

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): February 20, 2019

EMPLOYERS HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

NEVADA
(State or Other Jurisdiction of
Incorporation)

001-33245
(Commission
File Number)

04-3850065
(I.R.S. Employer
Identification No.)

10375 Professional Circle
Reno, Nevada
(Address of Principal Executive Offices)

89521
(Zip Code)

Registrant's telephone number including area code: (888) 682-6671

No change since last report
(Former Name or Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

On February 20, 2019, Employers Holdings, Inc. (the “Company”) issued a press release and financial supplement announcing results for the fourth quarter and fiscal year ended December 31, 2018. The press release and financial supplement are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference, and are being furnished, not filed, under Item 2.02 to this Current Report on Form 8-K.

Section 8 – Other Information

Item 8.01. Other Events.

On February 20, 2019, the Company announced that its Board of Directors declared a first quarter 2019 cash dividend of \$0.22 per share on the Company’s common stock. The dividend is payable on March 20, 2019 to stockholders of record as of March 6, 2019.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

99.1 Employers Holdings, Inc. press release, dated February 20, 2019.

99.2 Employers Holdings, Inc. financial supplement, dated February 20, 2019.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMPLOYERS HOLDINGS, INC.

Dated: February 20, 2019

/s/ Michael S. Paquette

Michael S. Paquette
Executive Vice President,
Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>	
99.1	Employers Holdings, Inc. press release, dated	February 20, 2019.
99.2	Employers Holdings, Inc. financial supplement, dated	February 20, 2019.



America's small business insurance specialist®

Exhibit 99.1

news release
For Immediate Release

Employers Holdings, Inc. Reports Fourth Quarter 2018 Results

- Net income of \$25.6 million (\$0.77 per diluted share), adjusted net income of \$43.6 million (\$1.31 per diluted share).
- Combined ratio of 80.8%, combined ratio before the impact of the LPT of 82.2%.
- The Board declared an increased quarterly dividend of \$0.22 per share.

Reno, Nevada-February 20, 2019-Employers Holdings, Inc. (“EHI” or the “Company”) (NYSE:EIG) today reported the following for the fourth quarter of 2018: (i) net income of \$25.6 million (\$0.77 per diluted share); (ii) net income before the impact of the LPT of \$23.1 million (\$0.69 per diluted share); and (iii) adjusted net income of \$43.6 million (\$1.31 per diluted share).

The Company also reported that the Board of Directors declared a first quarter 2019 dividend of \$0.22 per share, which will be paid on March 20, 2019 to stockholders of record on March 6, 2019.

The Company's adjusted net income for the fourth quarter of 2018 increased \$8.4 million year-over-year. This increase primarily reflects: (i) strong underwriting results highlighted by a 62.5% current accident year loss ratio and \$25.4 million of favorable prior year loss reserve development; and (ii) a reduction in income taxes as a result of U.S. corporate tax reform enacted in the fourth quarter of 2017.

The Company's net income and net income before the impact of the LPT for the fourth quarter of 2018 decreased by \$5.7 million and \$5.1 million, respectively, year-over-year. These fourth quarter 2018 net income measures were each favorably impacted by the items previously mentioned, but were also unfavorably impacted by \$27.4 million of after tax unrealized investment losses relating to the Company's equity securities. Prior to January 1, 2018, the Company's unrealized gains and losses on equity securities were not a component of its net income or net income before the impact of the LPT.

The Company's book value per share of \$31.08 and book value per share including the Deferred Gain of \$35.64 increased by 9.7% and 6.9% for the year, respectively, each computed after taking into account dividends declared during 2018. These measures were each adversely impacted during 2018 by \$47.1 million of after tax unrealized losses relating to the Company's fixed maturity investments resulting from an increase in market interest rates.

Chief Executive Officer Douglas D. Dirks commented on the results: “The fourth quarter marked a strong end to an exceptional year for EMPLOYERS. During the year we grew written premiums by 3% despite pricing headwinds, grew new business writings by 29% over 2017, maintained our current accident year loss ratio and delivered a 12.5% adjusted return on stockholders' equity.

