UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____ to ____

Commission file number: 001-33245

EMPLOYERS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**04-3850065**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10375 Professional Circle
Reno, Nevada 89521
(Address of principal executive offices and zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	EIG	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
					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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of July 16, 2020, there were 29,270,995 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(in millions, except share data)

	As of June 30, 2020	As of December 31, 2019
Assets	(unaudited)	
Investments:		
Fixed maturity securities at fair value (amortized cost $2,318.9 at June 30, 2020 and $2,403.3 at December 31, 2019, net of CECL allowance of $1.2 at June 30, 2020)	$ 2,451.4	$ 2,485.9
Equity securities at fair value (cost $142.1 at June 30, 2020 and $155.6 at December 31, 2019)	216.3	256.7
Equity securities at cost	6.7	6.7
Other invested assets (cost $33.3 at June 30, 2020 and $28.4 at December 31, 2019)	33.3	29.1
Short-term investments at fair value (amortized cost $42.7 at June 30, 2020)	43.1	—
Total investments	2,750.8	2,778.4
Cash and cash equivalents	131.8	154.9
Restricted cash and cash equivalents	0.3	0.3
Accrued investment income	16.2	16.4
Premiums receivable (less CECL allowance of $8.1 at June 30, 2020 and less bad debt allowance of $4.6 at December 31, 2019)	284.2	285.7
Reinsurance recoverable for:		
Paid losses	7.6	7.2
Unpaid losses (less CECL allowance of $0.4 at June 30, 2020)	523.2	532.5
Deferred policy acquisition costs	49.3	47.9
Property and equipment, net	21.2	21.9
Operating lease right-of-use assets	20.4	15.9
Intangible assets, net	13.6	13.6
Goodwill	36.2	36.2
Contingent commission receivable—LPT Agreement	13.2	13.2
Unsettled sales of investments	46.0	—
Cloud computing arrangements	38.9	33.6
Other assets	51.1	46.4
Total assets	$ 4,004.0	$ 4,004.1
Liabilities and stockholders' equity		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	$ 2,170.7	$ 2,192.8
Unearned premiums	341.5	337.1
Commissions and premium taxes payable	48.5	48.6
Accounts payable and accrued expenses	23.5	29.8
Deferred reinsurance gain—LPT Agreement	132.2	137.1
FHLB advances	35.0	—
Operating lease liability	22.2	17.8
Non-cancellable obligations	19.4	23.0
Other liabilities	67.0	52.1
Total liabilities	$ 2,860.0	$ 2,838.3
Commitments and contingencies		

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(in millions, except share data)

	As of June 30, 2020	As of December 31, 2019
Stockholders' equity:	(unaudited)	
Common stock, $0.01 par value; 150,000,000 shares authorized; 57,388,515 and 57,184,370 shares issued and 29,382,894 and 31,355,378 shares outstanding at June 30, 2020 and December 31, 2019, respectively	$ 0.6	$ 0.6
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued	—	—
Additional paid-in capital	399.2	396.4
Retained earnings	1,167.8	1,158.8
Accumulated other comprehensive income, net of tax	105.0	65.3
Treasury stock, at cost (28,005,621 shares at June 30, 2020 and 25,828,992 shares at December 31, 2019)	(528.6)	(455.3)
Total stockholders' equity	1,144.0	1,165.8
Total liabilities and stockholders' equity	$ 4,004.0	$ 4,004.1

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues	(unaudited)		(unaudited)	
Net premiums earned	$ 151.5	$ 175.5	$ 319.4	$ 350.3
Net investment income	19.9	21.4	39.8	43.2
Net realized and unrealized gains (losses) on investments	39.7	7.4	(21.4)	30.7
Other income	0.3	—	0.6	0.4
Total revenues	211.4	204.3	338.4	424.6
Expenses				
Losses and loss adjustment expenses	73.1	86.8	177.4	175.3
Commission expense	19.2	23.8	40.5	45.8
Underwriting and general and administrative expenses	44.8	43.8	91.5	91.3
Interest and financing expenses	—	0.2	—	0.6
Total expenses	137.1	154.6	309.4	313.0
Net income before income taxes	74.3	49.7	29.0	111.6
Income tax expense	14.7	9.0	4.3	19.0
Net income	$ 59.6	$ 40.7	$ 24.7	$ 92.6
Comprehensive income				
Unrealized AFS investment gains arising during the period (net of tax expense of $(18.4) and $(8.0) for the three months ended June 30, 2020 and 2019, respectively, and $(10.7) and $(18.0) for the six months ended June 30, 2020 and 2019, respectively)	$ 69.3	$ 29.9	$ 40.2	$ 67.7
Reclassification adjustment for realized AFS investment gains in net income (net of tax expense of $1.6 and $0.1 for the three months ended June 30, 2020 and 2019, respectively, and $0.1 and $0.2 for the six months ended June 30, 2020 and 2019, respectively)	(5.9)	(0.2)	(0.5)	(0.7)
Other comprehensive income, net of tax	63.4	29.7	39.7	67.0
Total comprehensive income	$ 123.0	$ 70.4	$ 64.4	$ 159.6
Net realized and unrealized gains (losses) on investments				
Net realized and unrealized gains (losses) on investments before impairments	$ 39.7	$ 7.4	$ (21.4)	$ 30.7
Other than temporary impairment recognized in earnings	—	—	—	—
Net realized and unrealized gains (losses) on investments	$ 39.7	$ 7.4	$ (21.4)	$ 30.7
Earnings per common share (Note 13):				
Basic	$ 1.98	$ 1.27	$ 0.80	$ 2.88
Diluted	$ 1.97	$ 1.25	$ 0.80	$ 2.84
Cash dividends declared per common share and eligible RSUs and PSUs	$ 0.25	$ 0.22	$ 0.50	$ 0.44

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Three Months Ended June 30, 2020 and 2019
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Treasury Stock at Cost	Total Stockholders' Equity
	Shares Issued	Amount					
	(in millions, except share data)						
Balance, April 1, 2020	57,375,585	$ 0.6	$ 397.0	$ 1,115.9	$ 41.6	$ (497.8)	$ 1,057.3
Stock-based obligations	—	—	2.2	—	—	—	2.2
Stock options exercised	2,000	—	—	—	—	—	—
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	10,930	—	—	—	—	—	—
Acquisition of common stock	—	—	—	—	—	(30.8)	(30.8)
Dividends declared	—	—	—	(7.8)	—	—	(7.8)
Net income for the period	—	—	—	59.6	—	—	59.6
Change in net unrealized gains on investments, net of taxes of $(16.8)	—	—	—	—	63.4	—	63.4
Balance, June 30, 2020	57,388,515	$ 0.6	$ 399.2	$ 1,167.8	$ 105.0	$ (528.6)	$ 1,144.0
Balance, April 1, 2019	57,144,530	$ 0.6	$ 388.1	$ 1,075.1	$ 23.6	$ (415.7)	$ 1,071.7
Stock-based obligations	—	—	1.6	—	—	—	1.6
Stock options exercised	3,886	—	0.1	—	—	—	0.1
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	9,510	—	—	—	—	—	—
Acquisition of common stock	—	—	—	—	—	(15.2)	(15.2)
Dividends declared	—	—	—	(7.1)	—	—	(7.1)
Net income for the period	—	—	—	40.7	—	—	40.7
Change in net unrealized gains on investments, net of taxes of $(7.9)	—	—	—	—	29.7	—	29.7
Balance, June 30, 2019	57,157,926	$ 0.6	$ 389.8	$ 1,108.7	$ 53.3	$ (430.9)	$ 1,121.5

