chesapeake invested a total of \$0 in 2023 and 2022, respectively, into iCubed and this investment was valued at \$24,039,442 and \$26,960,362 as of December 31, 2023 and 2022, respectively. During 2023 and 2022, Chesapeake also invested in surplus debentures valued at a total of \$1,901,353 and \$1,251,779, respectively.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

During 2023 and 2022, Chesapeake held positions in several limited partnerships and real estate investment funds. The carrying value, remaining commitment, and ability to redeem in these alternative investment funds at December 31, 2023 and 2022 are summarized as follows:

Fund Name	2023	2022	Unfunded Commitment at December 31,	Redemption Frequency
	Carrying Value	Carrying Value	2023	
AG Energy Partners II L.P	\$ 169,306	\$ 191,648	\$ 406,693	**
AG Core Plus Realty Fund III	6,900	468,187	-	**
AG Core Plus Realty Fund IV, LP	3,670,144	5,541,267	873,250	**
Sullivan Debt Fund LP	217,868	292,990	-	**
Latitude Management Real Estate Capital III	3,907	142,594	-	**
Neuberger Berman Secondary Opportunities Fund IV	6,961,047	7,108,116	2,582,731	**
Neuberger Berman Secondary	4,082,320	1,256,731	6,902,452	**
Elm Tree IV	1,304,057	7,058,871	3,230,687	**
Franklin Templeton Private Real Estate Fund IIA	4,201,277	4,686,143	1,450,347	**
ValStone Opportunity Fund VI	8,736,245	8,949,487	487,812	**
BlackRock Multi-Alternative Opportunities Fund	6,631,064	6,750,613	3,023,309	**
BlackRock Global Energy & Power Infrastructure Fund	8,776,666	7,096,098	1,377,199	**
Blackrock Infrastructure Fund IV	2,745,454	656,206	7,091,886	**
Dyal IV US Investors, LP	8,642,922	8,205,339	6,805,995	**
PCCP Equity VIII	4,080,260	4,674,910	1,222,443	**
Invesco Credit Partners Fund II	9,720,102	5,505,954	2,259,672	**
Carval's CVI Credit Value Fund A V LP	7,741,450	6,608,942	3,000,000	**
Auldbress Partners Secondary Opportunity Fund II	3,216,745	5,282,497	205,000	**
Auldbress Partners Secondary Opportunity Fund III	4,443,207	518,946	5,350,705	**
Heitman Value Partners Fund V	5,681,563	4,860,512	4,386,545	**
Benefit Street DebtFund I	8,305,309	6,190,254	2,437,218	**
Octagon CLO Opportunity Fund IV	10,096,361	8,438,777	-	**
RRA Debt Fund II	4,150,000	3,301,127	850,000	**
Hadley Harbor IV	2,309,082	-	5,706,545	**
ElmTree US Net Lease Fund V-A, LP	4,207,196	-	5,732,671	**
Shenkman CBO Opportunity Fund I LP	-	-	5,000,000	**
Invesco Credit Partners Fund III, LP	-	-	5,000,000	**
Total	<u>\$ 120,100,452</u>	<u>\$ 103,786,209</u>	<u>\$ 75,383,160</u>	

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

**These investments in illiquid funds are longer term in nature and generally not liquid. Except under special circumstances and periods of notice, generally no investment withdrawals or transfers are permitted prior to the termination or liquidation of the fund.

The carrying value and fair value of bonds at December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Carrying Value</u>	<u>Fair Value</u>
Due in one year or less	\$ 53,721,273	\$ 53,545,181
Due after one year through five years	543,474,278	560,515,783
Due after five years through ten years	552,871,354	520,584,205
Due after ten years	367,097,514	344,073,387
Mortgage-backed securities		
Government sponsored	332,206,131	315,216,099
Commercial and residential	<u>125,137,750</u>	<u>112,658,440</u>
Total	<u>\$ 1,974,508,300</u>	<u>\$ 1,906,593,095</u>

The following table shows the investments with gross unrealized losses and their fair value and the length of time the individual securities have been in a continuous unrealized loss position at December 31, 2023:

<u>December 31, 2023</u>	<u>Less than twelve months</u>		<u>Twelve months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
U.S. treasury obligations	\$ 3,717,304	\$ (26,626)	\$ 40,042,769	\$ (3,086,944)	\$ 43,760,073	\$ (3,113,570)
U.S. government agency bonds	1,542,086	(10,682)	10,482,384	(857,616)	12,024,470	(868,298)
State, municipal, and provincial	13,830,710	(156,180)	231,133,288	(27,821,489)	244,963,998	(27,977,669)
Corporate bonds	97,801,812	(1,745,732)	655,780,886	(43,731,238)	753,582,698	(45,476,970)
Mortgage-backed securities:						
Governmental	35,784,584	(504,777)	157,109,543	(20,360,652)	192,894,127	(20,865,429)
Commercial	2,685,463	(7,546)	101,125,196	(12,611,541)	103,810,659	(12,619,087)
Preferred stock	2,259,543	(32,733)	1,872,007	(127,993)	4,131,550	(160,726)
Common stock	<u>26,451,874</u>	<u>(3,308,182)</u>	<u>30,115,490</u>	<u>(22,993,294)</u>	<u>56,567,364</u>	<u>(26,301,476)</u>
Total	<u>\$ 184,073,376</u>	<u>\$ (5,792,458)</u>	<u>\$1,227,661,563</u>	<u>\$ (131,590,767)</u>	<u>\$1,411,734,939</u>	<u>\$ (137,383,225)</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

The following table shows the investments with gross unrealized losses and their fair value and the length of time the individual securities have been in a continuous unrealized loss position at December 31, 2022:

December 31, 2022	Less than twelve months		Twelve months or greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. treasury obligations	\$ 46,528,536	\$ (3,514,286)	\$ 177,946	\$ (21,783)	\$ 46,706,482	\$ (3,536,069)
U.S. government agency bonds	8,156,207	(773,793)	2,565,927	(434,073)	10,722,134	(1,207,866)
State, municipal, and provincial	206,809,401	(24,442,924)	43,990,386	(13,963,235)	250,799,787	(38,406,159)
Corporate bonds	752,170,535	(52,356,599)	206,222,753	(29,797,789)	958,393,288	(82,154,388)
Mortgage-backed securities:						
Governmental	133,928,602	(12,047,128)	63,438,735	(12,400,825)	197,367,337	(24,447,953)
Commercial	77,733,033	(8,480,738)	43,920,254	(7,250,351)	121,653,287	(15,731,089)
Preferred stock	2,701,258	(227,148)	-	-	2,701,258	(227,148)
Common stock	65,775,148	(25,296,656)	11,856,641	(17,719,996)	77,631,789	(43,016,652)
Total	<u>\$1,293,802,720</u>	<u>\$ (127,139,272)</u>	<u>\$ 372,172,642</u>	<u>\$ (81,588,052)</u>	<u>\$1,665,975,362</u>	<u>\$ (208,727,324)</u>

All bonds in unrealized loss positions are current with principal and interest payments and Chesapeake has the intent and ability to hold such securities until recovery of cost, which may be maturity.

