JohnsonLambert LLP
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Chesapeake Employers' Insurance Company

Audited Statutory-Basis Financial Statements and Supplementary Information

Years ended December 31, 2025 and 2024
with Report of Independent Auditors

Chesapeake Employers' Insurance Company

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Years ended December 31, 2025 and 2024

Contents

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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025, 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.

Johnson Lambert LLP

Vienna, Virginia
May 22, 2026

Chesapeake Employers' Insurance Company

Statutory-Basis Balance Sheets

	As of December 31, 2025	As of December 31, 2024
Admitted Assets		
Bonds	$ 1,987,382,640	$ 1,985,777,312
Preferred stock	6,880,616	13,054,314
Common stock	217,892,251	220,255,834
Real estate occupied by Chesapeake, net	6,571,853	6,808,974
Cash, cash equivalents and short-term investments	81,554,563	65,526,922
Other invested assets	177,963,276	165,079,082
Receivable for securities	1,406,001	82,000
Total cash and invested assets	2,479,651,200	2,456,584,438
Accrued investment income	16,254,314	16,171,325
Uncollected premiums and agents' balances in the course of collection	11,448,885	10,894,328
Deferred premiums	47,395,529	47,473,035
Funds held by or deposited with reinsured companies	1,224,438	1,224,438
Amounts recoverable from reinsurers	164,618	1,466,477
Net deferred tax asset	2,886,213	14,524,232
Electronic data processing equipment, net	385,737	394,581
Due from affiliate	2,471,483	13,890,669
Current federal income taxes recoverable	16,653,217	12,850,356
Other assets	411,033	411,138
Total admitted assets	$ 2,578,946,667	$ 2,575,885,017
Liabilities and Surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses, net	$ 773,437,000	$ 872,372,000
Accounts payable and accrued expenses	24,266,752	22,829,590
Borrowed money and accrued interest	140,582,915	140,585,047
Unearned premiums	72,371,371	71,704,152
Policyholder dividends payable	124,914,085	113,690,553
Funds held by Chesapeake under reinsurance treaties	283,000	290,000
Advance payments from policyholders	4,880,887	4,744,002
Payable for securities	1,169,610	11,344,306
Total liabilities	1,141,905,620	1,237,559,650
Surplus:		
Appropriated for subsidiaries	30,000,000	33,000,000
Unappropriated	1,407,041,047	1,305,325,367
Total surplus	1,437,041,047	1,338,325,367
Total liabilities and surplus	$ 2,578,946,667	$ 2,575,885,017

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, 2025	2024
Net premiums earned	$ 186,569,173	$ 185,244,171
Losses incurred, net	13,558,371	28,502,146
Loss adjustment expenses incurred, net	22,132,242	25,990,338
Commissions	25,666,169	25,075,426
Other underwriting expenses, net	39,726,621	38,258,020
Provision for bad debt	4,350,366	4,785,850
Underwriting income	81,135,404	62,632,391
Net investment income	77,014,542	77,084,740
Net realized gain on investments	27,894,995	1,096,896
Net investment gain	104,909,537	78,181,636
Other income	300,105	524,903
Dividends to policyholders	(66,009,153)	(65,719,811)
Total other loss	(65,709,048)	(65,194,908)
Income before federal income taxes	120,335,893	75,619,119
Federal income tax expense	19,197,139	12,920,118
Net income	$ 101,138,754	$ 62,699,001

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, 2025	2024
Surplus at beginning of year	$ 1,338,325,367	$ 1,234,151,241
Net income	101,138,754	62,699,001
Change in net deferred income tax	(7,151,507)	(1,993,072)
Change in net unrealized investment gains net of capital gains tax of $4,486,512 and $10,422,810 in 2025 and 2024, respectively	(1,192,072)	39,340,415
Change in non-admitted assets	5,920,505	4,106,782
Change in provision for reinsurance	-	21,000
Surplus at end of year	$ 1,437,041,047	$ 1,338,325,367

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, 2025	2024
Cash from operations		
Premiums collected	$ 194,397,780	$ 192,161,074
Loss and loss adjustment expenses paid, net of subrogation received	(98,887,512)	(136,795,950)
Policyholder dividends paid	(54,785,621)	(37,778,062)
Underwriting expenses paid	(95,398,481)	(59,908,753)
Other losses	(5,001,370)	(4,252,738)
Federal income taxes paid	(23,000,000)	(9,500,000)
Investment income received, net of investment expenses paid	81,860,589	80,264,558
Net cash (used in) provided by operations	(814,615)	24,190,129
Cash from investing activities		
Proceeds from investments sold, matured or repaid:		
Bonds	579,486,016	553,661,122
Stocks	98,527,407	77,591,329
Other invested assets	28,669,924	23,993,081
Net gains on cash, cash equivalents and short-term investments	607,141	26,460
Miscellaneous proceeds	8,434,263	16,752,832
Total investment proceeds	715,724,751	672,024,824
Cost of investments acquired (long-term only):		
Bonds	570,196,124	544,850,686
Stocks	79,461,570	76,508,145
Other invested assets	36,938,032	41,662,008
Miscellaneous applications	19,933,164	6,485,375
Total investments acquired	706,528,890	669,506,214
Net cash provided by investments	9,195,861	2,518,610
Cash from financing and miscellaneous activities		
Miscellaneous applications	7,646,395	(5,511,488)
Repayment to FHLB	-	(6,000,000)
Net cash provided by (used in) financing and miscellaneous activities	7,646,395	(11,511,488)
Net increase in cash and short-term investments	16,027,641	15,197,251
Cash, cash equivalents and short-term investments at beginning of year	65,526,922	50,329,671
Cash, cash equivalents and short-term investments at end of year	$ 81,554,563	$ 65,526,922

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, 2025 and 2024

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. The impairment/credit loss model is different for statutory and GAAP purposes.

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 statutory 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. 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.
- Non-admitted 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 non-admitted 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*.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)
The effects of the differences between SSAP and GAAP on the accompanying financial statements have not been determined but are presumed to be material.

Adoption of Accounting Principle
Chesapeake adopted the NAIC Principles-Based Bond Definition (PBBD) guidance, which revises SSAP No. 26 – Bonds, SSAP No. 43 – Asset-Backed Securities, and SSAP No. 21 – Other Admitted Assets, on January 1, 2025. The guidance replaces the prior classification rules for bonds with a principles-based approach. The guidance requires Chesapeake to use a principles-based approach to classify debt securities as either issuer credit obligations, asset-backed securities, or other invested assets based on their characteristics. Chesapeake updated investment disclosures to comply with the guidance.