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Six Months Ended June 30, 2020 and 2019
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock at Cost	Total Stockholders' Equity
	Shares Issued	Amount					
	(in millions, except share data)						
Balance, January 1, 2020	57,184,370	$ 0.6	$ 396.4	$ 1,158.8	$ 65.3	$ (455.3)	$ 1,165.8
Stock-based obligations	—	—	4.6	—	—	—	4.6
Stock options exercised	38,500	—	0.9	—	—	—	0.9
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	165,645	—	(2.7)	—	—	—	(2.7)
Acquisition of common stock	—	—	—		—	(73.3)	(73.3)
Dividends declared	—	—	—	(15.8)	—	—	(15.8)
Net income for the period	—	—	—	24.7	—	—	24.7
Change in net unrealized gains on investments, net of taxes of $(10.6)	—	—	—	—	39.7	—	39.7
Balance, June 30, 2020	57,388,515	$ 0.6	$ 399.2	$ 1,167.8	$ 105.0	$ (528.6)	$ 1,144.0
Balance, January 1, 2019	56,975,675	$ 0.6	$ 388.8	$ 1,030.7	$ (13.7)	$ (388.2)	$ 1,018.2
Stock-based obligations	—	—	4.1	—	—	—	4.1
Stock options exercised	5,186	—	0.1	—	—	—	0.1
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	177,065	—	(3.2)	—	—	—	(3.2)
Acquisition of common stock	—	—	—	—	—	(42.7)	(42.7)
Dividends declared	—	—	—	(14.6)	—	—	(14.6)
Net income for the period	—	—	—	92.6	—	—	92.6
Change in net unrealized gains on investments, net of taxes of $(17.8)	—	—	—	—	67.0	—	67.0
Balance, June 30, 2019	57,157,926	$ 0.6	$ 389.8	$ 1,108.7	$ 53.3	$ (430.9)	$ 1,121.5

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in millions)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operating activities	(unaudited)	
Net income	$ 24.7	$ 92.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4.4	3.7
Stock-based compensation	4.6	4.1
Amortization of cloud computing arrangements	3.4	2.1
Amortization of premium on investments, net	5.3	4.2
Allowance for expected credit losses	3.9	(0.1)
Deferred income tax expense	(10.6)	6.9
Net realized and unrealized losses (gains) on investments	21.4	(30.7)
Change in operating assets and liabilities:		
Premiums receivable	(2.0)	(9.5)
Reinsurance recoverable on paid and unpaid losses	8.5	20.4
Cloud computing arrangements	(8.7)	(5.6)
Operating lease right-of-use-assets	(4.5)	(15.7)
Current federal income taxes	14.5	(9.5)
Unpaid losses and loss adjustment expenses	(22.1)	(46.1)
Unearned premiums	4.4	33.8
Accounts payable, accrued expenses and other liabilities	(5.5)	(12.9)
Deferred reinsurance gain—LPT Agreement	(4.9)	(7.9)
Operating lease liabilities	4.4	17.8
Non-cancellable obligations	(3.6)	1.4
Other	(9.5)	(6.7)
Net cash provided by operating activities	28.1	42.3
Investing activities		
Purchases of fixed maturity securities	(324.9)	(173.8)
Purchases of equity securities	(150.1)	(34.4)
Purchases of short-term investments	(118.5)	—
Purchases of other invested assets	(4.9)	(2.0)
Proceeds from sale of fixed maturity securities	249.8	94.3
Proceeds from sale of equity securities	169.3	14.7
Proceeds from maturities and redemptions of fixed maturity securities	154.6	149.7
Proceeds from maturities of short-term investments	75.8	25.0
Net change in unsettled investment purchases and sales	(42.9)	(22.7)
Capital expenditures and other	(3.8)	(8.3)
Net cash provided by investing activities	4.4	42.5
Financing activities		
Acquisition of common stock	(72.9)	(43.1)
Cash transactions related to stock-based compensation	(1.8)	(3.1)
Dividends paid to stockholders	(15.8)	(14.7)
Proceeds from FHLB advance	35.0	—
Redemption of notes payable	—	(20.0)
Payments on capital leases	(0.1)	(0.1)
Net cash used in financing activities	(55.6)	(81.0)
Net (decrease) increase in cash, cash equivalents and restricted cash	(23.1)	3.8
Cash, cash equivalents and restricted cash at the beginning of the period	155.2	102.0
Cash, cash equivalents and restricted cash at the end of the period	$ 132.1	$ 105.8

The following table presents our cash, cash equivalents and restricted cash by category within the Consolidated Balance Sheets:

	As of June 30, 2020	As of December 31, 2019
	(in millions)	
Cash and cash equivalents	$ 131.8	$ 154.9
Restricted cash and cash equivalents supporting reinsurance obligations	0.3	0.3
Total cash, cash equivalents and restricted cash	$ 132.1	$ 155.2

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Summary of Operations

Employers Holdings, Inc. (EHI) is a Nevada holding company. Through its wholly owned insurance subsidiaries, Employers Insurance Company of Nevada (EICN), Employers Compensation Insurance Company (ECIC), Employers Preferred Insurance Company (EPIC), Employers Assurance Company (EAC), and Cerity Insurance Company (CIC), EHI is engaged in the commercial property and casualty insurance industry, specializing in workers' compensation products and services. Unless otherwise indicated, all references to the "Company" refer to EHI, together with its subsidiaries.

In 1999, the Nevada State Industrial Insurance System (the Fund) entered into a retroactive 100% quota share reinsurance agreement (the LPT Agreement) through a loss portfolio transfer transaction with third party reinsurers. The LPT Agreement commenced on June 30, 1999 and will remain in effect until all claims under the covered policies have closed, the LPT Agreement is commuted or terminated, upon the mutual agreement of the parties, or the reinsurers' aggregate maximum limit of liability is exhausted, whichever occurs first. The LPT Agreement does not provide for any additional termination terms. On January 1, 2000, EICN assumed all of the assets, liabilities and operations of the Fund, including the Fund's rights and obligations associated with the LPT Agreement (See Note 9).

The Company accounts for the LPT Agreement as retroactive reinsurance. Upon entry into the LPT Agreement, an initial deferred reinsurance gain (the Deferred Gain) was recorded as a liability on the Company's Consolidated Balance Sheets. The Company is entitled to receive a contingent profit commission under the LPT Agreement. The contingent profit commission is estimated based on both actual paid results to date and projections of expected paid losses under the LPT Agreement and is recorded as an asset on the Company's Consolidated Balance Sheets.

The accompanying consolidated financial statements have been prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of the Company's consolidated financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. These financial statements have been prepared consistent with the accounting policies described in the Company's Form 10-K for the year ended December 31, 2019 (Annual Report).

The Company operates through two reportable segments: *Employers* and *Cerity*. Each of the segments represents a separate and distinct underwriting platform through which the Company conducts insurance business. This presentation allows the reader, as well as the Company's chief operating decision makers, to objectively analyze the business originated through each of the Company's underwriting platforms. Prior to December 31, 2019, the Company operated under a single reportable segment. All periods prior to December 31, 2019 have been conformed to the current presentation. Detailed financial information about the Company's operating segments is presented in Note 14.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. As a result, actual results could differ from these estimates. The most significant areas that require management judgment are the estimate of unpaid losses and loss adjustment expenses (LAE), evaluation of reinsurance recoverables, recognition of premium revenue, recoverability of deferred income taxes, and valuation of investments.

Reclassifications

Certain prior period information has been reclassified to conform to the current period presentation.

2. New Accounting Standards

Recently Issued Accounting Standards

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (*ASU) 2020-04, Reference Rate Reform (Topic 848).* This update provides optional transition guidance to ease the potential accounting burden associated with transitioning away from the London Interbank Offered Rate (LIBOR), with optional expedients and exceptions related to the application of US GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. Companies can apply this ASU immediately, but early adoption is only available through December 31, 2022 when the

ASU becomes effective. The Company is evaluating the impact of LIBOR on its existing contracts and investments, but does not expect that this update will have a material impact on its consolidated financial condition or results of operations.