For the years ended December 31, 2023 and 2022, major categories of Chesapeake's net investment income are summarized as follows:

	2023	2022
Bonds	\$ 76,211,205	\$ 60,650,462
Equity securities	3,089,204	2,498,627
Real estate	1,807,720	1,807,720
Cash and other invested assets	<u>9,563,219</u>	<u>5,323,209</u>
Gross investment income	90,671,348	70,280,018
Investment expense	<u>(17,750,560)</u>	<u>(11,842,001)</u>
Net investment income	<u>\$ 72,920,788</u>	<u>\$ 58,438,017</u>

For the years ended December 31, 2023 and 2022, there are no nonadmitted investment income due and accrued amounts excluded from the financial statements.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

The following table provides information about Chesapeake's investments measured at fair value as of December 31, 2023:

<u>Class of Security</u>	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
U.S. treasury obligations	\$ 50,320,590	\$ -	\$ 47,334,286	\$ -	\$ 47,334,286
U.S. government agency bonds	14,892,768	-	14,029,662	-	14,029,662
State, municipal and provincial	289,760,540	-	262,029,890	-	262,029,890
Corporate bonds	1,162,190,521	-	1,155,324,719	-	1,155,324,719
Mortgage-backed securities:					
Government sponsored	332,206,131	-	315,216,098	-	315,216,098
Commercial and residential	125,137,750	-	112,658,440	-	112,658,440
Redeemable preferred stock	9,633,566	9,518,253	-	-	9,518,253
Common stock	198,576,884	188,437,411	10,139,473	-	198,576,884
Other invested assets	<u>1,905,261</u>	<u>-</u>	<u>1,824,166</u>	<u>3,907</u>	<u>1,828,073</u>
Total value of investments	<u>\$ 2,184,624,011</u>	<u>\$ 197,955,664</u>	<u>\$ 1,918,556,734</u>	<u>\$ 3,907</u>	<u>2,116,516,305</u>
Alternative investment funds valued using equity method*					<u>144,213,174</u>
Total					<u>\$ 2,260,729,479</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

The following table provides information about Chesapeake's investments measured at fair value as of December 31, 2022:

Class of Security	Carrying Value	Level 1	Level 2	Level 3	Fair Value
U.S. treasury obligations	\$ 53,196,387	\$ -	\$ 49,773,311	\$ -	\$ 49,773,311
U.S. government agency bonds	11,930,000	-	10,722,134	-	10,722,134
State, municipal and provincial	291,835,937	-	253,476,922	-	253,476,922
Corporate bonds	1,209,483,118	-	1,165,667,335	-	1,165,667,335
Mortgage-backed securities:					
Government sponsored	280,970,719	-	257,661,602	-	257,661,602
Commercial and residential	137,728,072	-	121,999,305	-	121,999,305
Redeemable preferred stock	7,242,636	7,168,716	-	-	7,168,716
Common stock	165,334,533	155,773,605	9,560,928	-	165,334,533
Other invested assets	1,394,373	-	1,125,632	142,594	1,268,226
Total value of investments	<u>\$ 2,159,115,775</u>	<u>\$ 162,942,321</u>	<u>\$ 1,869,987,169</u>	<u>\$ 142,594</u>	<u>2,033,072,084</u>
Alternative investment funds valued using equity method*					<u>103,643,615</u>
Total					<u>\$ 2,136,715,699</u>

*Certain investments that were measured at equity method have not been classified in the fair value hierarchy.

A reconciliation of investments disclosed or measured at fair value with the use of significant unobservable inputs (Level 3) from January 1, 2022 to December 31, 2023 is as follows:

	Total Level 3 Investments
Balance at January 1, 2022	\$ 321,888
Total losses	(4,294)
Purchases	-
Redemptions	(175,000)
Balance at January 1, 2023	142,594
Total losses	(32,187)
Purchases	-
Redemptions	(106,500)
Balance at December 31, 2023	<u>\$ 3,907</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

4. Investments (Continued)

No portion of the interest income due and accrued balance was non-admitted as of December 31, 2023 and 2022.

There was no deferred interest as of December 31, 2023 and 2022.

There was no cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance of bonds as of December 31, 2023 and 2022.

5. Federal Home Loan Bank

Chesapeake is a member of the Federal Home Loan Bank (FHLB) of Atlanta. Through its membership, Chesapeake can conduct business activity (borrowings) with the FHLB. It is part of Chesapeake's strategy to utilize any borrowings to provide additional liquidity on an as needed basis. As part of membership, Chesapeake was required to purchase Class B1 membership stock which must be maintained throughout its membership. During 2021, the criteria for B1 membership stock was reduced, lowering the amount Chesapeake is required hold, resulting in a buyback. In addition, for any borrowings Chesapeake receives, it is required to purchase additional activity stock based on the amount of the borrowing. Class B2 activity stock is required to be maintained by Chesapeake as long as the borrowing is outstanding and, upon settlement of the borrowing, must be sold back to the FHLB at original cost. As of December 31, 2023, Chesapeake has a maximum borrowing capacity of \$249,318,000 as determined by the FHLB based on Chesapeake's financial and operating condition.

As of December 31, 2023, Chesapeake had 10 outstanding credit advances totaling \$146 million from FHLB. During 2023, the floating interest rates on the credit advances ranged from 5.45% to 5.89% per annum. During 2022, the floating interest rates on the credit advances ranged from 3.64% to 4.66% per annum. During 2023 and 2022, Chesapeake incurred \$7,857,642 and \$2,618,353 of interest, respectively, for these loans, which is included in investment expenses within net investment income. Chesapeake is required to maintain a collateral security deposit with the lender, whereby the fair value amount to be maintained must be at least equal to the amount of outstanding advances.

As of December 31, 2023 and 2022, the collateral pledged by Chesapeake to the FHLB was as follows:

	<u>Fair Value</u>	<u>Admitted Value</u>	Amount Borrowed at Time of Maximum
December 31, 2023	\$ 210,938,759	\$ 189,470,403	\$ 146,000,000
December 31, 2022	157,507,104	176,809,261	140,000,000

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

5. Federal Home Loan Bank (Continued)

The following is the aggregate total of FHLB common stock owned by Chesapeake, which is included in common stock in the statutory-basis balance sheets, as of December 31:

	<u>2023</u>	<u>2022</u>
Membership stock - Class B1 (not eligible for redemption)	\$ 1,720,800	\$ 1,256,200
Activity stock - Class B2	<u>7,030,000</u>	<u>5,950,000</u>
Total FHLB common stock owned by Chesapeake	<u>\$ 8,750,800</u>	<u>\$ 7,206,200</u>

6. Land, Building and Equipment

As of December 31, 2023 and 2022, real estate occupied by Chesapeake, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,335,400	\$ 1,335,400
Buildings and improvements	<u>14,206,861</u>	<u>14,206,861</u>
	15,542,261	15,542,261
Accumulated depreciation	<u>(8,496,167)</u>	<u>(8,259,045)</u>
Total real estate occupied by Chesapeake, net	<u>\$ 7,046,094</u>	<u>\$ 7,283,216</u>