Chesapeake adopted the guidance using the prospective approach. There was no impact to Chesapeake's net income or capital and surplus from adopting the guidance as of January 1, 2025.

Subsequent Events
Chesapeake has performed an evaluation of subsequent events through May 22, 2026, which is the date the financial statements were issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

In the first quarter of 2026, Chesapeake formed five new subsidiary entities: Chesapeake Employers Protective, Security, Specialty, Alliance, and Casualty Insurance Companies, Inc. These entities are not yet operational and have had no financial activity.

Income Taxes
Chesapeake does not have any uncertain tax positions that are material to the financial statements as of December 31, 2025 and 2024. 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.

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. Preferred stocks, rated highest or high quality (NAIC designation 1 or 2), are carried at amortized cost. 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 2025 and 2024, 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.

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 asset-backed securities are recorded in accordance with SSAP No. 43, *Loan-backed and Structured Securities* (SSAP 43). Under SSAP 43, 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 securities, 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, *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.

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 non-admitted in accordance with SSAP. Chesapeake routinely assesses the collectibility of premiums receivable, including deferred premiums, and any uncollectible receivable is written off in the period the determination is made. The allowance for uncollectible premiums receivable was $4,102,758 as of December 31, 2025 and 2024.

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, 2025 and December 31, 2024, the unbilled premiums was $35,087,255 and $35,164,761, respectively. EBUB totaled $12,308,274 at December 31, 2025 and 2024. 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.

2. Summary of Significant Accounting Policies (Continued)

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. Future lifetime compensation indemnity claims were discounted using rates of 3.25% and 2.90% at December 31, 2025 and 2024, respectively. 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, 2025 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.

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.

2. Summary of Significant Accounting Policies (Continued)

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, 2025 and 2024, 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, 2025 and 2024. 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.

Advertising Costs
Advertising costs are expensed as incurred. Advertising costs incurred and included in other underwriting expenses were $1,715,073 and $1,580,296 for the years ended December 31, 2025 and 2024, respectively.

2. Summary of Significant Accounting Policies (Continued)

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 $1,009,053 and $719,811 in 2025 and 2024 respectively, for the safety dividend and individual dividend programs.

During 2025 and 2024, the Board of Directors authorized corporate dividends of $65 million in both years. These dividends are based on policyholder loss ratios for accident years 2024 and 2025. Corporate dividends are recorded in a payable account when declared and distributed over a period of years.

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, 2025 and 2024.

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 accordingly 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, 2025 and 2024, Chesapeake's RBC regulatory ratio exceeds all of the action levels as defined by the NAIC and MIA.

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.

4. Investments (Continued)

Proceeds from the sales of bonds were $544,811,016 and $520,304,122 for 2025 and 2024, respectively. Gross realized gains of $24,403,631 and $32,771,150 and gross realized losses of $9,351,395 and $12,138,424 were realized on the sales of investments in bonds in 2025 and 2024, respectively. Gross realized gains of $25,074,954 and $15,681,429 and gross realized losses of $4,397,435 and $28,759,445 were realized on the sales of investments in equities in 2025 and 2024, respectively. Gross realized gains of $548,195 and $54,938 with $8,793 and $27,378 in gross realized losses were realized on sales of other long term assets in 2025 and 2024, respectively. In addition, Chesapeake recognized other-than-temporary impairment losses of $8,434,264 and $6,485,557 for the years ended December 31, 2025 and 2024, respectively. Management has concluded that the remaining unrealized losses are temporary as of December 31, 2025.

During the year ended December 31, 2024, Chesapeake received prepayment penalties and acceleration fees on 3 called securities, resulting in investment income of $4,223. There were no called securities or associated fees during the year ended December 31, 2025.

4. Investments (Continued)

The carrying value, gross unrealized gains and losses, and fair values of bonds consist of the following as of December 31, 2025:

2025	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Issuer credit obligations:				
U.S. government obligations	$ 64,404,806	$ 93,343	$ (2,942,273)	$ 61,555,876
Other U.S. government obligations	14,550,000	1,695	(337,500)	14,214,195
Municipal bonds – general obligations (direct & guaranteed)	30,371,457	40,068	(1,725,859)	28,685,666
Municipal bonds – special revenue	209,700,072	371,212	(14,809,475)	195,261,809
Corporate bonds (unaffiliated)	804,389,519	47,231,507	(18,616,507)	833,004,519
Mandatory convertible bonds (unaffiliated)	1,647,293	120,885	-	1,768,178
Single entity backed obligations (unaffiliated)	2,915,778	39,025	(43,688)	2,911,115
SVO identified bond exchange traded funds – fair value	2,442,560	-	-	2,442,560
Bonds issued by funds representing operating entities (unaffiliated)	5,000,000	319,825	-	5,319,825
Total issuer credit obligations	1,135,421,485	48,217,560	(38,475,302)	1,145,163,743
Asset-backed securities:				
Agency residential mortgage backed securities – guaranteed	29,961,965	501,177	(1,903,892)	28,559,250
Agency commercial mortgage backed securities – guaranteed	3,351,258	-	(56,645)	3,294,613
Agency residential mortgage backed securities – not/partially guaranteed	227,170,645	4,098,599	(5,859,774)	225,409,470
Agency commercial mortgage backed securities – not/partially guaranteed	80,280,732	255,911	(6,105,691)	74,430,952
Non agency residential mortgage backed securities (unaffiliated)	89,199,262	528,119	(4,542,948)	85,184,433
Non agency commercial mortgage backed securities (unaffiliated)	111,107,553	632,456	(4,765,656)	106,974,353
Non agency – CLOs/CBOs/CDOs (unaffiliated)	228,380,967	430,102	(162,163)	228,648,906
Other financial asset backed securities – self liquidating (unaffiliated)	46,542,097	404,732	(871,336)	46,075,493
Lease backed securities – practical expedient (unaffiliated)	21,254,443	379,944	(398,363)	21,236,024
Other non financial asset backed securities – practical expedient (unaffiliated)	14,712,233	270,739	(386,398)	14,596,574
Total asset-backed securities	851,961,155	7,501,779	(25,052,866)	834,410,068
Total bonds	$ 1,987,382,640	$ 55,719,339	$ (63,528,168)	$ 1,979,573,811