In December 2019, the FASB issued *ASU 2019-12, Income Taxes (Topic 740).* This update simplifies the accounting for income taxes within Accounting Standards Codification (ASC) topic 740 by removing certain exceptions and clarifying existing guidance. This update becomes effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2020. The Company has determined that the impact of this new standard will not be material to its consolidated financial condition and results of operations.

Recently Adopted Accounting Standards

In April 2019, the FASB issued *ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in this update represent changes to clarify, correct errors in, or improve the codification within various ASC topics. The Company adopted the updates related to *Topic 815* when it adopted *ASU 2016-13*. The Company determined that the impact of these improvements was not material to its consolidated financial condition and results of operations.

In August 2018, the FASB issued *ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* This update removes the disclosure requirements for the amounts of and the reasons for transfers between Level 1 and Level 2 and disclosure of the policy for timing of transfers between levels. This update also removes disclosure requirements for the valuation processes for Level 3 fair value measurements. Additionally, this update adds disclosure requirements for the changes in unrealized gains and losses for recurring Level 3 fair value measurements and quantitative information for certain unobservable inputs in Level 3 fair value measurements. Additionally, in March 2020, the FASB issued *ASU 2020-03, Codification Improvements to Financial Instruments.* This update provided clarification and eliminated inconsistencies on a variety of topics within the codification. The Company adopted the applicable standards and there was no impact on its consolidated financial condition and results of operations.

In January 2017, the FASB issued *ASU 2017-04, Intangibles-Goodwill and Other (Topic 350)*. This update simplifies the measurement of goodwill by eliminating the performance of Step 2 in the goodwill impairment testing. This update allows the testing to be performed by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge when the carrying amount exceeds fair value. Additionally, this update eliminates the requirements of any reporting unit with a zero or negative carrying value to perform Step 2, but requires disclosure of the amount of goodwill allocated to a reporting unit with zero or negative carrying amount of net assets. The Company adopted this standard and there was no impact on its consolidated financial condition and results of operations.

In June 2016, the FASB issued *ASU 2016-13, Financial Instruments - Credit Losses (Topic 326)*. This update replaces the incurred loss impairment methodology for recognizing credit losses on financial instruments with a methodology that reflects an entity's current estimate of all expected credit losses. This update requires financial assets (including receivables and reinsurance recoverables) measured at amortized cost to be presented net of an allowance for credit losses. Additionally, this update requires credit losses on available-for-sale fixed maturity securities to be presented as an allowance rather than as a write-down, allowing an entity to also record reversals of credit losses in current period net income. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Additionally, in December 2018, the FASB issued *ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses.* This update provides clarification on the effective and transition dates and the exclusion of operating lease receivables from Topic 326. In May 2019, the FASB issued *ASU 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*. This update adds optional transition relief for entities to elect the fair value option for certain financial assets previously measured at amortized cost basis to increase comparability of similar financial assets. In December 2019, the FASB issued *ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments - Credit Losses* which provides clarification on certain aspects of the guidance in ASC 326 including purchased credit-deteriorated financial assets, transition relief for troubled debt restructurings, disclosure relief for accrued interest receivables and allows a practical expedient for financial assets secured by collateral maintenance provisions. The Company adopted these standards on January 1, 2020 and did not make any opening balance sheet adjustments due to the immaterial amounts. See Note 5 regarding the impact of this adoption on the Company's consolidated financial condition and results of operations.

3. Valuation of Financial Instruments

Financial Instruments Carried at Fair Value

The carrying value and the estimated fair value of the Company's financial instruments at fair value were as follows:

	June 30, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in millions)			
Financial assets				
Total investments at fair value	$ 2,710.8	$ 2,710.8	$ 2,742.6	$ 2,742.6
Cash and cash equivalents	131.8	131.8	154.9	154.9
Restricted cash and cash equivalents	0.3	0.3	0.3	0.3

Assets and liabilities recorded at fair value on the Company's Consolidated Balance Sheets are categorized based upon the levels of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

- Level 1 - Inputs are unadjusted quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 - Inputs other than Level 1 prices that are observable for similar assets or liabilities through corroboration with market data at the measurement date.
- Level 3 - Inputs that are unobservable that reflect management's best estimate of what willing market participants would use in pricing the assets or liabilities at the measurement date.

The Company uses third party pricing services to assist it with its investment accounting function. The ultimate pricing source varies depending on the investment security and pricing service used, but investment securities valued on the basis of observable inputs (Levels 1 and 2) are generally assigned values on the basis of actual transactions. Securities valued on the basis of pricing models with significant unobservable inputs or non-binding broker quotes are classified as Level 3. The Company performs quarterly analyses on the prices it receives from third parties to determine whether the prices are reasonable estimates of fair value, including confirming the fair values of these securities through observable market prices using an alternative pricing source, as it is ultimately management's responsibility to ensure that the fair values reflected in the Company's consolidated financial statements are appropriate. If differences are noted in these analyses, the Company may obtain additional information from other pricing services to validate the quoted price.

The Company bases all of its estimates of fair value for assets on the bid prices, when available, as they represent what a third-party market participant would be willing to pay in an arm's length transaction.

For securities not actively traded, third party pricing services may use quoted market prices of similar instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates, and prepayment speed assumptions. There were no material adjustments made to the prices obtained from third party pricing services as of June 30, 2020 and December 31, 2019.

These methods of valuation only produce an estimate of fair value if there is objectively verifiable information to produce a valuation. When objectively verifiable information is not available, the Company produces an estimate of fair value using some of the same methodologies, making assumptions for market-based inputs that are unavailable.

The following table presents the Company’s investments at fair value and the corresponding fair value measurements.

	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in millions)					
Fixed maturity securities:						
U.S. Treasuries	$ —	$ 92.0	$ —	$ —	$ 85.6	$ —
U.S. Agencies	—	3.1	—	—	2.9	—
States and municipalities	—	434.1	—	—	484.5	—
Corporate securities	—	1,028.5	—	—	1,079.0	—
Residential mortgage-backed securities	—	496.1	—	—	480.4	—
Commercial mortgage-backed securities	—	115.1	—	—	110.6	—
Asset-backed securities	—	41.8	—	—	61.2	—
Collateralized loan obligations	—	80.9	—	—	—	—
Other securities	—	159.8	—	—	181.7	—
Total fixed maturity securities	$ —	$ 2,451.4	$ —	$ —	$ 2,485.9	$ —
Equity securities at fair value:						
Industrial and miscellaneous	$ 183.4	$ —	$ —	$ 216.4	$ —	$ —
Other	32.9	—	—	40.3	—	—
Total equity securities at fair value	$ 216.3	$ —	$ —	$ 256.7	$ —	$ —
Short-term investments	$ 3.0	$ 40.1	$ —	$ —	$ —	$ —
Total investments at fair value	$ 219.3	$ 2,491.5	$ —	$ 256.7	$ 2,485.9	$ —

Financial Instruments Carried at Cost

EICN, ECIC, EPIC, and EAC are members of the Federal Home Loan Bank of San Francisco (FHLB). Members are required to purchase stock in the FHLB in addition to maintaining collateral deposits that back any funds advanced. The Company’s investment in FHLB stock is recorded at cost, which approximates fair value, as purchases and sales of these securities are at par value with the issuer. FHLB stock is considered a restricted security and is periodically evaluated by the Company for impairment based on the ultimate recovery of par value.

The Company also has investments in convertible preferred shares of real estate investment trusts which are carried at cost and approximate fair value.