Depreciation expense related to real estate was \$237,122 for the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, EDP equipment, net consisted of the following:

	<u>2023</u>	<u>2022</u>
EDP equipment	\$ 5,426,765	\$ 5,763,989
Non-operating system software	36,527,821	36,685,129
Accumulated depreciation	(39,878,103)	(29,901,632)
Non-admitted assets	<u>(1,447,187)</u>	<u>(11,751,053)</u>
Total EDP equipment, net	<u>\$ 629,296</u>	<u>\$ 796,433</u>

Depreciation expense related to EDP equipment and software was \$1,814,880 and \$5,401,398 for the years ended December 31, 2023 and 2022, respectively.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

7. Insurance Activity

Premium revenue includes premiums written directly by Chesapeake and assumed reinsurance, and is reported net of reinsurance ceded. Ceded reinsurance does not relieve Chesapeake from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in additional losses to Chesapeake. Management monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The effect of reinsurance assumed and ceded on net premiums earned for the years ended December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Direct premiums	\$ 185,876,653	\$ 178,133,690
Reinsurance assumed	11,109,034	10,443,441
Reinsurance ceded	<u>(5,206,354)</u>	<u>(7,923,418)</u>
Net premiums earned	<u>\$ 191,779,333</u>	<u>\$ 180,653,713</u>

The effect of reinsurance assumed and ceded on net premiums written for the years ended December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Direct premiums	\$ 181,322,165	\$ 174,467,588
Reinsurance assumed	11,703,070	10,653,355
Reinsurance ceded	<u>(5,206,354)</u>	<u>(7,923,418)</u>
Net premiums written	<u>\$ 187,818,881</u>	<u>\$ 177,197,525</u>

Chesapeake's ceded reinsurance arrangements resulted in a net decrease in losses and LAE incurred as of December 31, 2023 and 2022, respectively, as a result of a change in ceded reserves in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Loss and loss expenses incurred ceded	<u>\$ (6,793,983)</u>	<u>\$ (11,632,139)</u>
Loss and loss expense reserves	<u>\$ (68,695,000)</u>	<u>\$ (62,126,000)</u>

As of December 31, 2023 and 2022, Chesapeake has pledged collateral in the amount of \$31,985,803 and \$26,345,639, respectively, for the benefit of two insurance companies for which it assumes reinsurance.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

8. Loss and Loss Adjustment Expenses

The liability for loss and loss adjustment expenses is computed in accordance with generally accepted actuarial practices and is based upon historical claims payment experience, loss development and other current factors, which in management's judgment require recognition in the calculation. During the actuarial analysis, a range of expected ultimate losses and related expenses is developed for Chesapeake to use in determining its recorded liability for unpaid losses and LAE.

Activity in the net liability for loss and LAE expenses for the years ended December 31, 2023 and 2022, is summarized as follows:

	<u>2023</u>	<u>2022</u>
Balance as of January 1	\$ 1,036,688,000	\$ 1,092,116,000
Incurred losses and loss expenses related to:		
Current year	154,602,000	166,644,000
Prior years	<u>(101,357,498)</u>	<u>(79,065,997)</u>
Total incurred	53,244,502	87,578,003
Paid losses and loss expenses related to:		
Current year	22,993,000	22,899,340
Prior years	<u>113,730,502</u>	<u>120,106,663</u>
Total paid	<u>136,723,502</u>	<u>143,006,003</u>
Balance at December 31	<u><u>\$ 953,209,000</u></u>	<u><u>\$ 1,036,688,000</u></u>

The estimated liability related to prior years decreased by approximately \$101 million in 2023, largely due to favorable development for accident years 2022 and prior. Total direct loss and LAE reserve favorable development on all prior accident years (prior to tabular discounts) was approximately \$107 million. This was offset by a reduction in tabular discounts for prior accident years of approximately \$6 million. The reduction in tabular reserves was primarily due to a reduction in claims eligible for discount (the indemnity portion of permanent total and fatal claims), and also to the aging of claimants, settlements and claim closings in general.

The estimated liability related to prior years decreased by approximately \$79 million in 2022, largely due to favorable development for accident years 2021 and prior. Total direct loss and LAE reserve favorable development on all prior accident years (prior to tabular discounts) was approximately \$84 million. This was offset by a reduction in tabular discounts for prior accident years of approximately \$5 million. The reduction in tabular reserves was primarily due to a reduction in claims eligible for discount (the indemnity portion of permanent total and fatal claims), and also to the aging of claimants, settlements and claim closings in general.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

8. Loss and Loss Adjustment Expenses (Continued)

Reserves for Workers Compensation have been discounted on a tabular basis using actuarial tables constructed from the United States Life Tables, 2020 as published by the CDC, National Vital Statistics Reports, Volume 71, Number 01, at a discount rate of 2.90% in 2023 and 2022. The 2023 and 2022 liabilities include \$122,232,007 and \$117,396,663 of such discounted reserves, respectively, that are eligible for discounting. The amount of discount for case and IBNR reserves at 2023 and 2022 is \$37,989,000 and \$36,703,000, respectively.

The estimated salvage and subrogation amounts deducted from the reserve for losses and LAE are \$10,511,962 and \$10,194,640 at December 31, 2023 and 2022, respectively.

9. Third-Party Advance for Claims Processing

Under a contract effective July 1, 1990, Chesapeake, prior to October 1, 2013, acted as administrator for certain State of Maryland workers' compensation claims. Monthly billings to the State of Maryland were based on actual claims paid on behalf of the state and a proportionate amount of administrative reinsurance expenses. After October 1, 2013, IWIF acts as the administrator. IWIF bills the State for the cost of claims and administrative expenses and then reimburses Chesapeake for their share of administrative reinsurance costs.

10. Related Party Transactions

As described in Note 1, Maryland Senate Bill 745 restructured IWIF, the insurance company, into a new company, Chesapeake, effective October 1, 2013, and maintained IWIF as a third party administrator for the State of Maryland. IWIF is a separate legal entity and is an instrumentality of the State. Employees who were employed by IWIF at September 30, 2013, could elect to remain IWIF employees in order to maintain their State benefits or could elect to become employees of the newly formed company, Chesapeake. Beginning in 2020, IWIF's Board of Directors consists of the State Treasurer or State Treasurer's designee and the two members of the Chesapeake board appointed by the governor. IWIF and Chesapeake also share management and the employees of the respective companies perform work on behalf of both organizations.