During 2018 we initiated a plan of aggressive development and implementation of new technologies and capabilities that we believe will fundamentally transform and enhance the digital experience of our customers. In January, we further defined these ongoing initiatives to include: (i) continued investments in new technology, data analytics and process improvement capabilities focused on improving the agent experience and enhancing agent efficiency; and (ii) the launch of Cerity, a subsidiary separate from our other insurance businesses, which offers digital, direct-to-customer workers' compensation insurance solutions.

The development and implementation of these initiatives, including costs associated with the launch of Cerity, served to increase our 2018 underwriting and other operating expense ratio by approximately two percentage points, as compared to that experienced in 2017. Further, our 2019 and 2020 underwriting and other operating expense ratios will continue to be pressured as we further develop and implement these major initiatives. However, in future periods we expect that our underwriting and other operating expense ratio will gradually return to a normalized level as we generate new premium writings and operational efficiency gains.”

Summary of Fourth Quarter 2018 Results

(All comparisons vs. fourth quarter 2017, unless noted otherwise).

Net earned premiums of \$183.6 million increased \$2.0 million due primarily to new business writings, partially offset by declines in renewal business premium.

The loss and LAE ratio before the impact of the LPT of 48.7% was consistent with that of a year ago, and reflects the continuing impacts of our key business initiatives including: an emphasis on settling open claims; diversifying our risk exposure across geographic markets; and leveraging data-driven strategies to target, underwrite and price profitable classes of business across all of our markets.

The commission expense ratio of 11.5% decreased 2.1 percentage points due mainly to decreases in agency incentives.

The underwriting and other operating expense ratio of 22.0% increased 1.2 percentage points due largely to expenses associated with the development and implementation of new technologies and capabilities.

Net investment income of \$21.3 million increased 12% primarily as a result of higher pre-tax book yields.

Income tax expense was \$4.9 million (a 16% effective rate) versus \$14.7 million (a 28% effective rate). During the fourth quarter of 2017, the Company also incurred a non-recurring income tax expense of \$7.0 million in connection with tax reform representing the impact of re-measurement of its deferred tax assets and liabilities using the lower U.S. statutory tax rate

Stockholders' Equity including the Deferred Gain

Stockholders' equity including the Deferred Gain was \$1,167.8 million, an increase of 5% from December 31, 2017.

Conference Call and Webcast, Reports Filed with The Securities and Exchange Commission (the "SEC") and Supplemental Materials

The information in this press release should be read in conjunction with the Financial Supplement that is attached to this press release and is available on our website.

Reconciliation of Non-GAAP Financial Measures to GAAP

Within this earnings release we present various financial measures, some of which are "non-GAAP financial measures." A description of these non-GAAP financial measures, as well as a reconciliation of such non-GAAP measures to the Company's most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these non-GAAP measures are meaningful to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. These non-GAAP measures are not a substitute for GAAP measures and investors should be careful when comparing the Company's non-GAAP financial measures to similarly titled measures used by other companies.

The Company will host a conference call on Thursday, February 21, 2019, at 8:30 a.m. Pacific Standard Time. The conference call will be available via a live web cast on the Company's web site at www.employers.com. An archived version will be available several hours after the call. The conference call replay number is (404) 537-3406 or (855) 859-2056 with a pass code of 8677028.

The Company provides its filings with the Securities and Exchange Commission and its investor presentations in the "Investors" section of its website at www.employers.com. The Company's filings with the Securities and Exchange Commission can also be accessed through the SEC's EDGAR Database at www.sec.gov (EHI EDGAR CIK No. 0001379041).

Forward-Looking Statements

In this press release, the Company and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations, and projections of, among other things, the Company's future performance, business growth, retention rates, loss costs, claim trends and the impact of key business initiatives, future technologies and planned investments. Certain of these statements may constitute "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and are often identified by words such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "target," "project," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," "likely," or "continue," or other comparable terminology and their negatives. EHI and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in EHI's future performance. Factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements include, among other things, those discussed or identified from time to time in EHI's public filings with the SEC, including the risks detailed in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Reports on Form 10-K. Except as required by applicable securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Additional information can be found at: www.employers.com.