Financial Instruments Carried at Net Asset Value (NAV)

The Company has investments in private equity limited partnership interests that are included in Other invested assets on the Company’s Consolidated Balance Sheets. These investments do not have readily determinable fair values and are carried at NAV and therefore are excluded from the fair value hierarchy. The Company initially estimates the value of these investments using the transaction price. In subsequent periods, the Company measures these investments using NAV per share provided quarterly by the general partner, based on financial statements that are audited annually. The Company performs certain control procedures to validate the appropriateness of using NAV as a measurement. These investments are generally not redeemable by the investees and cannot be sold without approval of the general partner. These investments have a fund term of 10 to 12 years, subject to two or three one year extensions at the general partner’s discretion. The Company will receive distributions of proceeds from dividends and interest from fund investments, as well as from the disposition of a fund investment, or portion thereof. The Company expects these distributions from time-to-time during the full course of the fund term. As of June 30, 2020, the Company had unfunded commitments to these private equity limited partnerships totaling $67.1 million.

Additionally, certain cash equivalents, principally money market securities, are measured using NAV, which approximates fair value.

The following table presents cash and investments carried at NAV on the Company’s Consolidated Balance Sheets.

	June 30, 2020	December 31, 2019
	(in millions)	
Cash equivalents carried at NAV	$ 51.5	$ 14.4
Other invested assets carried at NAV	13.3	9.1

4. Investments

The amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of the Company's available-for-sale (AFS) investments were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in millions)			
At June 30, 2020				
Fixed maturity securities				
U.S. Treasuries	$ 86.9	$ 5.1	$ —	$ 92.0
U.S. Agencies	2.8	0.3	—	3.1
States and municipalities	401.6	32.5	—	434.1
Corporate securities	952.4	78.1	(2.0)	1,028.5
Residential mortgage-backed securities	476.2	20.2	(0.3)	496.1
Commercial mortgage-backed securities	108.0	7.7	(0.6)	115.1
Asset-backed securities	42.0	0.6	(0.8)	41.8
Collateralized loan obligations	84.4	—	(3.5)	80.9
Other securities	164.6	0.3	(5.1)	159.8
Total fixed maturity securities	$ 2,318.9	144.8	(12.3)	$ 2,451.4
Short-term investments	42.7	0.4	—	43.1
Total AFS investments	$ 2,361.6	$ 145.2	$ (12.3)	$ 2,494.5
At December 31, 2019				
Fixed maturity securities				
U.S. Treasuries	$ 83.7	$ 1.9	$ —	$ 85.6
U.S. Agencies	2.8	0.1	—	2.9
States and municipalities	458.2	26.3	—	484.5
Corporate securities	1,038.6	40.4	—	1,079.0
Residential mortgage-backed securities	471.7	9.4	(0.7)	480.4
Commercial mortgage-backed securities	107.4	3.2	—	110.6
Asset-backed securities	60.4	0.9	(0.1)	61.2
Other securities	180.5	1.6	(0.4)	181.7
Total AFS investments	$ 2,403.3	83.8	(1.2)	$ 2,485.9

The cost and estimated fair value of the Company's equity securities recorded at fair value at June 30, 2020 and December 31, 2019 were as follows:

	Cost	Estimated Fair Value
	(in millions)	
At June 30, 2020		
Equity securities at fair value		
Industrial and miscellaneous	$ 114.3	$ 183.4
Other	27.8	32.9
Total equity securities at fair value	$ 142.1	$ 216.3
At December 31, 2019		
Equity securities at fair value		
Industrial and miscellaneous	$ 129.1	$ 216.4
Other	26.5	40.3
Total equity securities at fair value	$ 155.6	$ 256.7

The Company had Other invested assets totaling $33.3 million and $29.1 million at June 30, 2020 and December 31, 2019, respectively. These investments consisted of: (i) private equity limited partnerships that totaled $13.3 million and $9.1 million (initial cost of $13.3 million and $8.4 million) at June 30, 2020 and December 31, 2019, respectively, which are carried at NAV based on information provided by the general partner; and (ii) convertible preferred shares of real estate investment trusts that totaled $20.0 million at each of June 30, 2020 and December 31, 2019, which are carried at cost and approximate fair value. These investments are non-redeemable until conversion and are periodically evaluated by the Company for impairment based on the ultimate recovery of the investment. Changes in the value of these investments are recorded through net realized and unrealized gains and losses on the Company's Consolidated Statements of Comprehensive Income.

The amortized cost and estimated fair value of the Company's fixed maturity securities at June 30, 2020, by contractual maturity, are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(in millions)	
Due in one year or less	$ 100.5	$ 101.7
Due after one year through five years	710.2	751.7
Due after five years through ten years	736.5	797.8
Due after ten years	61.1	66.3
Mortgage and asset-backed securities	710.6	733.9
Total	$ 2,318.9	$ 2,451.4

The following is a summary of AFS investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or greater as of June 30, 2020 and December 31, 2019.

	June 30, 2020			December 31, 2019		
	Estimated Fair Value	Gross Unrealized Losses	Number of Issues	Estimated Fair Value	Gross Unrealized Losses	Number of Issues
	(in millions, except number of issues data)					
Less than 12 months:						
Fixed maturity securities						
Corporate securities	$ 28.5	$ (2.0)	14	$ —	$ —	—
Residential mortgage-backed securities	17.6	(0.3)	7	56.9	(0.2)	29
Commercial mortgage-backed securities	9.3	(0.6)	13	—	—	—
Asset-backed securities	19.1	(0.8)	11	10.1	(0.1)	6
Collateralized loan obligations	80.9	(3.5)	20	—	—	—
Other securities	139.2	(5.0)	278	15.2	(0.3)	64
Total less than 12 months	$ 294.6	$ (12.2)	343	$ 82.2	$ (0.6)	99
12 months or greater:						
Fixed maturity securities						
Residential mortgage-backed securities	$ —	$ —	—	$ 40.0	$ (0.5)	19
Other securities	1.4	(0.1)	7	5.9	(0.1)	19
Total 12 months or greater	$ 1.4	$ (0.1)	7	$ 45.9	$ (0.6)	38

The Company recorded an allowance for expected credit losses on available-for-sale debt securities of $1.2 million during the six months ended June 30, 2020. See Note 5. There were no other-than-temporary impairments on fixed maturity securities recognized during the six months ended June 30, 2019. Those fixed maturity securities whose total fair value was less than amortized cost at June 30, 2020, were those in which the Company had no intent, need or requirement to sell at an amount less than their amortized cost.

Realized gains and losses on investments include the gain or loss on a security at the time of sale compared to its original or adjusted cost (equity securities) or amortized cost (fixed maturity securities). Realized losses on fixed maturity securities are also recognized when securities are written down as a result of an other-than-temporary impairment or for changes in the expected credit loss allowance.

Net realized gains (losses) on investments and the change in unrealized gains on the Company's investments recorded at fair value are determined on a specific-identification basis and were as follows:

	Gross Realized Gains	Gross Realized Losses	Net Change in CECL Allowance	Change in Net Unrealized Gains (Losses)	Changes in Fair Value Reflected in Earnings	Changes in Fair Value Reflected in AOCI, before tax
	(in millions)					
Three Months Ended June 30, 2020						
Fixed maturity securities	$ 0.6	$ (2.6)	$ 9.5	$ 79.8	$ 7.5	$ 79.8
Equity securities	1.7	(11.5)	—	42.3	32.5	—
Other invested assets	—	—	—	(0.3)	(0.3)	—
Short-term investments	—	—	—	0.4	—	0.4
Total investments	$ 2.3	$ (14.1)	$ 9.5	$ 122.2	$ 39.7	$ 80.2
Six Months Ended June 30, 2020						
Fixed maturity securities	$ 4.7	$ (2.9)	$ (1.2)	$ 49.9	$ 0.6	$ 49.9
Equity securities	24.4	(18.8)	—	(26.9)	(21.3)	—
Other invested assets	—	—	—	(0.7)	(0.7)	—
Short-term investments	—	—	—	0.4	—	0.4
Total investments	$ 29.1	$ (21.7)	$ (1.2)	$ 22.7	$ (21.4)	$ 50.3
Three Months Ended June 30, 2019						
Fixed maturity securities	$ 0.6	$ (0.3)	$ —	$ 37.6	$ 0.3	$ 37.6
Equity securities	1.1	(0.8)	—	6.8	7.1	—
Total investments	$ 1.7	$ (1.1)	$ —	$ 44.4	$ 7.4	$ 37.6
Six Months Ended June 30, 2019						
Fixed maturity securities	$ 1.6	$ (0.7)	$ —	$ 84.8	$ 0.9	$ 84.8
Equity securities	2.7	(0.9)	—	28.0	29.8	—
Total investments	$ 4.3	$ (1.6)	$ —	$ 112.8	$ 30.7	$ 84.8

Proceeds from the sales of fixed maturity securities were $29.6 million and $249.8 million for the three and six months ended June 30, 2020, respectively, compared to $43.1 million and $94.3 million for the three and six months ended June 30, 2019, respectively.