4. Investments (Continued)

The carrying value, gross unrealized gains and losses, and fair values of bonds consist of the following as of December 31, 2024:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury obligations	$ 50,078,437	$ 26,350	$ (3,862,448)	$ 46,242,339
U.S. government agency bonds	16,550,000	3,300	(801,041)	15,752,259
Non-U.S. government	405,948	-	(18,961)	386,987
State, municipal and provincial	290,611,419	107,074	(29,028,112)	261,690,381
Corporate bonds	1,175,632,890	33,254,162	(41,122,093)	1,167,764,959
Mortgage-backed securities:				
Government sponsored	334,128,376	978,862	(24,775,769)	310,331,469
Commercial and residential	118,370,242	173,806	(8,809,997)	109,734,051
Totals	$ 1,985,777,312	$ 34,543,554	$ (108,418,421)	$ 1,911,902,445

The cost, gross unrealized gains and losses, and fair values of preferred stock and common stock consist of the following as of December 31, 2025:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Redeemable preferred stock	$ 6,880,616	$ 14,458	$ (49,693)	$ 6,845,381
Common stock - industrial and miscellaneous	164,737,867	53,550,630	(11,215,863)	207,072,634
Common stock - mutual funds	10,000,000	819,617	-	10,819,617
Totals	$ 181,618,483	$ 54,384,705	$ (11,265,556)	$ 224,737,632

The cost, gross unrealized gains and losses, and fair values of preferred stock and common stock consist of the following as of December 31, 2024:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Redeemable preferred stock	$ 13,054,314	$ 291,683	$ (127,453)	$ 13,218,544
Common stock - industrial and miscellaneous	161,691,163	55,596,671	(7,475,558)	209,812,276
Common stock - mutual funds	10,000,000	443,558	-	10,443,558
Totals	$ 184,745,477	$ 56,331,912	$ (7,603,011)	$ 233,474,378

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 $3,000,000 in 2025 and $2,000,000 in 2024 into iCubed. This investment was valued at $31,551,464 and $25,932,174 as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, Chesapeake also held investments in surplus debentures valued at a total of $522,823 and $1,832,993, respectively.

4. Investments (Continued)

During 2025 and 2024, 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, 2025 and 2024 are summarized as follows:

Fund Name	2025 Carrying Value	2024 Carrying Value	Unfunded Commitment at December 31, 2025	Redemption Frequency
Pomona Capital XI	$ 956,983	$ -	$ 9,500,000	**
AG Core Plus Realty Fund III	-	593	-	**
AG Core Plus Realty Fund IV, LP	2,380,606	3,020,184	873,250	**
Sullivan Debt Fund LP	-	197,585	-	**
Latitude Management Real Estate Capital III	-	52	-	**
TPG AG Credit Solutions III	2,085,452	-	7,914,575	**
Neuberger Berman Secondary Opportunities Fund IV	6,186,816	6,605,467	3,858,344	**
Neuberger Berman Secondary	6,303,639	5,105,888	5,927,918	**
Elm Tree IV	-	7,701	-	**
Franklin Templeton Private Real Estate Fund IIA	3,642,840	4,242,009	597,019	**
ValStone Opportunity Fund VI	7,135,264	7,986,220	487,812	**
BlackRock Multi-Alternative Opportunities Fund	4,849,125	5,392,386	2,648,524	**
BlackRock Global Energy & Power Infrastructure Fund	7,199,476	9,681,626	272,537	**
BlackRock Infrastructure Fund IV	8,165,706	5,836,539	2,830,374	**
Blue Owl GP Stakes IV US Investors LP	7,457,549	9,172,456	7,271,747	**
PCCP Equity VIII	3,783,864	3,882,795	966,876	**
Invesco Credit Partners Fund II	11,294,884	10,246,434	833,782	**
Carval's CVI Credit Value Fund A V LP	7,563,720	8,035,428	500,000	**
Auldbrass Partners Secondary Opportunity Fund II	1,732,879	2,566,208	-	**
Auldbrass Partners Secondary Opportunity Fund III	10,683,864	7,109,172	1,765,367	**
Heitman Value Partners Fund V	8,899,661	8,444,075	1,114,603	**
Benefit Street Debt Fund I	3,670,793	6,531,413	6,814,700	**
Propel Baltimore Fund III, L.P.	661,200	-	838,800	**
RRA Debt Fund II	2,671,747	3,851,502	850,000	**
Hadley Harbor Partners	8,742,267	5,311,966	867,669	**
ElmTree US Net Lease Fund V-A, LP	8,262,004	6,113,291	2,183,035	**
Shenkman CBO Opportunity Fund I LP	3,183,563	2,137,326	2,243,796	**
Invesco Credit Partners Fund III, LP	2,354,377	2,374,018	2,712,728	**
MGG Structured Solutions Fund ll LP	3,429,474	2,334,351	6,659,790	**
Ares Secondaries Infrastructure, L.P.	983,364	-	9,000,000	**
Benefit Street Partners RE Opp Debt Fund ll	3,924,151	8,311,440	5,707,188	**
RRA Real Estate Debt Fund lll, L.P.	4,114,599	2,500,000	885,401	**
FCP Realty fund VI-B, L.P.	1,116,290	315,792	3,760,035	**
ABR Chesapeake Investors VII, L.P.	2,452,832	-	7,547,168	**
Total	$ 145,888,989	$ 137,313,917	$ 97,433,038	

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, 2025, 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.

	Carrying Value	Fair Value
Years to maturity:		
Due in one year or less	$ 97,610,723	$ 105,134,831
Due after one year through five years	527,278,342	551,311,181
Due after five years through ten years	348,387,894	339,472,409
Due after ten through twenty	121,476,903	115,188,446
Thereafter	40,667,623	34,056,876
Asset-baked securities - commercial mortgage backed	194,739,543	184,699,919
Asset-baked securities - residential mortgage backed	346,331,872	339,153,152
Asset-baked securities - other loan-backed	310,889,740	310,556,997
Total bonds	$ 1,987,382,640	$ 1,979,573,811

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, 2025:

	Less than twelve months		Twelve months or greater		Total	
December 31, 2025	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Issuer credit obligations	$ 128,814,961	$ (2,169,687)	$ 462,694,078	$ (36,305,615)	$ 591,509,039	$ (38,475,302)
Asset-backed securities	125,187,188	(506,566)	259,792,632	(24,546,300)	384,979,820	(25,052,866)
Preferred stock	632,083	(14,456)	1,964,763	(35,237)	2,596,846	(49,693)
Common stock	41,442,585	(7,847,209)	4,778,811	(3,368,654)	46,221,396	(11,215,863)
Total	$ 296,076,817	$ (10,537,918)	$ 729,230,284	$ (64,255,806)	$1,025,307,101	$ (74,793,724)