Employers Holdings, Inc.
Fourth Quarter And Full Year 2018
Financial Supplement



America's small business insurance specialist®

EMPLOYERS HOLDINGS, INC.
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EMPLOYERS HOLDINGS, INC.
Consolidated Financial Highlights (unaudited)
\$ in millions, except per share amounts

	Three Months Ended			Years Ended		
	December 31,			December 31,		
	2018	2017	% change	2018	2017	% change
Selected financial highlights:						
Gross premiums written	\$ 161.7	\$ 168.4	(4)%	\$ 748.9	\$ 729.7	3 %
Net premiums written	160.4	167.0	(4)	742.8	723.7	3
Net premiums earned	183.6	181.6	1	731.1	716.5	2
Net investment income	21.3	19.1	12	81.2	74.6	9
Underwriting income ⁽¹⁾	35.1	33.9	4	101.7	68.0	50
Net income before impact of the LPT ⁽¹⁾	23.1	28.2	(18)	126.7	89.6	41
Adjusted net income ⁽¹⁾	43.6	35.2	24	136.8	95.5	43
Net income	25.6	31.3	(18)	141.3	101.2	40
Comprehensive income	34.4	30.4	13	94.2	116.3	(19)
Total assets				3,919.2	3,840.1	2
Stockholders' equity				1,018.2	947.7	7
Stockholders' equity including the Deferred Gain ⁽²⁾				1,167.8	1,111.3	5
Adjusted stockholders' equity ⁽²⁾				1,181.5	1,003.9	18
Annualized adjusted return on stockholders' equity ⁽³⁾	14.9 %	14.1 %	6 %	12.5 %	9.8 %	28
Amounts per share:						
Cash dividends declared per share	\$ 0.20	\$ 0.15	33 %	\$ 0.80	\$ 0.60	33 %
Earnings per diluted share ⁽⁴⁾	0.77	0.94	(18)	4.24	3.06	39
Earnings per diluted share before impact of the LPT ⁽⁴⁾	0.69	0.85	(19)	3.80	2.71	40
Adjusted earnings per diluted share ⁽⁴⁾	1.31	1.06	24	4.11	2.89	42
Book value per share ⁽²⁾				31.08	29.07	7
Book value per share including the Deferred Gain ⁽²⁾				35.64	34.09	5
Adjusted book value per share ⁽²⁾				36.06	30.80	17
Combined ratio before impact of the LPT:⁽⁵⁾						
Loss and loss adjustment expense ratio:						
Current year	62.5 %	58.5 %		62.6 %	62.4 %	
Prior year	(13.8)	(9.9)		(9.1)	(2.6)	
Loss and loss adjustment expense ratio	48.7 %	48.6 %		53.5 %	59.8 %	
Commission expense ratio	11.5	13.6		12.9	12.8	
Underwriting and other operating expense ratio	22.0	20.8		21.7	19.5	
Combined ratio before impact of the LPT	82.2 %	83.0 %		88.1 %	92.1 %	

(1) See Page 3 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 8 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 4 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 9 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

(5) See Page 5 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

EMPLOYERS HOLDINGS, INC.
Summary Consolidated Balance Sheets (unaudited)
\$ in millions, except per share amounts

	December 31, 2018	December 31, 2017
ASSETS		
Investments, cash and cash equivalents	\$ 2,829.7	\$ 2,752.0
Accrued investment income	18.0	19.6
Premiums receivable, net	333.1	326.7
Reinsurance recoverable on paid and unpaid losses	511.1	544.2
Deferred policy acquisition costs	48.2	45.8
Deferred income taxes, net	26.9	28.7
Contingent commission receivable—LPT Agreement	32.0	31.4
Other assets	120.2	91.7
Total assets	\$ 3,919.2	\$ 3,840.1
LIABILITIES		
Unpaid losses and LAE	\$ 2,207.9	\$ 2,266.1
Unearned premiums	336.3	318.3
Commissions and premium taxes payable	57.3	55.3
Deferred Gain	149.6	163.6
Notes payable	20.0	20.0
Other liabilities	129.9	69.1
Total liabilities	\$ 2,901.0	\$ 2,892.4
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 389.4	\$ 381.8
Retained earnings	1,030.7	842.2
Accumulated other comprehensive (loss) income, net ⁽²⁾	(13.7)	107.4
Treasury stock, at cost	(388.2)	(383.7)
Total stockholders' equity	1,018.2	947.7
Total liabilities and stockholders' equity	\$ 3,919.2	\$ 3,840.1
Stockholders' equity including the Deferred Gain ⁽¹⁾	\$ 1,167.8	\$ 1,111.3
Adjusted stockholders' equity ⁽¹⁾	1,181.5	1,003.9
Book value per share ⁽¹⁾	\$ 31.08	\$ 29.07
Book value per share including the Deferred Gain ⁽¹⁾	35.64	34.09
Adjusted book value per share ⁽¹⁾	36.06	30.80