In 2018, Chesapeake established two wholly owned subsidiaries: Chesapeake Risk Solutions, Inc. (CRS) and iCubed. CRS provides third-party administration of risk management and workers' compensation claims handling services. There was no activity in CRS during 2023 or 2022. iCubed is a corporate venture capital subsidiary that was established to partner with other venture capital firms, incubators/accelerators, research institutions, and entrepreneurs to identify and invest in innovative insurance technologies.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

10. Related Party Transactions (Continued)

Chesapeake provided IWIF with an interest-free advance of \$10 million in 2013, an additional \$2.5 million in 2018 and an additional \$1 million in 2023 for financial flexibility for settlements. The remaining loan will be repaid to Chesapeake upon an amendment to the intercompany agreement or upon the termination of the contract with the State of Maryland. At December 31, 2023 and 2022, the remaining balance due from IWIF on this loan was \$13,500,000 and \$12,500,000, respectively. Certain expenses and reimbursements for IWIF are processed by Chesapeake. IWIF charges an administrative fee to the State for work performed to administer the State claims and those fees are collected by IWIF and passed along to Chesapeake. For the years ended December 31, 2023 and 2022, IWIF recognized \$12,226,296 and \$11,476,058, respectively, for administrative expenses and shared reinsurance coverage associated with managing the State claims. For the years ended December 31, 2023 and 2022, IWIF reported \$1,085,997 and \$883,105, respectively, due to Chesapeake related to claims administration activity. Chesapeake receives reimbursements and recoveries for State medical claims on behalf of IWIF and offsets the amount due to them from IWIF for claim reimbursements. For the years ended December 31, 2023 and 2022, Chesapeake collected \$2,813,630 and \$2,932,120, respectively, on behalf of IWIF.

11. Retirement and Pension Benefits

Chesapeake made required contributions on behalf of former and current IWIF employees during the years ended December 31, 2023 and 2022, of \$585,629 and \$529,800, respectively, which represented approximately 4.6% and 3.9% of the covered payroll for each period. Prior to the restructuring of Chesapeake and IWIF, as noted in Note 1, IWIF contributed to the State Retirement and Pension System of Maryland (the System), established by the State of Maryland to provide pension benefits for state employees and employees of various other participating entities within the State. The System is an agent, multi-employer public employee retirement system, and Chesapeake accounted for the plan as such. The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of several plans that are managed by the Board of Trustees for the System. All State employees and employees of the participating entities are covered by the System.

For employees who remained employees under the System, Chesapeake funds a 401(k) matching program that matches dollar for dollar contributions of up to 3% of an employee's compensation. The 401(k) plan is administered by the State of Maryland through a supplemental retirement program. During the years ended December 31, 2023 and 2022, Chesapeake contributed \$328,361 and \$340,510, respectively, as part of the 401(k) matching program.

For employees who chose to not remain an employee under the System and for all new employees, Chesapeake funds a 401(k) contribution plan in which employees can expect to receive a 3% safe harbor contribution and a 5% profit sharing employer contribution regardless of any voluntary contributions that the employee may make. Employees vest 20% annually over a five year period. During the years ended December 31, 2023 and 2022, Chesapeake contributed \$1,643,594 and \$1,545,337, respectively, as part of the 401(k) program.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

12. Appropriated Surplus

In 2023 and 2022, Chesapeake reserved \$35,000,000 for subsidiary ventures CRS and iCubed.

13. Disclosures about Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of financial instruments as of December 31, 2023 and 2022 are described below:

Cash and Short-term Investments: The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair values.

Investment Securities: See Notes 2 and 4 for information regarding the fair values of Chesapeake's investments.

Premium Receivable: The carrying amounts reported in the accompanying balance sheets approximate their fair value, given the short-term nature.

Borrowed Money: The carrying value approximates fair value due to the fact that the borrowing program is limited only to members of the FHLB.

14. Commitments and Contingencies

Chesapeake is subject to various claims and litigation in the ordinary course of business. In the opinion of management, the ultimate outcome of these claims and litigation will not have material adverse effect on the financial position or operating results of Chesapeake.

Chesapeake has purchased annuities to facilitate structured settlements of claims for which the claimant is payee. Chesapeake may be contingently liable to the payee if the annuity issuer fails to fulfill its obligations. These annuities are for the settlement of indemnity claims and have durations of various lengths. The amount of such contingent liability at December 31, 2023 and 2022, is \$12,111,565 and \$13,048,442, respectively. The amount of reserves for loss and loss adjustment expenses removed from Chesapeake as a result of the purchased annuities is \$53,905,313 and \$55,441,775 at December 31, 2023 and 2022, respectively.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

15. Guaranty Fund Assessment and Premium Taxes

The Maryland Guaranty Fund (Guaranty Fund) provides protection to claimants and policyholders for the payment of monies when an insurance carrier becomes insolvent. The Guaranty Fund can assess an insurance carrier up to 2% of their premiums in any particular year to provide money to the Guaranty Fund. During 2008, State of Maryland regulators performed an examination of Chesapeake under Chapter 567, Section 2 of laws of Maryland (Chapter 567 of the Acts of 2000) and concluded that Chesapeake qualified for membership in the Guaranty Fund on the basis of meeting solvency requirements. Chesapeake recorded a liability of \$575,000 and \$2,000,000 as of December 31, 2023 and 2022 respectively, for contributions.

Chesapeake is also subject to a 2% premium tax to the State of Maryland. Chesapeake incurred premium tax expense of \$3,346,865 and \$3,171,229 for the years ended December 31, 2023 and 2022, respectively.

16. Other Underwriting Expenses

The significant components of other underwriting expenses, net during 2023 and 2022 were as follows:

	2023	2022
Salaries and related items	\$ 18,744,372	\$ 16,645,338
Taxes, licenses and fees	5,518,943	6,053,688
Employee relations and welfare	3,919,156	4,104,242
Advertising	1,499,679	1,810,928
Postage and telephone	835,955	781,609
Rent and rent items	815,227	855,224
Legal and auditing	608,783	494,437
Equipment	1,854,573	1,687,253
Printing and stationery	252,505	636,297
Cost of depreciation of EDP equipment and software	3,036,173	3,730,979
Travel and travel related items	419,049	427,118
Directors' fees	584,563	726,033
Other	958,873	877,701
Insurance	511,226	547,364
Board, bureaus and associations	594,141	462,754
Audit of assured's records	317,948	255,679
Total other underwriting expenses, net	<u>\$ 40,471,166</u>	<u>\$ 40,096,644</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes

Current federal income taxes incurred by Chesapeake are determined by applying the statutory tax rate to taxable income as determined according to the provisions of the Internal Revenue Code, which applies to property and casualty insurance companies. The federal income tax rate applicable to taxable income in the 2023 and 2022 tax return was 21%.

The current provision for federal income taxes consist of the following components:

	2023	2022
Current federal income tax expense	\$ 12,023,442	\$ 9,609,592
True-up of prior year taxes	(1,078,508)	-
Federal income tax expense	<u>\$ 10,944,934</u>	<u>\$ 9,609,592</u>

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. Although realization is not assured, management believes it is more likely than not that the deferred tax will be realized. The amount of the deferred tax considered realizable could be reduced in the near term if estimates of future taxable income are reduced.