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, 2024:

	Less than twelve months		Twelve months or greater		Total	
December 31, 2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S.treasury obligations	$ 5,275,801	$ (153,960)	$ 38,517,374	$ (3,708,488)	$ 43,793,175	$ (3,862,448)
U.S. government agency bonds	2,505,559	(44,441)	10,243,400	(756,600)	12,748,959	(801,041)
State, municipal, and provincial	36,962,237	(918,583)	205,308,077	(28,109,529)	242,270,314	(29,028,112)
Non-U.S. governmental	386,988	(18,961)	-	-	386,988	(18,961)
Corporate bonds	262,405,005	(8,499,482)	328,483,439	(32,622,611)	590,888,444	(41,122,093)
Mortgage-backed securities:						
Governmental	117,951,259	(3,621,676)	130,313,093	(21,154,093)	248,264,352	(24,775,769)
Commercial	11,683,327	(122,112)	85,724,967	(8,687,885)	97,408,294	(8,809,997)
Preferred stock	1,571,823	(28,027)	1,900,574	(99,426)	3,472,397	(127,453)
Common stock	23,829,807	(3,146,873)	7,572,104	(4,328,685)	31,401,911	(7,475,558)
Total	$ 462,571,806	$ (16,554,115)	$ 808,063,028	$ (99,467,317)	$1,270,634,834	$ (116,021,432)

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, 2025 and 2024, major categories of Chesapeake's net investment income are summarized as follows:

	2025	2024
Bonds	$ 75,971,738	$ 79,865,890
Equity securities	3,214,497	3,551,200
Real estate	1,807,720	1,807,720
Cash and other invested assets	12,481,878	9,824,092
Gross investment income	93,475,833	95,048,902
Investment expense	(16,461,291)	(17,964,162)
Net investment income	$ 77,014,542	$ 77,084,740

4. Investments (Continued)

The following table provides information about Chesapeake's investments measured at fair value as of December 31, 2025:

Class of Security	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Issuer credit obligations	$ 1,135,421,485	$ -	$ 1,145,163,743	$ -	$ 1,145,163,743
Asset-backed securities	851,961,155	-	834,410,068	-	834,410,068
Redeemable preferred stock	6,880,616	6,845,381	-	-	6,845,381
Common stock	217,892,251	209,439,051	8,453,200	-	217,892,251
Other invested assets	522,823	-	511,428	-	511,428
Total value of investments	$ 2,212,678,330	$ 216,284,432	$ 1,988,538,439	$ -	2,204,822,871
Alternative investment funds valued using equity method*					145,888,989
Total					$ 2,350,711,860

The following table provides information about Chesapeake's investments measured at fair value as of December 31, 2024:

Class of Security	Carrying Value	Level 1	Level 2	Level 3	Fair Value
U.S. treasury obligations	$ 50,078,437	$ -	$ 46,242,339	$ -	$ 46,242,339
U.S. government agency bonds	16,550,000	-	15,752,259	-	15,752,259
Non-U.S. government	405,948	-	386,987	-	386,987
State, municipal and provincial	290,611,419	-	261,690,381	-	261,690,381
Corporate bonds	1,175,632,890	-	1,167,764,959	-	1,167,764,959
Mortgage-backed securities:					
Government sponsored	334,128,376	-	310,331,469	-	310,331,469
Commercial and residential	118,370,242	-	109,734,051	-	109,734,051
Redeemable preferred stock	13,054,314	13,218,544	-	-	13,218,544
Common stock	220,255,834	211,845,034	8,410,800	-	220,255,834
Other invested assets	1,833,045	-	1,793,417	51	1,793,468
Total value of investments	$ 2,220,920,505	$ 225,063,578	$ 1,922,106,662	$ 51	2,147,170,291
Alternative investment funds valued using equity method*					137,353,440
Total					$ 2,284,523,731

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

4. Investments (Continued)

A reconciliation of investments disclosed or measured at fair value with the use of significant unobservable inputs (Level 3) from January 1, 2024 to December 31, 2025 is as follows:

	Total Level 3 Investments
Balance at January 1, 2024	$ 3,907
Total losses	(1,236)
Purchases	-
Redemptions	(2,620)
Balance at January 1, 2025	51
Total losses	(51)
Purchases	-
Redemptions	-
Balance at December 31, 2025	$ -

No portion of the interest income due and accrued balance was non-admitted as of December 31, 2025 and 2024.

There was no deferred interest as of December 31, 2025 and 2024.

There was no cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance of bonds as of December 31, 2025 and 2024.

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. 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, 2025, Chesapeake has a maximum borrowing capacity of $522,022,600 as determined by the FHLB based on Chesapeake’s financial and operating condition.

5. Federal Home Loan Bank (Continued)

As of December 31, 2025, Chesapeake had 9 outstanding credit advances totaling $140,000,000 from FHLB. During 2025, the floating interest rates on the credit advances ranged from 3.84% to 4.66% per annum. During 2024, the floating interest rates on the credit advances ranged from 4.67% to 5.36% per annum. During 2025 and 2024, Chesapeake incurred $6,414,139 and $7,848,213 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, 2025 and 2024, the collateral pledged by Chesapeake to the FHLB was as follows:

	Fair Value	Admitted Value	Amount Borrowed at Time of Maximum
December 31, 2025	$ 175,983,699	$ 191,239,265	$ 140,000,000
December 31, 2024	165,950,947	187,817,530	140,000,000

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:

	2025	2024
Membership stock - Class B1 (not eligible for redemption)	$ 1,803,200	$ 1,760,800
Activity stock - Class B2	6,650,000	6,650,000
Total FHLB common stock owned by Chesapeake	$ 8,453,200	$ 8,410,800

6. Land, Building and Equipment

As of December 31, 2025 and 2024, real estate occupied by Chesapeake, net consisted of the following:

	2025	2024
Land	$ 1,335,400	$ 1,335,400
Buildings and improvements	14,206,861	14,206,861
	15,542,261	15,542,261
Accumulated depreciation	(8,970,408)	(8,733,287)
Total real estate occupied by Chesapeake, net	$ 6,571,853	$ 6,808,974

6. Land, Building and Equipment (Continued)

Depreciation expense related to real estate was $237,121 for the years ended December 31, 2025 and 2024.