(1) See Page 8 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulted in a \$74.0 million reclassification adjustment from Accumulated other comprehensive income to Retained earnings as of January 1, 2018

EMPLOYERS HOLDINGS, INC.
Summary Consolidated Income Statements (unaudited)
\$ in millions, except per share amounts

	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Underwriting revenues:				
Gross premiums written	\$ 161.7	\$ 168.4	\$ 748.9	\$ 729.7
Premiums ceded	(1.3)	(1.4)	(6.1)	(6.0)
Net premiums written	160.4	167.0	742.8	723.7
Net premiums earned	183.6	181.6	731.1	716.5
Underwriting expenses:				
Losses and LAE incurred	(86.9)	(85.2)	(376.7)	(417.2)
Commission expense	(21.2)	(24.7)	(94.2)	(91.4)
Underwriting and other operating expenses	(40.4)	(37.8)	(158.5)	(139.9)
Underwriting income	35.1	33.9	101.7	68.0
Net investment income	21.3	19.1	81.2	74.6
Net realized and unrealized (losses) gains on investments ⁽¹⁾	(26.4)	—	(13.1)	7.4
Gain on redemption of notes payable	—	—	—	2.1
Other income	0.9	0.3	1.2	0.8
Interest and financing expenses	(0.4)	(0.3)	(1.5)	(1.4)
Other expenses	—	—	—	(7.5)
Income tax expense	(4.9)	(21.7)	(28.2)	(42.8)
Net income	25.6	31.3	141.3	101.2
Unrealized AFS investment gains (losses) arising during the period, net of tax ⁽²⁾	7.8	(0.9)	(48.5)	19.9
Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax ⁽²⁾	1.0	—	1.4	(4.8)
Total Comprehensive income	\$ 34.4	\$ 30.4	\$ 94.2	\$ 116.3
Net income	\$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Amortization of the Deferred Gain - losses	(2.1)	(2.3)	(9.9)	(9.3)
Amortization of the Deferred Gain - contingent commission	(0.4)	(0.5)	(2.0)	(2.0)
LPT reserve adjustment	—	—	(2.2)	—
LPT contingent commission adjustments	—	(0.3)	(0.5)	(0.3)
Net income before impact of the LPT Agreement⁽³⁾	\$ 23.1	\$ 28.2	\$ 126.7	\$ 89.6
Net realized and unrealized losses (gains) on investments	26.4	—	13.1	(7.4)
Gain on redemption of notes payable	—	—	—	(2.1)
Write-off of previously capitalized costs	—	—	—	7.5
Amortization of intangibles	—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income	(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform	(0.4)	7.0	(0.4)	7.0
Adjusted net income⁽¹⁾	\$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5

(1) Includes \$27.4 million and \$25.6 million of unrealized losses on equity securities for the three months ended and year ended December 31, 2018, respectively.

(2) AFS = Available for Sale securities

(3) See Page 10 regarding our use of Non-GAAP Financial Measures.