Net investment income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Fixed maturity securities	$ 18.7	$ 20.2	$ 38.0	$ 40.6
Equity securities	1.1	1.9	2.4	3.8
Other invested assets	0.7	—	1.3	
Short-term investments	0.3	—	0.4	—
Cash equivalents and restricted cash	0.2	0.5	0.4	1.0
Gross investment income	21.0	22.6	42.5	45.4
Investment expenses	(1.1)	(1.2)	(2.7)	(2.2)
Net investment income	$ 19.9	$ 21.4	$ 39.8	$ 43.2

The Company is required by various state laws and regulations to hold securities or letters of credit in depository accounts with certain states in which it does business. These laws and regulations govern not only the amount but also the types of securities that are eligible for deposit. As of June 30, 2020 and December 31, 2019, securities having a fair value of $870.1 million and $844.9 million, respectively, were on deposit. Additionally, standby letters of credit from the FHLB were in place in lieu of $275.0 million and $260.0 million of securities on deposit as of June 30, 2020 and December 31, 2019, respectively (See Note 10).

Certain reinsurance contracts require the Company's funds to be held in trust for the benefit of the ceding reinsurer to secure the outstanding liabilities assumed by the Company. The fair value of fixed maturity securities and restricted cash and cash equivalents held in trust for the benefit of ceding reinsurers at June 30, 2020 and December 31, 2019 was $3.3 million and $2.9 million, respectively.

5. Current Expected Credit Losses

The Company adopted AS*U 2016-13, Financial Instruments - Credit Losses (Topic 326)* in the first quarter of 2020, which replaced the incurred loss methodology with an expected loss methodology known as the current expected loss methodology (CECL). The measurement of CECL is applicable to financial assets measured at amortized cost, which includes held-to-maturity securities, trade receivables, lease receivables, reinsurance recoverables, financial guarantee contracts, loan commitments, and financial assets with evidence of credit deterioration. Additionally, *Topic 326* made changes to the accounting for AFS debt securities. This change requires credit losses to be presented as an allowance rather than as a write-down on AFS debt securities that the Company does not intend to sell or believes that it is more likely than not that it will be required to sell.

Premiums Receivable

Premiums receivable balances are all due within one year or less. The Company currently determines the allowance for premiums receivable based on an internal aging schedule using collectability and historical payment patterns, as well as current and expected future market conditions to determine the appropriateness of the allowance. Historical payment patterns provide the basis for the estimation along with similar risk characteristics and the Company's business strategy, which have not changed significantly over time. However, current and future market conditions have deteriorated as compared with the economic conditions included in the historical information. Specifically, unemployment and the temporary closures of small businesses have increased rapidly as of June 30, 2020, and the Company expects this trend to continue. Based on our past experience with generally similar conditions, the Company adjusted the historical payment patterns and aging schedule to reflect the differences in our current conditions and future forecasted changes. Changes in the allowance for credit losses are recorded through general and administrative expenses.

The table below shows the changes in the allowance for expected credit losses on premiums receivable.

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
	(in millions)	
Beginning balance of the allowance for expected credit losses on premiums receivable	$ 3.9	$ 4.6
Current period provision for expected credit losses	4.3	8.3
Write-offs charged against the allowance	(0.1)	(4.8)
Ending balance of the allowance for expected credit losses on premiums receivable	$ 8.1	$ 8.1

Reinsurance Recoverable

In assessing an allowance for reinsurance assets, which includes reinsurance recoverables and contingent commission receivables, the Company considers historical information, financial strength of reinsurers, collateralization amounts and ratings to determine the appropriateness of the allowance. Historically, the Company has not experienced a credit loss from reinsurance transactions. In assessing future default, the Company evaluated the CECL allowance under the ratings based method using the A.M. Best Average Cumulative Net Impairment Rates. Reinsurer ratings are also assessed through this process. Changes in the allowance for credit losses are recorded through general and administrative expenses.

The table below shows the changes in the allowance for expected credit losses on reinsurance recoverables.

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
	(in millions)	
Beginning balance of the allowance for expected credit losses on reinsurance recoverables	$ 0.4	$ —
Current period provision for expected credit losses	—	0.4
Ending balance of the allowance for expected credit losses on reinsurance recoverables	$ 0.4	$ 0.4

Investments

The Company assesses all AFS debt securities in an unrealized loss position for expected credit losses. The Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria is met, the security's amortized cost basis is written down to its fair value. For AFS debt securities that do not meet either criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. Any impairment that has not been recorded through an allowance for credit losses is recognized in Accumulated other comprehensive income on the Company's Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded through realized capital losses.

As of June 30, 2020, the Company established an aggregate allowance for credit losses in the amount of $1.2 million. For the Company’s investments in fixed-rate debt securities, the allowance for credit losses was determined by: (i) observing the credit characteristics of those debt securities that may have demonstrated a credit loss as of that date and by comparing the present value of cash flows expected to be collected to its amortized cost basis; and (ii) observing the credit characteristics of those debt securities that are expected to demonstrate a credit loss in the future by comparing the expected present value of cash flows expected to be collected to its amortized cost basis. For the Company’s investments in Bank Loans and Collateralized Loan Obligations, which are not generally subject to interest rate risk, the allowance for credit losses was determined by observing the amount by which the investment’s amortized cost exceeded its fair value and adjusting that amount by the observed impact of the liquidity risk associated with the investment.

As of June 30, 2020, the Company did not intend to sell any of its AFS debt securities in which its amortized cost exceeded its fair value.

Accrued interest receivable on AFS debt securities totaled $16.2 million at June 30, 2020 and is excluded from the estimate of credit losses based on historically timely payments.

The table below shows the changes in the allowance for expected credit losses on available-for-sale securities.

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
	(in millions)	
Beginning balance of the allowance for expected credit losses on AFS securities	$ 10.7	$ —
Current period provision for expected credit losses	(7.4)	3.3
Reductions in allowance from disposals	(2.1)	(2.1)
Ending balance of the allowance for expected credit losses on AFS securities	$ 1.2	$ 1.2

6. Property and Equipment

Property and equipment consists of the following:

	As of June 30, 2020	As of December 31, 2019
	(in millions)	
Furniture and equipment	$ 3.0	$ 2.5
Leasehold improvements	6.5	6.0
Computers and software	62.5	60.3
Automobiles	1.2	1.1
Property and equipment, gross	73.2	69.9
Accumulated depreciation	(52.0)	(48.0)
Property and equipment, net	$ 21.2	$ 21.9

Depreciation expenses related to property and equipment for the three and six months ended June 30, 2020 were $2.3 million and $4.4 million, respectively, and $9.0 million for the year ended December 31, 2019. Internally developed software costs of $0.8 million and $1.6 million were capitalized during the three and six months ended June 30, 2020, respectively, and $3.2 million in internally developed software costs were capitalized during the year ended December 31, 2019.