As of December 31, 2025 and 2024, EDP equipment, net consisted of the following:

	2025	2024
EDP equipment	$ 5,453,038	$ 5,460,448
Non-operating system software	36,777,091	38,426,562
Accumulated depreciation	(37,729,391)	(40,902,519)
Non-admitted assets	(4,115,001)	(2,589,910)
Total EDP equipment, net	$ 385,737	$ 394,581

Depreciation expense related to EDP equipment and software was $2,163,770 and $1,173,133 for the years ended December 31, 2025 and 2024, respectively.

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, 2025 and 2024, is as follows:

	2025	2024
Direct premiums	$ 175,067,299	$ 175,974,928
Reinsurance assumed	13,755,658	11,557,656
Reinsurance ceded	(2,253,784)	(2,288,413)
Net premiums earned	$ 186,569,173	$ 185,244,171

The effect of reinsurance assumed and ceded on net premiums written for the years ended December 31, 2025 and 2024, is as follows:

	2025	2024
Direct premiums	$ 175,113,345	$ 179,174,423
Reinsurance assumed	14,376,831	13,234,570
Reinsurance ceded	(2,253,784)	(2,288,413)
Net premiums written	$ 187,236,392	$ 190,120,580

7. Insurance Activity (Continued)

The impact of Chesapeake's ceded reinsurance arrangements on losses and LAE incurred, and the related ceded reserves, is summarized as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Loss and loss expenses incurred ceded	$ 4,648,739	$ (6,544,746)
Loss and loss expense reserves	$ (67,673,000)	$ (72,621,000)

As of December 31, 2025 and 2024, Chesapeake has pledged collateral in the amount of $38,918,161 and $34,603,365, respectively, for the benefit of two insurance companies for which it assumes reinsurance.

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, 2025 and 2024, is summarized as follows:

	2025	2024
Balance as of January 1	$ 872,372,000	$ 953,209,000
Incurred losses and loss expenses related to:		
Current year	157,615,000	159,563,083
Prior years	(121,924,387)	(105,097,957)
Total incurred	35,690,613	54,465,126
Paid losses and loss expenses related to:		
Current year	27,506,000	26,029,496
Prior years	107,119,613	109,272,630
Total paid	134,625,613	135,302,126
Balance at December 31	$ 773,437,000	$ 872,372,000

8. Loss and Loss Adjustment Expenses (Continued)

The estimated liability related to prior years decreased by approximately $122 million in 2025, largely due to favorable development for accident years 2024 and prior. Total direct loss and LAE reserve favorable development on all prior accident years (prior to tabular discounts) was approximately $127 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 due to the aging of claimants, settlements, and claim closings in general.

The estimated liability related to prior years decreased by approximately $105 million in 2024, largely due to favorable development for accident years 2023 and prior. Total direct loss and LAE reserve favorable development on all prior accident years (prior to tabular discounts) was approximately $111 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.

Reserves for Workers Compensation have been discounted on a tabular basis using actuarial tables constructed from the United States Life Tables, 2023 as published by The Centers for Disease Control and Prevention (CDC), National Vital Statistics Reports, Volume 74, Number 6, at a discount rate of 3.25% in 2025 and 2.90% in 2024. The 2025 and 2024 liabilities include $136,263,180 and $125,595,617 of such discounted reserves, respectively, that are eligible for discounting. The amount of discount for case and IBNR reserves is $50,226,297 and $39,084,081 at December 31, 2025 and 2024, respectively.

The estimated salvage and subrogation amounts deducted from the reserve for losses and LAE are $9,311,100 and $10,022,649 at December 31, 2025 and 2024, respectively.

9. Third-Party Advance for Claims Processing

Under a contract effective July 1, 1990, Chesapeake acted as administrator for certain State of Maryland workers' compensation claims. In February 2025, the State of Maryland and IWIF executed a Memorandum of Understanding (MOU) that superseded the prior agreement and continues to govern the administration of State workers' compensation claims which includes funding claim payments through a dedicated trust. IWIF bills the State for the cost of claims and administrative expenses and then reimburses Chesapeake for their share of administrative and 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 2025 or 2024. 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.

From 2013 to 2024, Chesapeake provided IWIF with an interest-free advance to administer the payments for the State of Maryland’s workers’ compensation program. The MOU executed in 2025 modifies the funding arrangement in that Chesapeake no longer provides an advance to IWIF related to the State’s workers’ compensation program. The State now funds workers' compensation claim payments and related expenses in advance through state-provided funding and IWIF has repaid the outstanding advance to Chesapeake. At December 31, 2025 and 2024, the remaining balance due from IWIF on this loan was $0 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, 2025 and 2024, IWIF recognized $15,820,034 and $13,607,777, respectively, for administrative expenses and shared reinsurance coverage associated with managing the State claims. For the years ended December 31, 2025 and 2024, IWIF reported $2,471,483 and $1,390,067, 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, 2025 and 2024, Chesapeake collected $2,802,229 and $2,121,964, 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, 2025 and 2024, of $492,559 and $529,067, respectively, which represented approximately 4.7% and 4.4% 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, 2025 and 2024, Chesapeake contributed $253,040 and $299,385, 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, 2025 and 2024, Chesapeake contributed $1,827,858 and $1,716,385, respectively, as part of the 401(k) program.

12. Appropriated Surplus

In 2025 and 2024, Chesapeake reserved $30,000,000 and $33,000,000, respectively, 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, 2025 and 2024 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.

13. Disclosures about Fair Value of Financial Instruments (Continued)

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, 2025 and 2024, is $11,011,536 and $11,970,372, respectively. The amount of reserves for loss and loss adjustment expenses removed from Chesapeake as a result of the purchased annuities is $50,808,988 and $53,847,475 at December 31, 2025 and 2024, respectively.

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. Chesapeake recorded a liability of $1,335,015 and $899,997 as of December 31, 2025 and 2024 respectively, for contributions.

Chesapeake is also subject to a 2% premium tax to the State of Maryland. Chesapeake incurred premium tax expense of $2,412,881 and $2,834,267 for the years ended December 31, 2025 and 2024, respectively.