EMPLOYERS HOLDINGS, INC.
Return on Equity (unaudited)
\$ in millions, except per share amount

	Three Months Ended December 31,		Years Ended December 31,	
	2018	2017	2018	2017
Net income	A \$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Impact of the LPT Agreement	(2.5)	(3.1)	(14.6)	(11.6)
Net realized and unrealized losses (gains) on investments	26.4	—	13.1	(7.4)
Gain on redemption of notes payable	—	—	—	(2.1)
Write-off of previously capitalized costs	—	—	—	7.5
Amortization of intangibles	—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income	(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform	(0.4)	7.0	(0.4)	7.0
Adjusted net income⁽¹⁾	B \$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5
Stockholders' equity - end of period	\$ 1,018.2	\$ 947.7	\$ 1,018.2	\$ 947.7
Stockholders' equity - beginning of period	991.2	917.1	947.7	840.6
Average stockholders' equity	C \$ 1,004.7	\$ 932.4	\$ 983.0	\$ 894.2
Stockholders' equity - end of period	\$ 1,018.2	\$ 947.7	\$ 1,018.2	\$ 947.7
Deferred Gain - end of period	149.6	163.6	149.6	163.6
Accumulated other comprehensive loss (income), before taxes - end of period	17.3	(136.0)	17.3	(136.0)
Income tax related to accumulated other comprehensive loss (income), before taxes - end of period	(3.6)	28.6	(3.6)	28.6
Adjusted stockholders' equity - end of period	1,181.5	1,003.9	1,181.5	1,003.9
Adjusted stockholders' equity - beginning of period	1,165.8	992.9	1,003.9	941.0
Average adjusted stockholders' equity⁽¹⁾	D \$ 1,173.7	\$ 998.4	\$ 1,092.7	\$ 972.5
Return on stockholders' equity	A / C 2.5%	3.4%	14.4%	11.3%
Annualized return on stockholders' equity	10.2%	13.4%		
Adjusted return on stockholders' equity ⁽¹⁾	B / D 3.7%	3.5%	12.5%	9.8%
Annualized adjusted return on stockholders' equity⁽¹⁾	14.9%	14.1%		

(1) See Page 10 for information regarding our use of Non-GAAP Financial Measures.

EMPLOYERS HOLDINGS, INC.
Combined Ratios (unaudited)
\$ in millions, except per share amounts

		Three Months Ended		Years Ended	
		December 31,		December 31,	
		2018	2017	2018	2017
Net premiums earned	A	\$ 183.6	\$ 181.6	\$ 731.1	\$ 716.5
Losses and LAE incurred	B	86.9	85.2	376.7	417.2
Amortization of the Deferred Gain - losses		2.1	2.3	9.9	9.3
Amortization of the Deferred Gain - contingent commission		0.4	0.5	2.0	2.0
LPT reserve adjustment		—	—	2.2	—
LPT contingent commission adjustments		—	0.3	0.5	0.3
Losses and LAE before impact of the LPT ⁽¹⁾	C	\$ 89.4	\$ 88.3	\$ 391.3	\$ 428.8
Prior accident year favorable loss reserve development		(25.4)	(18.0)	(66.2)	(18.5)
Losses and LAE before impact of the LPT - current accident year	D	\$ 114.8	\$ 106.3	\$ 457.5	\$ 447.3
Commission expense	E	\$ 21.2	\$ 24.7	\$ 94.2	\$ 91.4
Underwriting and other operating expenses	F	40.4	37.8	158.5	139.9
Combined ratio:					
Loss and LAE ratio	B/A	47.3%	46.9%	51.5%	58.2%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio		80.8%	81.3%	86.1%	90.5%
Combined ratio before impact of the LPT: ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	C/A	48.7%	48.6%	53.5%	59.8%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio before impact of the LPT		82.2%	83.0%	88.1%	92.1%
Combined ratio before impact of the LPT: current accident year: ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	D/A	62.5%	58.5%	62.6%	62.4%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio before impact of the LPT: current accident year		96.0%	92.9%	97.2%	94.7%

(1) See Page 10 for information regarding our use of Non-GAAP Financial Measures.

EMPLOYERS HOLDINGS, INC.
Roll-forward of Unpaid Losses and LAE (unaudited)
\$ in millions