Cloud Computing Arrangements

The Company's capitalized costs associated with cloud computing arrangements totaled $38.9 million and $33.6 million, which were comprised of service contract fees and implementation costs associated with hosting arrangements on the Company's Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively. Total amortization for hosting arrangements was $1.8 million and $3.4 million for the three and six months ended June 30, 2020, respectively, and $5.3 million for the year ended December 31, 2019, respectively.

Leases

The Company determines if an arrangement is a lease at the inception of the transaction. Operating leases for offices are presented as a right-of-use asset (ROU asset) and lease liability on the Company's Consolidated Balance Sheets. Financing leases for automobiles are included in property and equipment and other liabilities on the Company's Consolidated Balance Sheets.

ROU assets represent the right to use an underlying asset for the lease term and the lease liability represents the obligation to make lease payments arising from the lease transaction. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Company uses collateralized incremental borrowing rates to determine the present value of lease payments. The ROU assets also include lease payments less any lease incentives within a lease agreement. The Company's lease terms may include options to extend or terminate a lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's operating leases have remaining terms of 1 year to 8 years, with options to extend up to 10 years with no termination provision. The Company's finance leases have an option to terminate after 1 year.

Components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Operating lease expense	$ 1.1	$ 1.2	$ 2.4	$ 2.5
Finance lease expense	—	0.1	0.1	0.1
Total lease expense	$ 1.1	$ 1.3	$ 2.5	$ 2.6

As of June 30, 2020, the weighted average remaining lease term for operating leases was 5.7 years and for finance leases was 3.1 years. The weighted average discount rate was 2.7% and 3.7% for operating and finance leases, respectively.

Maturities of lease liabilities were as follows:

	As of June 30, 2020	
	Operating Leases	Finance Leases
	(in millions)	
2020	$ 4.3	$ 0.2
2021	3.7	0.3
2022	3.2	0.1
2023	3.2	—
2024	2.1	—
Thereafter	7.2	—
Total lease payments	23.7	0.6
Less: imputed interest	(1.5)	—
Total	$ 22.2	$ 0.6

Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2020	As of December 31, 2019
	(in millions)	
Operating leases:		
Operating lease right-of-use asset	$ 20.4	$ 15.9
Operating lease liability	22.2	17.8
Finance leases:		
Property and equipment, gross	1.2	1.1
Accumulated depreciation	(0.6)	(0.5)
Property and equipment, net	0.6	0.6
Other liabilities	$ 0.6	$ 0.6

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30,	
	2020	2019
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 2.4	$ 2.5
Financing cash flows used for finance leases	0.1	0.1

7. Income Taxes

The Company’s effective tax rates were 19.8% and 14.8% for the three and six months ended June 30, 2020, respectively, compared to 18.1% and 17.0% for the corresponding periods of 2019. The lower effective tax rate for the six months ended June 30, 2020, versus those of the all other periods presented, resulted from net realized and unrealized losses on investments recorded on the Consolidated statement of comprehensive income for that period.

8. Liability for Unpaid Losses and Loss Adjustment Expenses

The following table represents a reconciliation of changes in the liability for unpaid losses and LAE.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Unpaid losses and LAE at beginning of period	$ 2,191.7	$ 2,189.3	$ 2,192.8	$ 2,207.9
Less reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	527.0	498.7	532.5	504.4
Net unpaid losses and LAE at beginning of period	1,664.7	1,690.6	1,660.3	1,703.5
Losses and LAE, net of reinsurance, incurred during the period related to:				
Current period	99.2	116.1	209.4	229.4
Prior periods	(23.6)	(23.7)	(27.1)	(45.9)
Total net losses and LAE incurred during the period	75.6	92.4	182.3	183.5
Paid losses and LAE, net of reinsurance, related to:				
Current period	17.1	23.2	24.0	30.6
Prior periods	76.1	82.2	171.5	178.8
Total net paid losses and LAE during the period	93.2	105.4	195.5	209.4
Ending unpaid losses and LAE, net of reinsurance	1,647.1	1,677.6	1,647.1	1,677.6
Reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	523.6	484.2	523.6	484.2
Unpaid losses and LAE at end of period	$ 2,170.7	$ 2,161.8	$ 2,170.7	$ 2,161.8

Total net losses and LAE included in the above table exclude amortization of the deferred reinsurance gain—LPT Agreement, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments, which totaled $2.5 million and $5.7 million for the three months ended June 30, 2020 and 2019, respectively, and $4.9 million and $8.2 million for the six months ended June 30, 2020 and 2019, respectively (See Note 9).

The change in incurred losses and LAE attributable to prior periods for the three and six months ended June 30, 2020 included $23.5 million and $26.5 million of favorable development on the Company’s voluntary risk business, respectively, and $0.1 million and $0.6 million of favorable development on the Company’s assigned risk business for the same periods. The change in incurred losses and LAE attributable to prior periods for the three and six months ended June 30, 2019 included $24.0 million and $46.0 million of favorable development on the Company’s voluntary risk business, respectively, and $0.3 million and $0.1 million of unfavorable development on the Company’s assigned risk business for the same periods. The favorable prior accident year loss development on voluntary business during the three and six months ended June 30, 2020 was the result of observed favorable loss cost trends across most accident years; however, the Company believes that the current economic conditions resulting from the COVID-19 pandemic have introduced significant risk of a prolonged recession, which could impact future development trends, including the increased risk of cumulative trauma claims and latent claim reporting, particularly for the more recent prior accident years. The favorable prior accident year loss development on voluntary business during the three and six months ended June 30, 2019 was the result of observed favorable loss cost trends, primarily for the 2014 through 2017 accident years, which have been impacted by the Company's internal initiatives to reduce loss costs, including the accelerated claims settlement activity that began in 2014 and that has continued into 2019.

9. LPT Agreement

The Company is party to the LPT Agreement under which $1.5 billion in liabilities for losses and LAE related to claims incurred by the Fund prior to July 1, 1995 were reinsured for consideration of $775.0 million. The LPT Agreement provides coverage up to $2.0 billion. The Company records its estimate of contingent profit commission in the accompanying Consolidated Balance Sheets as Contingent commission receivable–LPT Agreement and a corresponding liability is recorded in the accompanying Consolidated Balance Sheets in Deferred reinsurance gain–LPT Agreement. The Deferred Gain is being amortized using the recovery method. Amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries over the life of the LPT Agreement, except for the contingent profit commission, which is amortized through June 30, 2024, the date through which the Company is entitled to receive a contingent profit commission under the LPT Agreement. The amortization is recorded in losses and LAE incurred in the accompanying consolidated statements of comprehensive income. Any adjustments to the Deferred Gain are recorded in losses and LAE incurred in the accompanying consolidated statements of comprehensive income.

The Company amortized $2.5 million and $3.7 million of the Deferred Gain for the three months ended June 30, 2020 and 2019, respectively, and $4.9 million and $6.2 million for the six months ended June 30, 2020 and 2019, respectively. Additionally, the Company recognized favorable development in the estimated reserves ceded under the LPT Agreement of $5.3 million, that reduced the Deferred Gain by $1.8 million for the three and six months ended June 30, 2019 due to favorable LPT Reserve Adjustments, and by $0.2 million for the three and six months ended June 30, 2019 due to favorable LPT Contingent Commission Adjustments. The remaining Deferred Gain was $132.2 million and $137.1 million as of June 30, 2020 and December 31, 2019, respectively. The estimated remaining liabilities subject to the LPT Agreement were $368.6 million and $380.4 million as of June 30, 2020 and December 31, 2019, respectively. Losses and LAE paid with respect to the LPT Agreement totaled $808.0 million and $796.2 million from inception through June 30, 2020 and December 31, 2019, respectively.

10. Financing Arrangements

EICN, ECIC, EPIC, and EAC are members of the FHLB. Membership allows the insurance subsidiaries access to collateralized advances, which may be used to support and enhance liquidity management. The amount of advances that may be taken is dependent on statutory admitted assets on a per company basis.