The amount of the gross deferred tax asset (DTA) calculated is reduced for any valuation allowance and an admissibility test. Chesapeake admitted DTAs that can be used to offset deferred tax liabilities (DTLs). The components of the net DTA/DTL as of December 31, 2023 are as follows:

	December 31, 2023			December 31, 2022		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 30,310,379	\$ 3,119,453	\$ 33,429,832	\$ 33,355,513	\$ 5,724,267	\$ 39,079,780
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	30,310,379	3,119,453	33,429,832	33,355,513	5,724,267	39,079,780
Deferred tax assets nonadmitted	<u>5,985,035</u>	-	5,985,035	12,700,637	4,191,996	16,892,633
Total deferred tax assets admitted	24,325,344	3,119,453	27,444,797	20,654,876	1,532,271	22,187,147
Deferred tax liabilities	<u>887,703</u>	5,602,015	6,489,718	488,059	1,029,125	1,517,184
Net admitted deferred tax asset	<u>\$ 23,437,641</u>	<u>\$ (2,482,562)</u>	<u>\$ 20,955,079</u>	<u>\$ 20,166,817</u>	<u>\$ 503,146</u>	<u>\$ 20,669,963</u>
Net change during year in deferred tax assets nonadmitted			<u>\$(10,907,598)</u>			<u>\$ 16,892,633</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes (Continued)

The amount of each component pursuant to SSAP 101 paragraph 11 by tax character are as follows:

	December 31, 2023			December 31, 2022		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	\$ 15,198,253	\$ -	\$ 15,198,253	\$ 9,609,592	\$ -	\$ 9,609,592
Lesser of:						
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	2,637,372	3,119,453	5,756,825	10,557,225	503,146	11,060,371
Adjusted gross DTA allowed per limitation threshold (b.ii)			167,917,855			167,917,855
Adjusted gross DTAs offset against existing DTLs (c)	<u>6,489,719</u>	<u>-</u>	<u>6,489,719</u>	<u>488,059</u>	<u>1,029,125</u>	<u>1,517,184</u>
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	<u>\$ 24,325,344</u>	<u>\$ 3,119,453</u>	<u>\$ 27,444,797</u>	<u>\$ 20,654,876</u>	<u>\$ 1,532,271</u>	<u>\$ 22,187,147</u>
Ratio % used to determine recovery period and threshold limitation amount			1,559 %			1,449 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount			\$ 1,204,186,040			\$ 1,119,452,364

Based on the weight of available evidence, if Chesapeake believes that it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the gross DTAs will not be realized, a statutory valuation allowance shall be recorded to reduce gross DTAs. Chesapeake recorded no statutory valuation allowance as of December 31, 2023 and 2022.

Tax-planning strategies have been employed by Chesapeake and have the following impact upon the determination of adjusted gross and net admitted deferred tax assets at December 31, 2023:

	Ordinary Percent	Capital Percent	Total Percent
Impact of Tax Planning Strategies:			
Adjusted gross DTAs			
(% of total adjusted gross DTAs)	- %	64 %	64 %
Net admitted adjusted gross DTAs			
(% of net admitted adjusted gross DTAs)	- %	64 %	64 %

Chesapeake's tax-planning strategies did not include the use of reinsurance-related tax-planning strategies as of December 31, 2023 and 2022. Chesapeake does not have any unrecognized deferred tax liabilities.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred federal income tax assets and liabilities are as follows:

	2023	2022
Deferred tax assets		
Ordinary		
Non-admitted assets	\$ 8,313,311	\$ 7,861,464
Unearned premiums	2,806,765	2,973,104
Loss discounting	17,218,735	19,988,042
Accrued expenses	618,368	968,035
Fixed assets	403,950	696,609
Advanced premiums	166,421	216,679
Bad debt allowance	782,829	651,580
Subtotal	30,310,379	33,355,513
Nonadmitted deferred tax assets	(5,985,035)	(12,700,637)
Admitted ordinary deferred tax assets	24,325,344	20,654,876
Capital		
Capital loss carryforward	1,988,929	1,946,727
OTTI	1,060,731	438,733
Unrealized losses	-	3,274,394
Wash sales	69,793	64,413
Subtotal	3,119,453	5,724,267
Non admitted deferred tax assets	-	(4,191,996)
Admitted capital deferred tax assets	3,119,453	1,532,271
Total admitted deferred tax assets	27,444,797	22,187,147
Deferred tax liabilities		
Ordinary		
Bond market discount, net	604,081	210,663
Salvage and subrogation	283,622	277,396
Subtotal	887,703	488,059
Capital		
Investments in passthrough entities	1,546,713	1,029,125
Unrealized Gains	4,055,302	-
Subtotal	5,602,015	1,029,125
Total deferred tax liabilities	6,489,718	1,517,184
Net admitted deferred tax asset	\$ 20,955,079	\$ 20,669,963

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes (Continued)

The change in net deferred income taxes, before consideration of the change in nonadmitted tax assets, is comprised of the following at December 31, 2023:

	2023	2022	Change
Adjusted gross deferred tax assets	\$ 33,429,832	\$ 39,079,780	\$ (5,649,948)
Total deferred tax liabilities	<u>(6,489,718)</u>	<u>(1,517,184)</u>	<u>(4,972,534)</u>
Net deferred tax assets (liabilities)	<u>\$ 26,940,114</u>	<u>\$ 37,562,596</u>	<u>\$ (10,622,482)</u>
Tax effect of change in unrealized gains			<u>7,329,697</u>
Change in net deferred income tax			<u>\$ (3,292,785)</u>

The change in net deferred income taxes, before consideration of the change in nonadmitted assets, is comprised of the following at December 31, 2022:

	2022	2021	Change
Adjusted gross deferred tax assets	\$ 39,079,780	\$ -	\$ 39,079,780
Total deferred tax liabilities	<u>(1,517,184)</u>	<u>-</u>	<u>(1,517,184)</u>
Net deferred tax assets	<u>\$ 37,562,596</u>	<u>\$ -</u>	<u>37,562,596</u>

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes (Continued)

The provision for federal income taxes incurred is different from that which would be obtained by applying the effective federal income tax rate (21% during 2023) to statutory income before income taxes. The items causing this difference are as follows for the year ended December 31, 2023 and 2022:

	2023		2022	
	Amount at Statutory Rate	Effective Tax Rate	Amount at Statutory Rate	Effective Tax Rate
Provision computed at statutory rate	\$ 15,111,206	21.00 %	\$ 8,164,359	21.00 %
Permanent differences	(504,318)	(0.70)%	(234,096)	(0.60)%
Initial DTA set up	-	0.00 %	(34,937,847)	(81.44)%
PY true up (to deferred)	1,161,188	1.61 %	-	0.00 %
PY true up (to current)	(1,078,508)	(1.50)%	-	0.00 %
Change in nonadmitted assets	(451,848)	(0.63)%	(945,420)	(2.43)%
Total statutory income taxes	<u>\$ 14,237,720</u>	<u>19.78 %</u>	<u>\$ (27,953,004)</u>	<u>(63.47)%</u>
Federal income taxes incurred	\$ 10,944,934		\$ 9,609,592	
Change in net deferred income taxes	<u>3,292,786</u>		<u>(37,562,596)</u>	
Total statutory income taxes	<u>\$ 14,237,720</u>		<u>\$ (27,953,004)</u>	

At December 31, 2023 and 2022, Chesapeake did not have any unused operating loss carryforwards and/or tax credits available to offset against future taxable income.

The following are federal income taxes incurred in the current and prior year that may be available for recovery in the event of future net operating losses.