	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Unpaid losses and LAE at beginning of period	\$ 2,233.7	\$ 2,298.9	\$ 2,266.1	\$ 2,301.0
Less reinsurance recoverable on unpaid losses and LAE	511.8	553.1	537.0	580.0
Net unpaid losses and LAE at beginning of period	1,721.9	1,745.8	1,729.1	1,721.0
Losses and LAE incurred:				
Current year losses	115.0	106.3	457.5	447.3
Prior year losses on voluntary business	(25.0)	(17.4)	(65.5)	(17.4)
Prior year losses on involuntary business	(0.4)	(0.6)	(0.7)	(1.1)
Total losses incurred	89.6	88.3	391.3	428.8
Losses and LAE paid:				
Current year losses	36.1	31.7	93.0	76.9
Prior year losses	71.9	73.3	323.9	343.8
Total paid losses	108.0	105.0	416.9	420.7
Net unpaid losses and LAE at end of period	1,703.5	1,729.1	1,703.5	1,729.1
Reinsurance recoverable on unpaid losses and LAE	504.4	537.0	504.4	537.0
Unpaid losses and LAE at end of period	\$ 2,207.9	\$ 2,266.1	\$ 2,207.9	\$ 2,266.1

Total losses and LAE shown in the above table exclude amortization of the Deferred Gain, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments, which totaled \$2.5 million and \$3.1 million for the three months ended December 31, 2018 and 2017, respectively, and \$14.6 million and \$11.6 million for the year ended December 31, 2018 and 2017, respectively.

EMPLOYERS HOLDINGS, INC.
Consolidated Investment Portfolio (unaudited)
\$ in millions

	December 31, 2018				December 31, 2017	
	Cost or Amortized Cost	Net Unrealized (Losses) Gains	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,513.7	\$ (17.3)	\$ 2,496.4	88%	\$ 2,463.4	90%
Equity securities	138.3	68.0	206.3	7	210.3	8
Short-term investments	25.0	—	25.0	1	4.0	—
Cash and cash equivalents	101.4	—	101.4	4	73.3	3
Restricted cash and cash equivalents	0.6	—	0.6	—	1.0	—
Total investments and cash	\$ 2,779.0	\$ 50.7	\$ 2,829.7	100%	\$ 2,752.0	100%
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 118.0	\$ (0.2)	\$ 117.8	5%	\$ 148.8	6%
States and Municipalities	513.4	14.6	528.0	21	642.5	26
Corporate Securities	1,106.2	(15.8)	1,090.4	44	1,118.0	45
Mortgage-Backed Securities	555.8	(10.0)	545.8	22	495.3	20
Asset-Backed Securities	64.7	(0.2)	64.5	3	58.8	2
Other	155.6	(5.7)	149.9	6	—	—
Total fixed maturities	\$ 2,513.7	\$ (17.3)	\$ 2,496.4	100%	\$ 2,463.4	100%
Weighted average book yield				3.4%		3.1%
Average credit quality (S&P)				AA-		AA-
Duration				4.1		4.2

EMPLOYERS HOLDINGS, INC.
Book Value Per Share (unaudited)
\$ in millions, except per share amounts

		December 31, 2018	December 31, 2017
Numerators:			
Stockholders' equity	A	\$ 1,018.2	\$ 947.7
Plus: Deferred Gain		149.6	163.6
Stockholders' equity including the Deferred Gain⁽¹⁾	B	1,167.8	1,111.3
Accumulated other comprehensive loss (income), before taxes		17.3	(136.0)
Income tax (benefit) expense related to accumulated other comprehensive loss (income), before taxes		(3.6)	28.6
Adjusted stockholders' equity⁽¹⁾	C	\$ 1,181.5	\$ 1,003.9
Denominator (shares outstanding)	D	32,765,792	32,597,819
Book value per share ⁽¹⁾	A / D	\$ 31.08	\$ 29.07
Book value per share including the Deferred Gain ⁽¹⁾	B / D	35.64	34.09
Adjusted book value per share ⁽¹⁾	C / D	36.06	30.80
Cash dividends declared per share		\$ 0.80	\$ 0.60
YTD Change in:⁽²⁾			
Book value per share		9.7%	13.4%
Book value per share including the Deferred Gain		6.9	9.7
Adjusted book value per share		19.7	7.2

(1) See Page 10 for information regarding our use of Non-GAAP Financial Measures.

(2) Reflects the change per share after taking into account dividends declared in the period.