During the second quarter of 2020, the FHLB announced its Zero Interest Recovery Advance program (the FHLB Advance Program). The FHLB Advance Program is a zero percent interest, six-month or one-year credit product that members can use to provide immediate relief to property owners, businesses, and other customers struggling with the financial impacts of the COVID-19 pandemic. Each member was allocated up to $10 million in advances under the FHLB Advance Program.

On May 11, 2020, the Company's insurance subsidiaries received a total of $35.0 million of advances under the Advance Program. The advances were secured by collateral previously pledged to the FHLB by the Company’s insurance subsidiaries in support of their existing collateralized advance facility, which has been reduced by the amount of these outstanding advances. The advances are required to be repaid to the FHLB on November 12, 2020 in the amount of $15.0 million and on May 11, 2021 in the amount of $20.0 million.

FHLB membership also allows the Company’s insurance subsidiaries access to standby letters of credit. On March 9, 2018, ECIC, EPIC, and EAC entered into standby Letter of Credit Reimbursement Agreements (Letter of Credit Agreements) with the FHLB. On March 1, 2019, FHLB and ECIC amended its Letter of Credit Agreement to increase its credit amount and on March 2, 2020, FHLB and EAC and EPIC each amended their Letter of Credit Agreements to increase their respective credit amounts. The Letter of Credit Agreements are between the FHLB and each of EAC, in the amount of $80.0 million, and EPIC, in the amount of $125.0 million. On April 20, 2020, FHLB and ECIC, amended its Letter of Credit Agreement to decrease its credit amount to $70.0 million. The amended Letter of Credit Agreements will expire March 31, 2021, and will remain evergreen with automatic one-year extensions unless the FHLB notifies the beneficiary at least 60 days prior to the then applicable expiration date of its election not to renew. The Letter of Credit Agreements may only be used to satisfy, in whole or in part, insurance deposit requirements with the State of California and are fully secured with eligible collateral at all times. The Letter of Credit Agreements are subject to annual maintenance charges and a fee of 15 basis points on issued amounts. As of June 30, 2020 and December 31, 2019, letters of credit totaling $275.0 million and $260.0 million, respectively, were issued in lieu of securities on deposit with the State of California under these Letter of Credit Agreements.

As of June 30, 2020 and December 31, 2019, investment securities having a fair value of $398.7 million and $326.8 million, respectively, were pledged to the FHLB by the Company’s insurance subsidiaries in support of the collateralized advance facility and the Letter of Credit Agreements.

11. Accumulated Other Comprehensive Income

Accumulated other comprehensive income is comprised of unrealized gains on investments classified as AFS, net of deferred tax expense. The following table summarizes the components of accumulated other comprehensive income:

	June 30, 2020	December 31, 2019
	(in millions)	
Net unrealized gains on investments, before taxes	$ 132.9	$ 82.6
Deferred tax expense on net unrealized gains	(27.9)	(17.3)
Total accumulated other comprehensive income	$ 105.0	$ 65.3

12. Stock-Based Compensation

The Company awarded restricted stock units (RSUs) and performance share units (PSUs) to certain employees and non-employee Directors of the Company as follows:

	Number Awarded	Weighted Average Fair Value on Date of Grant	Aggregate Fair Value on Date of Grant
			(in millions)
March 2020			
RSUs(1)	77,560	$ 37.81	$ 2.9
PSUs(2)	105,180	37.81	4.0
May 2020			
RSUs(3)	20,592	$ 29.59	$ 0.6

(1) The RSUs awarded in March 2020 were awarded to certain employees of the Company and vest 25% on March 15, 2021, and each of the subsequent three anniversaries of that date. The RSUs are subject to accelerated vesting in certain circumstances, including but not limited to: death, disability, retirement, or in connection with a change of control of the Company.

(2) The PSUs awarded in March 2020 were awarded to certain employees of the Company and have a performance period of two years followed by an additional one year vesting period. The PSU awards are subject to certain performance goals with payouts that range from 0% to 200% of the target awards. The value shown in the table represents the aggregate number of PSUs awarded at the target level.

(3) The RSUs awarded in May 2020 were awarded to non-employee Directors of the Company and vest in full on May 28, 2021.

Employees who were awarded RSUs and PSUs are entitled to receive dividend equivalents, payable in cash, when the underlying award vests and becomes payable. If the underlying award does not vest or is forfeited, any dividend equivalents with respect to the underlying award will also fail to become payable and will be forfeited.

Stock options exercised totaled 38,500 for the six months ended June 30, 2020, 5,186 for the six months ended June 30, 2019, and 31,630 for the year ended December 31, 2019.

As of June 30, 2020, the Company had 115,516 options, 268,636 RSUs, and 280,001 PSUs (based on target number awarded) outstanding.

13. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilutive impact of all common stock equivalents on earnings per share. Diluted earnings per share includes shares that are assumed to be issued under the “treasury stock method,” which reflects the potential dilution that would occur if outstanding RSUs and PSUs had vested and options were to be exercised.

Certain stock-based compensation awards are eligible to receive dividend equivalents on awards that fully vest or become payable. The dividend equivalents are reflected in the Company’s net income; therefore, these awards are not considered participating securities for the purposes of determining earnings per share.

The following table presents the net income and the weighted average number of shares outstanding used in the earnings per common share calculations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions, except share data)			
Net income—basic and diluted	$ 59.6	$ 40.7	$ 24.7	$ 92.6
Weighted average number of shares outstanding—basic	30,043,900	32,077,698	30,697,975	32,197,523
Effect of dilutive securities:				
PSUs	144,710	233,635	238,258	290,130
Stock options	25,524	78,836	45,031	79,487
RSUs	15,419	60,459	38,864	72,745
Dilutive potential shares	185,653	372,930	322,153	442,362
Weighted average number of shares outstanding—diluted	30,229,553	32,450,628	31,020,128	32,639,885

Diluted earnings per share excludes outstanding options and other common stock equivalents in periods where the inclusion of such options and common stock equivalents would be anti-dilutive. The following table presents options, PSUs, and RSUs that were excluded from diluted earnings per share.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Options, PSUs, and RSUs excluded under the treasury method, as the potential proceeds on settlement or exercise was greater than the value of shares acquired	168,390	—	84,195	—

14. Segment Reporting

The Company has recently made changes to its corporate structure, mainly involving the launch and further development of a new digital insurance platform offered under the Cerity brand name (Cerity). As of December 31, 2019, the Company has determined that it has two reportable segments: Employers and Cerity. Each of these segments represents a separate and distinct underwriting platform through which the Company conducts insurance business. The nature and composition of each reportable segment and its Corporate and Other activities are as follows:

The Employers segment is defined as traditional business offered through the EMPLOYERS brand name (Employers) through its agents, including business originated from the Company's strategic partnerships and alliances.

The Cerity segment is defined as business offered under the Cerity brand name, which includes the Company's direct-to-customer business.

Corporate and Other activities consist of those holding company expenses that are not considered to be underwriting in nature, the financial impact of the LPT agreement, and legacy business assumed and ceded by CIC. These expenses are not considered to be part of a reportable segment and are not otherwise allocated to a reportable segment.

The Company has determined that it is not practicable to report identifiable assets by segment since certain assets are used interchangeably among the segments.

Prior to December 31, 2019, the Company operated under a single reportable segment. All periods prior to December 31, 2019 presented herein have been conformed to the current presentation.

The following table summarizes the Company's written premium and components of net income before income taxes by reportable segment.