16. Other Underwriting Expenses

The significant components of other underwriting expenses, net during 2025 and 2024 were as follows:

	2025	2024
Salaries and related items	$ 18,954,611	$ 18,693,403
Taxes, licenses and fees	4,758,451	4,230,432
Employee relations and welfare	3,775,688	3,664,147
Advertising	1,715,073	1,580,296
Postage and telephone	907,400	900,550
Rent and rent items	700,273	696,660
Legal and auditing	1,241,214	762,387
Equipment	766,565	1,813,069
Printing and stationery	224,161	241,319
Cost of depreciation of EDP equipment and software	3,860,000	3,308,245
Travel and travel related items	363,430	317,594
Directors' fees	383,519	367,399
Other	607,149	170,892
Insurance	636,547	437,261
Board, bureaus and associations	760,443	743,433
Audit of assured's records	72,097	330,933
Total other underwriting expenses, net	$ 39,726,621	$ 38,258,020

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 2025 and 2024 tax return was 21%.

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

	2025	2024
Current federal income tax expense	$ 14,208,729	$ 13,800,491
Realized federal capital gains tax expense	6,203,069	-
True-up of prior year taxes	(1,214,659)	(880,373)
Federal income tax expense	$ 19,197,139	$ 12,920,118

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

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, 2025 are as follows:

	December 31, 2025			December 31, 2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 22,696,309	$ 1,338,793	$ 24,035,102	$ 29,489,049	$ 2,238,122	$ 31,727,171
Statutory valuation allowance	-	-	-	-	-	-
Adjusted gross deferred tax assets	22,696,309	1,338,793	24,035,102	29,489,049	2,238,122	31,727,171
Deferred tax assets nonadmitted	-	-	-	-	-	-
Total deferred tax assets admitted	22,696,309	1,338,793	24,035,102	29,489,049	2,238,122	31,727,171
Deferred tax liabilities	1,676,708	19,472,181	21,148,889	1,236,092	15,966,847	17,202,939
Net admitted deferred tax asset	$ 21,019,601	$(18,133,388)	$ 2,886,213	$ 28,252,957	$(13,728,725)	$ 14,524,232
Net change during year in deferred tax assets nonadmitted			$ (7,692,069)			$ (5,985,035)

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, 2025			December 31, 2024		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Can be recovered through loss carrybacks (a)	$ 13,392,108	$ 1,338,793	$ 14,730,901	$ 16,253,151	$ -	$ 16,253,151
Lesser of:						
Adjusted gross DTA expected to be recognized following the balance sheet date (b.i)	2,933,764	-	2,933,764	3,212,864	2,238,122	5,450,986
Adjusted gross DTA allowed per limitation threshold (b.ii)			214,044,841			197,779,351
Adjusted gross DTAs offset against existing DTLs (c)	6,370,437	-	6,370,437	10,023,034	-	10,023,034
DTAs admitted as a result of the application of SSAP 101 (a+b.i+c)	$ 22,696,309	$ 1,338,793	$ 24,035,102	$ 29,489,049	$ 2,238,122	$ 31,727,171
Ratio % used to determine recovery period and threshold limitation amount			2,173 %			1,750 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount			$ 1,426,965,608			$ 1,318,529,006

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, 2025 and 2024.

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, 2025:

	Ordinary Percent	Capital Percent	Total Percent
Impact of Tax Planning Strategies:			
Adjusted gross DTAs (% of total adjusted gross DTAs)	- %	100 %	100 %
Net admitted adjusted gross DTAs (% of net admitted adjusted gross DTAs)	- %	100 %	100 %

Chesapeake's tax-planning strategies did not include the use of reinsurance-related tax-planning strategies as of December 31, 2025 and 2024. Chesapeake does not have any unrecognized deferred tax liabilities.

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:

	2025	2024
Deferred tax assets		
Ordinary		
Non-admitted assets	$ 7,464,439	$ 8,707,745
Unearned premiums	3,039,598	3,011,574
Loss discounting	10,596,035	15,765,683
Accrued expenses	529,661	412,677
Fixed assets	-	530,543
Advanced premiums	204,997	199,248
Bad debt allowance	861,579	861,579
Subtotal	22,696,309	29,489,049
Non-admitted deferred tax assets	-	-
Admitted ordinary deferred tax assets	22,696,309	29,489,049
Capital		
Capital loss carryforward	-	1,244,449
OTTI	1,074,759	816,921
Wash sales	264,034	176,752
Admitted capital deferred tax assets	1,338,793	2,238,122
Total admitted deferred tax assets	24,035,102	31,727,171
Deferred tax liabilities		
Ordinary		
Bond market discount, net	1,333,900	965,672
Fixed assets	66,772	-
Other	276,036	270,420
Subtotal	1,676,708	1,236,092
Capital		
Investments in passthrough entities	507,556	1,488,733
Unrealized gains	18,964,625	14,478,114
Subtotal	19,472,181	15,966,847
Total deferred tax liabilities	21,148,889	17,202,939
Net admitted deferred tax asset	$ 2,886,213	$ 14,524,232

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

The change in net deferred income taxes, before consideration of the change in non-admitted tax assets, is comprised of the following at December 31, 2025:

	2025	2024	Change
Adjusted gross deferred tax assets	$ 24,035,102	$ 31,727,171	$ (7,692,069)
Total deferred tax liabilities	(21,148,889)	(17,202,939)	(3,945,950)
Net deferred tax assets (liabilities)	$ 2,886,213	$ 14,524,232	$ (11,638,019)
Tax effect of change in unrealized gains			4,486,512
Change in net deferred income tax			$ (7,151,507)

The change in net deferred income taxes, before consideration of the change in non-admitted assets, is comprised of the following at December 31, 2024:

	2024	2023	Change
Adjusted gross deferred tax assets	$ 31,727,171	$ 33,429,832	$ (1,702,661)
Total deferred tax liabilities	(17,202,939)	(6,489,718)	(10,713,221)
Net deferred tax assets	$ 14,524,232	$ 26,940,114	(12,415,882)
Tax effect of unrealized gains			10,422,810
Change in net deferred income tax			$ (1,993,072)

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 2025 and 2024) to statutory income before income taxes. The items causing this difference are as follows for the year ended December 31, 2025 and 2024:

	2025		2024	
	Amount at Statutory Rate	Effective Tax Rate	Amount at Statutory Rate	Effective Tax Rate
Provision computed at statutory rate	$ 25,284,908	21.00 %	$ 15,878,079	21.00 %
Permanent differences	(277,943)	(0.23)%	(302,144)	(0.40)%
PY true up (to deferred)	1,313,034	1.09 %	612,061	0.81 %
PY true up (to current)	(1,214,659)	(1.01)%	(880,373)	(1.16)%
Change in non-admitted assets	1,243,306	1.03 %	(394,433)	(0.52)%
Total statutory income taxes	$ 26,348,646	21.88 %	$ 14,913,190	19.73 %
Federal income taxes incurred	$ 19,197,139		$ 12,920,118	
Change in net deferred income taxes	7,151,507		1,993,072	
Total statutory income taxes	$ 26,348,646		$ 14,913,190	

At December 31, 2025 and 2024, 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.