2023	\$	12,023,442
2022	\$	8,531,084

Chesapeake does not have deposits admitted under Section 6603 of the Internal Revenue Code.

Chesapeake's federal income tax return is consolidated with CRS for the year ended December 31, 2023 and for the period July 1, 2022 through December 31, 2022. The method of allocation between Chesapeake and CRS is subject to a written agreement, approved by the Board of Directors, whereby the allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

17. Federal Income Taxes and Deferred Income Taxes (Continued)

Chesapeake has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. Chesapeake has concluded there are no uncertain tax positions as of December 31, 2023 and 2022.

The Inflation Reduction Act (Act) was enacted on August 16, 2022, and includes a corporate alternative minimum tax (CAMT). The Company has determined that it does not expect to be liable for the CAMT in 2023.

18. Surplus

The portion of surplus represented or reduced by each item below is as follows as of and for the year ended December 31, 2023:

	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
Unrealized investment gains	\$ 12,480,386	\$ 27,608,144
Nonadmitted assets		
Premium receivable	(28,642,423)	(3,793,744)
Non-operating system software	(1,447,186)	1,511,965
Furniture & equipment	(4,160,519)	(44,750)
Prepaid expenses	(328,667)	1,069,213
Other assets	(5,008,403)	(894,339)
Nonadmitted deferred tax asset	(5,985,035)	10,907,598
Totals	<u>\$ (33,091,847)</u>	<u>\$ 36,364,087</u>

19. Annual Statement Reconciliation

There are no differences in surplus or net income as reported in these financial statements and Chesapeake's 2023 and 2022 Annual Statement as filed with the regulators.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

20. Restricted Assets

The following table discloses quantitative information about Chesapeake's restricted assets by category of restricted asset for the year ended December 31, 2023. Because Chesapeake is a property and casualty insurance company, it does not hold assets that would be required to be held in a separate account. Accordingly, no distinction is made between general account and separate account restricted assets in the following tables.

Restricted Asset Category	Total Current Year Admitted Asset	Total Prior Year Admitted Asset	Increase/ (Decrease)	Restricted to Total Admitted Assets
FHLB capital stock	\$ 8,750,800	\$ 7,206,200	\$ 1,544,600	0 %
On deposit with other regulatory bodies	1,189,079	1,187,044	2,035	0 %
Pledged as collateral to FHLB	210,938,759	176,809,261	34,129,498	8 %
Pledged as collateral not captured in other categories	31,985,803	26,345,639	5,640,164	1 %
Other restricted assets	<u>76,892,598</u>	<u>83,290,455</u>	<u>(6,397,857)</u>	<u>3 %</u>
Total restricted assets	<u><u>\$ 329,757,039</u></u>	<u><u>\$ 294,838,599</u></u>	<u><u>\$ 34,918,440</u></u>	<u><u>12 %</u></u>

As required by the Chesapeake's other states coverage agreements, Chesapeake has pledged assets as collateral which are classified as "pledged as collateral not captured in other categories." Chesapeake also has a Special Deposit with the Federal Reserve Bank of Philadelphia for United States Longshore and Harbor Claims and a certificate of authority deposit with the State of Maryland, which are classified as "on deposit with other regulatory bodies." In addition, Chesapeake maintains certain other assets, such as pledged collateral and capital stock of the Federal Home Loan Bank of Atlanta (FHLB), that is restricted in use. Unfunded investment commitments to limited partnerships and real estate trusts are also included in other restricted assets.

Chesapeake has other restricted assets pledged to Argonaut Insurance Company (Argonaut) and Zurich North America (Zurich) as part of a fronting arrangement for coverage provided in other states. The arrangements require a loss fund deposit. The Argonaut balance was \$24,438 for the years ended December 31, 2023 and 2022. The amount held by Zurich was \$1,200,000 and \$1,200,000 for the years ended December 31, 2023 and 2022, respectively.

Chesapeake Employers' Insurance Company

Notes to Statutory-Basis Financial Statements (Continued)

21. Legislative Matters

In April 2015, the Maryland General Assembly passed a new law (Chapter 36, Laws of Maryland), which has multiple provisions to be phased-in over several years. The legislation specified that over time beginning in 2020, seven of Chesapeake's nine board members will be elected by policyholders. In addition, beginning in 2022, Chesapeake has the ability to write workers' compensation coverage in other states. As of December 31, 2022, Chesapeake did not write coverage in other states outside of Maryland. Chesapeake began paying federal income taxes July 1, 2022. Chesapeake is required to join the National Council of Compensation Insurance (NCCI) over a five-year period. Effective with rates on or after January 1, 2023, Chesapeake is subject to full NCCI affiliation and Insurance Commissioner rate review and approval.

Supplementary Information



SUPPLEMENT FOR THE YEAR 2023 OF THE Chesapeake Employers' Insurance Company

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2023

(To Be Filed by April 1)

Of The Chesapeake Employers' Insurance Company
Address (City, State and Zip Code) Towson, MD 21286-2235
NAIC Group Code 0000 NAIC Company Code 11039 Employer's ID Number 46-1056754

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

- 1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$ 2,515,346,962
- 2. Ten largest exposures to a single issuer/borrower/investment.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	JP MORGAN US GOVT CAPITAL SHS	MMFund	\$ 30,723,770	1.2 %
2.02	Southwest Airlines Co.	Bonds	\$ 18,493,584	0.7 %
2.03	Ford Motor Company	Bonds	\$ 13,977,179	0.6 %
2.04	Ventas Realty, Limited Partnership Duke	Bonds	\$ 13,337,514	0.5 %
2.05	Energy Corporation	Bonds	\$ 13,179,296	0.5 %
2.06	The Southern Company	Bonds	\$ 13,080,918	0.5 %
2.07	Booking Holdings Inc.	Bonds	\$ 12,748,371	0.5 %
2.08	Microsoft Corporation	Bonds, Equity	\$ 12,104,031	0.5 %
2.09	Welltower Op LLC	Bonds	\$ 11,766,431	0.5 %
2.10	JPMorgan Chase & Co	Bonds	\$ 11,678,802	0.5 %

- 3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	<u>1</u>	<u>2</u>	Preferred Stocks	<u>3</u>	<u>4</u>
3.01	NAIC 1	\$ 1,402,218,613	55.7 %	3.07	NAIC 1	\$ 2,000,000 0.1 %
3.02	NAIC 2	\$ 480,522,713	19.1 %	3.08	NAIC 2	\$ 7,633,566 0.3 %
3.03	NAIC 3	\$ 56,362,315	2.2 %	3.09	NAIC 3	\$ 0.0 %
3.04	NAIC 4	\$ 35,145,572	1.4 %	3.10	NAIC 4	\$ 0.0 %
3.05	NAIC 5	\$ 382,600	0.0 %	3.11	NAIC 5	\$ 0.0 %
3.06	NAIC 6	\$ 0	0.0 %	3.12	NAIC 6	\$ 0.0 %