EMPLOYERS HOLDINGS, INC.
Earnings Per Share (unaudited)
\$ in millions, except per share amounts

		Three Months Ended		Years Ended	
		December 31,		December 31,	
		2018	2017	2018	2017
Numerators:					
Net income	A	\$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Impact of the LPT Agreement		(2.5)	(3.1)	(14.6)	(11.6)
Net income before impact of the LPT ⁽¹⁾	B	\$ 23.1	\$ 28.2	\$ 126.7	\$ 89.6
Net realized and unrealized losses (gains) on investments		26.4	—	13.1	(7.4)
Gain on redemption of notes payable		—	—	—	(2.1)
Write-off of previously capitalized costs		—	—	—	7.5
Amortization of intangibles		—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income		(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform		(0.4)	7.0	(0.4)	7.0
Adjusted net income ⁽¹⁾	C	\$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5
Denominators:					
Average common shares outstanding (basic)	D	32,926,984	32,641,438	32,884,828	32,501,576
Average common shares outstanding (diluted)	E	33,390,486	33,219,850	33,311,337	33,060,760
Earnings per share:					
Basic	A / D	\$ 0.78	\$ 0.96	\$ 4.30	\$ 3.11
Diluted	A / E	0.77	0.94	4.24	3.06
Earnings per share before impact of the LPT:⁽¹⁾					
Basic	B / D	\$ 0.70	\$ 0.86	\$ 3.85	\$ 2.76
Diluted	B / E	0.69	0.85	3.80	2.71
Adjusted earnings per share:⁽¹⁾					
Basic	C / D	\$ 1.32	\$ 1.08	\$ 4.16	\$ 2.94
Diluted	C / E	1.31	1.06	4.11	2.89

(1) See Page 10 for information regarding our use of Non-GAAP Financial Measures.

Glossary of Financial Measures

Within this earnings release we present the following measures, each of which are "non-GAAP financial measures." A reconciliation of these measures to the Company's most directly comparable GAAP financial measures is included herein. Management believes that these non-GAAP measures are important to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. Management further believes that these measures are more relevant than comparable GAAP measures in evaluating our financial performance.

The LPT Agreement is a non-recurring transaction that does not result in ongoing cash benefits to the Company. Management believes that providing non-GAAP measures that exclude the effects of the LPT Agreement (amortization of deferred reinsurance gain, adjustments to LPT Agreement ceded reserves and adjustments to contingent commission receivable) is useful in providing investors, analysts and other interested parties a meaningful understanding of the Company's ongoing underwriting performance.

Deferred reinsurance gain (Deferred Gain) reflects the unamortized gain from the LPT Agreement. This gain has been deferred and is being amortized using the recovery method, whereby the amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries, except for the contingent profit commission, which is being amortized through June 30, 2024. Amortization is reflected in losses and LAE incurred.

Adjusted net income (see Page 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized and unrealized gains (losses) on investments (net of tax), net impact of Federal tax reform, gain on redemption of notes payable (net of tax), write-off of previously capitalized costs (net of tax) and amortization of intangible assets (net of tax). Management believes that providing this non-GAAP measures is helpful to investors, analysts and other interested parties in identifying trends in the Company's operating performance because such items have limited significance to its ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends. The Company previously referred to Adjusted net income as Operating income.

Stockholders' equity including the Deferred Gain is stockholders' equity including the Deferred Gain. Management believes that providing this non-GAAP measure is useful in providing investors, analysts and other interested parties a meaningful measure of the Company's total underwriting capital.

Adjusted stockholders' equity (see Page 8 for calculations) is stockholders' equity including the Deferred Gain, less accumulated other comprehensive income (net of tax). Management believes that providing this non-GAAP measure is useful to investors, analysts and other interested parties since it serves as the denominator to the Company's operating return on equity metric.

Return on stockholders' equity and Adjusted return on stockholders' equity (see Page 4 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties. The Company previously referred to Adjusted return on stockholders' equity as Operating return on adjusted stockholders' equity.

Book value per share, Book value per share including the Deferred Gain, and Adjusted book value per share (see Page 8 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties. The Company previously referred to Book value per share as GAAP book value per share, and Book value per share including Deferred Gain as Book value per share.

Net income, Combined ratio, and Combined ratio before impact of the LPT (see Pages 3 and 5 for calculations). Management believes that these performance and underwriting measures are widely used by our investors, analysts and other interested parties.