2025	$	20,411,799
2024	$	12,585,831

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 years ended December 31, 2025 and 2024. 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 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, 2025 and 2024.

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

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 2025 and 2024.

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, 2025:

	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
Unrealized investment gains	$ 72,868,848	$ (1,192,072)
Non-admitted assets		
Premium receivable	(22,291,390)	6,441,734
Non-operating system software	(4,115,001)	(1,525,091)
Furniture & equipment	(3,386,781)	289,856
Prepaid expenses	(1,117,731)	368,900
Other assets	(4,634,042)	345,106
Totals	$ 37,323,903	$ 4,728,433

19. Annual Statement Reconciliation

There are no differences in surplus or net income as reported in these financial statements and Chesapeake's 2025 and 2024 Annual Statement as filed with the regulators.

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, 2025. 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. There were no nonadmitted restricted assets.

Restricted Asset Category	Total Current Year Admitted Asset	Total Prior Year Admitted Asset	Increase	Restricted to Total Admitted Assets
FHLB capital stock	$ 8,453,200	$ 8,410,800	$ 42,400	0 %
On deposit with other regulatory bodies	1,193,283	1,191,162	2,121	0 %
Pledged as collateral to FHLB	191,239,265	187,817,530	3,421,735	7 %
Pledged as collateral not captured in other categories	38,918,161	34,603,365	4,314,796	2 %
Other restricted assets	98,940,476	95,032,455	3,908,021	4 %
Total restricted assets	$ 338,744,385	$ 327,055,312	$ 11,689,073	13 %

As required by 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, 2025 and 2024. The amount held by Zurich was $1,200,000 for both the years ended December 31, 2025 and 2024. Other restricted assets also includes $283,000 and $290,000 of funds held under reinsurance treaties for the years ended December 31, 2025 and 2024, respectively. Unfunded commitments for limited partnerships of $97,433,038 and $93,518,018 for the years ended December 31, 2025 and 2024, respectively, are included in other restricted assets.

Supplementary Information

SUPPLEMENT FOR THE YEAR 2025 OF THE Chesapeake Employers' Insurance Company

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2025

(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. $ 2,578,946,667

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	JPMorgan Trust II - JPMorgan U.S. Government Money Market Fund	MMFund	$ 41,135,899	1.6 %
2.02	Morgan Stanley Finance LLC	Bonds	$ 15,928,445	0.6 %
2.03	Uber Technologies, Inc.	Bonds	$ 15,447,137	0.6 %
2.04	Welltower OP LLC	Bonds	$ 14,620,518	0.6 %
2.05	Microsoft Corporation	Bonds, Equity	$ 14,139,967	0.5 %
2.06	Apple Inc.	Bonds, Equity	$ 14,119,457	0.5 %
2.07	Duke Energy Corporation	Bonds	$ 12,605,044	0.5 %
2.08	NextEra Energy Capital Holdings, Inc.	Bonds	$ 11,939,026	0.5 %
2.09	Invesco Credit Partners	Sch BA-Joint Venture	$ 11,294,884	0.4 %
2.10	J.P. Morgan Real Estate Income Trust, Inc.	Equity	$ 10,819,617	0.4 %

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

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 1,464,217,146	56.8 %	3.07	NAIC 1	$ 2,000,000	0.1 %
3.02	NAIC 2	$ 429,243,406	16.6 %	3.08	NAIC 2	$ 4,880,616	0.2 %
3.03	NAIC 3	$ 63,105,714	2.4 %	3.09	NAIC 3	$	0.0 %
3.04	NAIC 4	$ 36,494,157	1.4 %	3.10	NAIC 4	$	0.0 %
3.05	NAIC 5	$ 1,591,257	0.1 %	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	$ 258,052,518	10.0 %
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:

		1	2
5.01	Countries designated NAIC 1	$ 249,173,042	9.7 %
5.02	Countries designated NAIC 2	$ 3,411,801	0.1 %
5.03	Countries designated NAIC 3 or below	$ 5,467,675	0.2 %

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

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: Cayman Islands	$ 160,639,221	6.2 %
6.02	Country 2: United Kingdom, Jersey	$ 22,668,294	0.9 %
	Countries designated NAIC 2:		
6.03	Country 1: Uruguay	$ 1,283,084	0.0 %
6.04	Country 2: Mexico	$ 955,698	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1: Virgin Islands, British	$ 2,998,207	0.1 %
6.06	Country 2: Brazil	$ 2,469,468	0.1 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$	0.0 %

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

SUPPLEMENT FOR THE YEAR 2025 OF THE Chesapeake Employers' Insurance Company

		1	2
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:

		1	2
	Countries designated NAIC 1:		
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:

	1 Issuer	2 NAIC Designation	3	4
10.01	Barclays Bank PLC	1FE	$ 9,617,987	0.4 %
10.02	Taiwan Semiconductor Manufacturing Company Limited		$ 5,880,575	0.2 %
10.03	Trafigura Funding S.A.	2PL	$ 5,000,000	0.2 %
10.04	Enstar Group Limited	2FE	$ 3,002,419	0.1 %
10.05	TSMC Global Ltd.	1FE	$ 2,998,207	0.1 %
10.06	Ares LXIV Clo Ltd.	1FE	$ 2,500,000	0.1 %
10.07	Nu Holdings Ltd.		$ 2,469,468	0.1 %
10.08	Chubb Limited		$ 2,259,125	0.1 %
10.09	Symphony CLO XXIV Ltd.	1FE	$ 2,120,000	0.1 %
10.10	CIFC Funding 2014-IV-R Ltd	1FE	$ 2,085,000	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 [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		1	2
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 [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	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 [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02	Invesco Credit Partners	$ 11,294,884	0.4 %
13.03	J.P. Morgan Real Estate Income Trust, Inc.	$ 10,819,617	0.4 %
13.04	Auldbrass SOF III	$ 10,683,864	0.4 %
13.05	Heitman Value Partners V, LP	$ 8,899,661	0.3 %
13.06	NVIDIA Corporation	$ 8,747,410	0.3 %
13.07	HADLEY HARBOR PARTNERS	$ 8,742,267	0.3 %
13.08	Federal Home Loan Bank of Atlanta	$ 8,453,200	0.3 %
13.09	Microsoft Corporation	$ 8,400,963	0.3 %
13.10	ElmTree V	$ 8,262,004	0.3 %
13.11	Blackrock Infrastructure Fund IV	$ 8,165,706	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 [X]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