- 4. Assets held in foreign investments:
 - 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [] No [X]
If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.
 - 4.02 Total admitted assets held in foreign investments \$ 225,453,287 9.0 %
 - 4.03 Foreign-currency-denominated investments \$ 0.0 %
 - 4.04 Insurance liabilities denominated in that same foreign currency \$ 0.0 %

- 5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	<u>1</u>	<u>2</u>
5.01 Countries designated NAIC 1	\$ 219,160,565	8.7 %
5.02 Countries designated NAIC 2	\$ 3,167,709	0.1 %
5.03 Countries designated NAIC 3 or below	\$ 3,125,012	0.1 %

- 6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
Countries designated NAIC 1:		
6.01 Country 1: Cayman Islands	\$ 154,611,741	6.1 %
6.02 Country 2: Luxembourg	\$ 11,902,778	0.5 %
Countries designated NAIC 2:		
6.03 Country 1: Uruguay	\$ 1,635,973	0.1 %
6.04 Country 2: Mexico	\$ 933,416	0.0 %
Countries designated NAIC 3 or below:		
6.05 Country 1: Virgin Islands, British	\$ 2,997,585	0.1 %
6.06 Country 2: Barbados	\$ 127,427	0.0 %

- 7. Aggregate unhedged foreign currency exposure \$ 0.0 %

- 8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

	<u>1</u>	<u>2</u>
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SUPPLEMENT FOR THE YEAR 2023 OF THE Chesapeake Employers' Insurance Company

8.01	Countries designated NAIC 1.....	\$	0.0	%
8.02	Countries designated NAIC 2.....	\$	0.0	%
8.03	Countries designated NAIC 3 or below.....	\$	0.0	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries designated NAIC 1:		<u>1</u>	<u>2</u>	
9.01	Country 1:	\$	0.0	%
9.02	Country 2:	\$	0.0	%
Countries designated NAIC 2:				
9.03	Country 1:	\$	0.0	%
9.04	Country 2:	\$	0.0	%
Countries designated NAIC 3 or below:				
9.05	Country 1:	\$	0.0	%
9.06	Country 2:	\$	0.0	%

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	<u>1</u> Issuer	<u>2</u> NAIC Designation	<u>3</u>	<u>4</u>	
10.01	Trafigura Funding S.A.....	2PL.....	\$5,000,000	0.2	%
10.02	Kkr Clo 32 Ltd.....	1FE.....	\$3,600,000	0.1	%
10.03	Invesco Finance PLC.....	2FE.....	\$3,502,082	0.1	%
10.04	Symphony CLO XXIV Ltd.....	1FE.....	\$3,060,000	0.1	%
10.05	Trane Technologies Luxembourg Finance S.A.....	2FE.....	\$3,012,833	0.1	%
10.06	Enstar Group Limited.....	2FE.....	\$3,003,259	0.1	%
10.07	Bluemountain Clo XXXI Ltd.....	1FE.....	\$3,001,070	0.1	%
10.08	TSMC Global Ltd.....	1FE.....	\$2,997,585	0.1	%
10.09	Carlyle Global Market Strategies CLO 2013-3 ,Ltd.....	1FE.....	\$2,600,000	0.1	%
10.10	CIFC Funding 2018 - 1 LTD.....	1FE.....	\$2,585,495	0.1	%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01	Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?	Yes ☒ No ☐
If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.		

	<u>1</u>	<u>2</u>	
11.02	Total admitted assets held in Canadian investments.....	\$0.0	%
11.03	Canadian-currency-denominated investments	\$0.0	%
11.04	Canadian-denominated insurance liabilities.....	\$0.0	%
11.05	Unhedged Canadian currency exposure	\$0.0	%

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01	Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?	Yes ☒ No ☐
If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.		

	<u>1</u>	<u>2</u>	<u>3</u>	
12.02	Aggregate statement value of investments with contractual sales restrictions	\$0.0	0.0	%
Largest three investments with contractual sales restrictions:				
12.03	.....	\$ .....0.0	0.0	%
12.04	.....	\$ .....0.0	0.0	%
12.05	.....	\$ .....0.0	0.0	%

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01	Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?	Yes ☐ No ☒
If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.		

	<u>1</u> Issuer	<u>2</u>	<u>3</u>	
13.02	J.P. Morgan Real Estate Income Trust, Inc.....	\$10,139,473	0.4	%
13.03	Octagon CLO Opportunity Fund IV (US) LP.....	\$10,096,361	0.4	%
13.04	Invesco Credit Partners.....	\$9,720,102	0.4	%
13.05	BlackRock.....	\$8,776,666	0.3	%
13.06	Federal Home Loan Bank of Atlanta.....	\$8,750,800	0.3	%
13.07	ValStone.....	\$8,736,245	0.3	%
13.08	BLUE OWL GP STAKES IV US INVESTORS LP.....	\$8,642,922	0.3	%
13.09	Benefit Street Partners Real Estate Opportunistic Debt Fund LP.....	\$8,305,309	0.3	%
13.10	Carval.....	\$7,741,450	0.3	%
13.11	Neuberger Berman.....	\$6,961,047	0.3	%

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01	Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?	Yes ☐ No ☒
If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.		

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SUPPLEMENT FOR THE YEAR 2023 OF THE Chesapeake Employers' Insurance Company

14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$	122,100,451	4.9 %
	Largest three investments held in nonaffiliated, privately placed equities:			
14.03	Octagon CLO Opportunity Fund IV (US) LP.....	\$	10,096,361	0.4 %
14.04	Invesco Credit Partners.....	\$	9,720,102	0.4 %
14.05	BlackRock.....	\$	8,776,666	0.3 %

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	JP MORGAN US GOVT CAPITAL SHS.....	\$30,723,770	\$30,723,770	\$
14.07	J.P. Morgan Real Estate Income Trust, Inc.....	\$10,139,473	\$10,139,473	\$
14.08	Invesco Exchange-Traded Fund Trust II - Invesco Taxable Municipal Bond ETF.....	\$2,416,518	\$2,416,518	\$
14.09	BlackRock Liquidity Funds - T-Fund.....	\$850,026	\$850,026	\$
14.10	.....	\$ .....	\$ .....	\$ .....
14.11	.....	\$ .....	\$ .....	\$ .....
14.12	.....	\$ .....	\$ .....	\$ .....
14.13	.....	\$ .....	\$ .....	\$ .....
14.14	.....	\$ .....	\$ .....	\$ .....
14.15	.....	\$ .....	\$ .....	\$ .....

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01	Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?	Yes [X]	No []
	If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.		

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	\$	0.0 %
	Largest three investments in general partnership interests:		
15.03	.....	\$ .....	0.0 %
15.04	.....	\$ .....	0.0 %
15.05	.....	\$ .....	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01	Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?	Yes [X]	No []
	If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.		