SUPPLEMENT FOR THE YEAR 2025 OF THE Chesapeake Employers' Insurance Company

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$ 147,888,989	5.7 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03	Invesco Credit Partners	$ 11,294,884	0.4 %
14.04	Auldbrass SOF III	$ 10,683,864	0.4 %
14.05	Heitman Value Partners V, LP	$ 8,899,661	0.3 %

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	JPMorgan Trust II - JPMorgan U.S. Government Money Market Fund	$ 41,135,899	$ 41,135,899	$
14.07	BlackRock Liquidity Funds - T-Fund	$ 20,762,571	$ 20,762,571	$
14.08	J.P. Morgan Real Estate Income Trust, Inc.	$ 10,819,617	$ 10,819,617	$
14.09	Invesco Exchange-Traded Fund Trust II - Invesco Taxable Municipal Bond ETF	$ 2,442,560	$ 2,442,560	$
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 1	2	Commercial 3	4	Agricultural 5	6
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 2025 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.

	1	2	3
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:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	Owned		Written	
	1	2	3	4
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		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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:

	At Year-End		At End of Each Quarter		
			1st Qtr	2nd Qtr	3rd Qtr
	1	2	3	4	5
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 1 Amount	2 Percentage of Column 1 Line 14	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3+4) Amount	6 Percentage of Column 5 Line 14
1. Issuer credit obligations (Schedule D, Part 1, Section 1):						
1.01 U.S. government obligations	64,404,807	2.597	64,404,807		64,404,807	2.597
1.02 Other U.S. government obligations	14,550,000	0.587	14,550,000		14,550,000	0.587
1.03 Non-U.S. sovereign jurisdiction securities						
1.04 Municipal bonds - general obligations (direct & guaranteed)	30,371,457	1.225	30,371,457		30,371,457	1.225
1.05 Municipal bonds - special revenue	209,700,071	8.457	209,700,072		209,700,072	8.457
1.06 Project finance bonds issued by operating entities						
1.07 Corporate bonds	804,389,519	32.440	804,389,519		804,389,519	32.440
1.08 Mandatory convertible bonds	1,647,293	0.066	1,647,293		1,647,293	0.066
1.09 Single entity backed obligations	2,915,778	0.118	2,915,778		2,915,778	0.118
1.10 SVO-identified bond exchange traded funds - fair value	2,442,560	0.099	2,442,560		2,442,560	0.099
1.11 SVO-identified bond exchange traded funds - systematic value						
1.12 Bonds issued by funds representing operating entities	5,000,000	0.202	5,000,000		5,000,000	0.202
1.13 Bank loans - issued						
1.14 Bank loans - acquired						
1.15 Mortgage loans that qualify as SVO-Identified credit tenant loans						
1.16 Certificates of deposit						
1.17 Other issuer credit obligations						
1.18 Total issuer credit obligations	1,135,421,485	45.790	1,135,421,485		1,135,421,485	45.790
2. Asset-backed securities (Schedule D, Part 1, Section 2):						
2.01 Financial asset-backed securities - self-liquidating	815,994,480	32.908	815,994,480		815,994,480	32.908
2.02 Financial asset-backed securities - not self-liquidating						
2.03 Non-financial asset-backed securities	35,966,675	1.450	35,966,675		35,966,675	1.450
2.04 Total asset-backed securities	851,961,155	34.358	851,961,155		851,961,155	34.358
3. Preferred stocks (Schedule D, Part 2, Section 1):						
3.01 Industrial and miscellaneous (unaffiliated)	6,880,616	0.277	6,880,616		6,880,616	0.277
3.02 Parent, subsidiaries and affiliates						
3.03 Total preferred stocks	6,880,616	0.277	6,880,616		6,880,616	0.277
4. Common stocks (Schedule D, Part 2, Section 2):						
4.01 Industrial and miscellaneous - publicly traded (unaffiliated)	207,072,634	8.351	207,072,634		207,072,634	8.351
4.02 Industrial and miscellaneous - other (unaffiliated)						
4.03 Parent, subsidiaries and affiliates - publicly traded						
4.04 Parent, subsidiaries and affiliates - other						
4.05 Mutual funds	10,819,617	0.436	10,819,617		10,819,617	0.436
4.06 Unit investment trusts						
4.07 Closed-end funds						
4.08 Exchange traded funds						
4.09 Total common stocks	217,892,251	8.787	217,892,251		217,892,251	8.787
5. Mortgage loans (Schedule B):						
5.01 Farm mortgages						
5.02 Residential mortgages						
5.03 Commercial mortgages						
5.04 Mezzanine real estate loans						
5.05 Total valuation allowance						
5.06 Total mortgage loans						
6. Real estate (Schedule A):						
6.01 Properties occupied by company	6,571,853	0.265	6,571,853		6,571,853	0.265
6.02 Properties held for production of income						
6.03 Properties held for sale						
6.04 Total real estate	6,571,853	0.265	6,571,853		6,571,853	0.265
7. Cash, cash equivalents and short-term investments:						
7.01 Cash (Schedule E, Part 1)	12,387,052	0.500	12,387,052		12,387,052	0.500
7.02 Cash equivalents (Schedule E, Part 2)	61,898,469	2.496	61,898,469		61,898,469	2.496
7.03 Short-term investments (Schedule DA)	7,269,042	0.293	7,269,042		7,269,042	0.293
7.04 Total cash, cash equivalents and short-term investments	81,554,563	3.289	81,554,563		81,554,563	3.289
8. Contract loans						
9. Derivatives (Schedule DB)						
10. Other invested assets (Schedule BA)	177,963,276	7.177	177,963,276		177,963,276	7.177
11. Receivables for securities	1,406,001	0.057	1,406,001		1,406,001	0.057
12. Securities Lending (Schedule DL, Part 1)				XXX	XXX	XXX
13. Other invested assets (Page 2, Line 11)						
14. Total invested assets	2,479,651,199	100.000	2,479,651,199		2,479,651,199	100.000

Chesapeake Employers Insurance Company

Reinsurance Summary Supplemental Filing

December 31, 2025

As of December 31, 2025, 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. 62, *Property and Casualty Reinsurance*.