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		\$	0.0 %
16.03		\$	0.0 %
16.04		\$	0.0 %
16.05		\$	0.0 %
16.06		\$	0.0 %
16.07		\$	0.0 %
16.08		\$	0.0 %
16.09		\$	0.0 %
16.10		\$	0.0 %
16.11		\$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans	
16.12	Construction loans	\$0.0 %
16.13	Mortgage loans over 90 days past due	\$0.0 %
16.14	Mortgage loans in the process of foreclosure	\$0.0 %
16.15	Mortgage loans foreclosed	\$0.0 %
16.16	Restructured mortgage loans	\$0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential	Commercial	Agricultural
	1	2	3
17.01	above 95% \$0.0 %	\$0.0 %	\$0.0 %
17.02	91% to 95% \$0.0 %	\$0.0 %	\$0.0 %
17.03	81% to 90% \$0.0 %	\$0.0 %	\$0.0 %
17.04	71% to 80% \$0.0 %	\$0.0 %	\$0.0 %
17.05	below 70% \$0.0 %	\$0.0 %	\$0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01	Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?	Yes [X]	No []
	If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.		



SUPPLEMENT FOR THE YEAR 2023 OF THE Chesapeake Employers' Insurance Company

Largest five investments in any one parcel or group of contiguous parcels of real estate.

Description					
1		2		3	
18.02		\$		0.0	%
18.03		\$		0.0	%
18.04		\$		0.0	%
18.05		\$		0.0	%
18.06		\$		0.0	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

19.02 Aggregate statement value of investments held in mezzanine real estate loans:..... \$..... 0.0 %

Largest three investments held in mezzanine real estate loans:

19.03	.....	\$ .....	.....	0.0	%
19.04	.....	\$ .....	.....	0.0	%
19.05	.....	\$ .....	.....	0.0	%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	<u>At Year-End</u>			<u>At End of Each Quarter</u>		
	<u>1</u>	<u>2</u>		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
				<u>3</u>	<u>4</u>	<u>5</u>
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$.....	0.0	%	\$.....	\$.....	\$.....
20.02 Repurchase agreements	\$.....	0.0	%	\$.....	\$.....	\$.....
20.03 Reverse repurchase agreements	\$.....	0.0	%	\$.....	\$.....	\$.....
20.04 Dollar repurchase agreements	\$.....	0.0	%	\$.....	\$.....	\$.....
20.05 Dollar reverse repurchase agreements	\$.....	0.0	%	\$.....	\$.....	\$.....

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		<u>Owned</u>		<u>Written</u>		
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	
21.01	Hedging	\$	0.0	% \$	0.0	%
21.02	Income generation	\$	0.0	% \$	0.0	%
21.03	Other	\$	0.0	% \$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

At Year-End					At End of Each Quarter		
		<u>1</u>	<u>2</u>		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
					<u>3</u>	<u>4</u>	<u>5</u>
22.01	Hedging	\$	0.0	%	\$	\$	\$
22.02	Income generation	\$	0.0	%	\$	\$	\$
22.03	Replications	\$	0.0	%	\$	\$	\$
22.04	Other	\$	0.0	%	\$	\$	\$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

<u>At Year-End</u>				<u>At End of Each Quarter</u>		
		<u>1</u>	<u>2</u>	<u>1st Qtr</u> <u>3</u>	<u>2nd Qtr</u> <u>4</u>	<u>3rd Qtr</u> <u>5</u>
23.01	Hedging	\$	0.0 %	\$	\$	\$
23.02	Income generation	\$	0.0 %	\$	\$	\$
23.03	Replications	\$	0.0 %	\$	\$	\$
23.04	Other	\$	0.0 %	\$	\$	\$

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	87,471,193	3.665	87,471,193		87,471,193	3.665
1.02 All other governments	0	0.000	0		0	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	14,161,016	0.593	14,161,016		14,161,016	0.593
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	29,053,174	1.217	29,053,174		29,053,174	1.217
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	554,220,279	23.218	554,220,280		554,220,280	23.218
1.06 Industrial and miscellaneous	1,286,593,990	53.901	1,286,593,990		1,286,593,990	53.901
1.07 Hybrid securities	592,128	0.025	592,128		592,128	0.025
1.08 Parent, subsidiaries and affiliates	0	0.000	0		0	0.000
1.09 SVO identified funds	2,416,518	0.101	2,416,518		2,416,518	0.101
1.10 Unaffiliated bank loans	0	0.000	0		0	0.000
1.11 Unaffiliated certificates of deposit	0	0.000	0		0	0.000
1.12 Total long-term bonds	1,974,508,300	82.720	1,974,508,300	0	1,974,508,300	82.720
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	9,633,566	0.404	9,633,566		9,633,566	0.404
2.02 Parent, subsidiaries and affiliates	0	0.000	0		0	0.000
2.03 Total preferred stocks	9,633,566	0.404	9,633,566	0	9,633,566	0.404
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	188,437,411	7.894	188,437,411		188,437,411	7.894
3.02 Industrial and miscellaneous Other (Unaffiliated)	0	0.000	0		0	0.000
3.03 Parent, subsidiaries and affiliates Publicly traded	0	0.000	0		0	0.000
3.04 Parent, subsidiaries and affiliates Other	0	0.000	0		0	0.000
3.05 Mutual funds	10,139,473	0.425	10,139,473		10,139,473	0.425
3.06 Unit investment trusts	0	0.000	0		0	0.000
3.07 Closed-end funds	0	0.000	0		0	0.000
3.08 Exchange traded funds	0	0.000	0		0	0.000
3.09 Total common stocks	198,576,884	8.319	198,576,884	0	198,576,884	8.319
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0	0.000			0	0.000
4.02 Residential mortgages	0	0.000			0	0.000
4.03 Commercial mortgages	0	0.000			0	0.000
4.04 Mezzanine real estate loans	0	0.000			0	0.000
4.05 Total valuation allowance	0	0.000			0	0.000
4.06 Total mortgage loans	0	0.000	0	0	0	0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company	7,046,095	0.295	7,046,095		7,046,095	0.295
5.02 Properties held for production of income	0	0.000	0		0	0.000
5.03 Properties held for sale	0	0.000	0		0	0.000
5.04 Total real estate	7,046,095	0.295	7,046,095	0	7,046,095	0.295
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	18,632,362	0.781	18,632,362		18,632,362	0.781
6.02 Cash equivalents (Schedule E, Part 2)	31,573,795	1.323	31,573,795		31,573,795	1.323
6.03 Short-term investments (Schedule DA)	123,513	0.005	123,513		123,513	0.005
6.04 Total cash, cash equivalents and short-term investments	50,329,671	2.109	50,329,671	0	50,329,671	2.109
7. Contract loans	0	0.000	0		0	0.000
8. Derivatives (Schedule DB)	0	0.000	0		0	0.000
9. Other invested assets (Schedule BA)	146,041,247	6.118	146,041,247		146,041,247	6.118
10. Receivables for securities	842,957	0.035	842,957		842,957	0.035
11. Securities Lending (Schedule DL, Part 1)	0	0.000	0	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0		0	0.000
13. Total invested assets	2,386,978,720	100.000	2,386,978,720	0	2,386,978,720	100.000

Chesapeake Employers Insurance Company

Reinsurance Summary Supplemental Filing

December 31, 2023

As of December 31, 2023, Chesapeake's reinsurance program does not include any contracts with risk limiting features identified in paragraphs 114 through 119 of Statement of Statutory Accounting Principles No. 62R, *Property and Casualty Reinsurance*.