	Employers	Cerity	Corporate and Other	Total
		(in millions)		
Three Months Ended June 30, 2020				
Gross premiums written	$ 140.2	$ —	$ —	$ 140.2
Net premiums written	139.0	—	—	139.0
Net premiums earned	151.4	0.1	—	151.5
Net investment income	18.8	0.9	0.2	19.9
Net realized and unrealized gains on investments	38.2	1.3	0.2	39.7
Other income	0.3	—	—	0.3
Total revenues	208.7	2.3	0.4	211.4
Losses and loss adjustment expenses	75.6	—	(2.5)	73.1
Commission expense	19.2	—	—	19.2
Underwriting and general and administrative expenses	38.4	4.3	2.1	44.8
Total expenses	133.2	4.3	(0.4)	137.1
Net income (loss) before income taxes	$ 75.5	$ (2.0)	$ 0.8	$ 74.3
Three Months Ended June 30, 2019				
Gross premiums written	$ 176.6	$ —	$ —	$ 176.6
Net premiums written	175.2	—	—	175.2
Net premiums earned	175.5	—	—	175.5
Net investment income	20.3	—	1.1	21.4
Net realized and unrealized gains on investments	6.9	—	0.5	7.4
Total revenues	202.7	—	1.6	204.3
Losses and loss adjustment expenses	92.5	—	(5.7)	86.8
Commission expense	23.8	—	—	23.8
Underwriting and general and administrative expenses	35.9	4.1	3.8	43.8
Interest and financing expenses	0.2	—	—	0.2
Total expenses	152.4	4.1	(1.9)	154.6
Net income (loss) before income taxes	$ 50.3	$ (4.1)	$ 3.5	$ 49.7

	Employers	Cerity	Corporate and Other	Total
	(in millions)			
Six Months Ended June 30, 2020				
Gross premiums written	$ 324.9	$ —	$ —	$ 324.9
Net premiums written	322.4	—	—	322.4
Net premiums earned	319.3	0.1	—	319.4
Net investment income	37.4	1.7	0.7	39.8
Net realized and unrealized losses on investments	(19.1)	(0.4)	(1.9)	(21.4)
Other income	0.6	—	—	0.6
Total revenues	338.2	1.4	(1.2)	338.4
Losses and loss adjustment expenses	182.3	—	(4.9)	177.4
Commission expense	40.5	—	—	40.5
Underwriting and general and administrative expenses	77.6	8.1	5.8	91.5
Total expenses	300.4	8.1	0.9	309.4
Net income (loss) before income taxes	$ 37.8	$ (6.7)	$ (2.1)	$ 29.0
Six Months Ended June 30, 2019				
Gross premiums written	$ 386.6	$ —	$ —	$ 386.6
Net premiums written	383.9	—	—	383.9
Net premiums earned	350.3	—	—	350.3
Net investment income	40.9	—	2.3	43.2
Net realized and unrealized gains on investments	27.7	—	3.0	30.7
Other income	0.4	—	—	0.4
Total revenues	419.3	—	5.3	424.6
Losses and loss adjustment expenses	183.5	—	(8.2)	175.3
Commission expense	45.8	—	—	45.8
Underwriting and general and administrative expenses	75.2	7.6	8.5	91.3
Interest and financing expenses	0.6	—	—	0.6
Total expenses	305.1	7.6	0.3	313.0
Net income (loss) before income taxes	$ 114.2	$ (7.6)	$ 5.0	$ 111.6

Entity-Wide Disclosures

The Company operates solely within the U.S. and does not have revenue from transactions with a single customer accounting for 10% or more of its revenues. The following table shows the Company's in-force premiums and number of policies in-force for each state with approximately five percent or more of our in-force premiums and all other states combined for the periods presented:

	June 30, 2020		December 31, 2019		June 30, 2019		December 31, 2018	
State	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force
	(dollars in millions)							
California	$ 292.9	42,705	$ 329.8	43,079	$ 348.0	43,813	$ 357.1	41,988
Florida	37.1	6,406	36.3	5,822	37.2	5,743	41.0	5,833
New York	30.1	6,753	31.7	5,679	29.8	4,734	23.9	3,663
Other (43 states and D.C.)	263.3	48,710	266.8	44,104	255.3	41,731	244.2	40,014
Total	$ 623.4	104,574	$ 664.6	98,684	$ 670.3	96,021	$ 666.2	91,498

Item 2. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the related notes thereto included in Item 1 of Part I. Unless otherwise indicated, all references to "we," "us," "our," "the Company," or similar terms refer to EHI, together with its subsidiaries. In this Quarterly Report on Form 10-Q, 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. The Company and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in the Company'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 the Company's public filings with the SEC, including the risks detailed in the Company's Annual Reports on Form 10-K and in Part II, Item 1A of this report. 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.

Overview

We are a Nevada holding company. Through our insurance subsidiaries, we provide workers' compensation insurance coverage to select, small businesses in low to medium hazard industries. Workers' compensation insurance is provided under a statutory system wherein most employers are required to provide coverage for their employees' medical, disability, vocational rehabilitation, and/or death benefit costs for work-related injuries or illnesses. We provide workers' compensation insurance throughout the U.S., with a concentration in California, where nearly one-half of our business is generated. Our revenues are primarily comprised of net premiums earned, net investment income, and net realized and unrealized gains on investments.

We target small businesses, as we believe that this market is traditionally characterized by fewer competitors, more attractive pricing, and stronger persistency when compared to the U.S. workers' compensation insurance industry in general. We believe we are able to price our policies at levels that are competitive and profitable over the long-term given our expertise in underwriting and claims handling in this market segment. Our underwriting approach is to consistently underwrite small business accounts at appropriate and competitive prices without sacrificing long-term profitability and stability for short-term top-line revenue growth.

Our strategy is to pursue profitable growth opportunities across market cycles and maximize total investment returns within the constraints of prudent portfolio management. We pursue profitable growth opportunities by focusing on disciplined underwriting and claims management, utilizing medical provider networks designed to produce superior medical and indemnity outcomes, establishing and maintaining strong, long-term relationships with independent insurance agencies, developing and implementing new technologies designed to transform the way small businesses and insurance agents utilize digital capabilities, and developing important alternative distribution channels. We continue to execute a number of ongoing business initiatives, including: achieving internal and customer-facing business process excellence; diversifying our risk exposure across geographic markets; and utilizing a multi-company pricing platform and territory-specific pricing. Additionally, we continue to execute our 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, including: (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 and further development of digital insurance solutions, including direct-to-customer workers' compensation coverage.

The insurance industry is highly competitive, and there is significant competition in the national workers' compensation industry that is based on price and quality of services. We compete with other specialty workers' compensation carriers, state agencies, multi-line insurance companies, professional employer organizations, self-insurance funds, and state insurance pools. As a result of these competitive conditions pricing on our renewals showed an overall price decrease of 7.5% and 6.9% for the three and six months ended June 30, 2020, respectively, versus the rate level in effect on such business a year earlier.

Coronavirus Disease (COVID-19) Considerations

On March 11, 2020, the World Health Organization formally declared the COVID-19 outbreak to be a pandemic. The global spread of COVID-19 has caused illness, death, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity, widespread unemployment, supply chain interruptions, and overall economic and financial market instability.

All states, including California, where we generated nearly one-half of our in-force premiums as of June 30, 2020, declared states of emergency and imposed various restrictions on business operations and social gatherings. Certain classes of business that we insure, especially those related to the restaurant and hospitality industries, have been particularly affected by these restrictions.

During most of the first quarter of 2020, we experienced strong new business opportunities, as evidenced by record levels of submissions, quotes, and binds, as well as strong renewal business. Given the abrupt and severe economic impacts attributable to the COVID-19 pandemic, the number of submissions, quotes, and binds decreased significantly beginning in the latter half of March 2020 and this trend continued through May 2020. In June 2020, as many businesses began to reopen, we experienced a year-over-year increase in new business submissions and new policies bound. New business premium fell, however, principally driven by a significant decline in policies with premium greater than $25,000. Unlike our entire book of business, California's new business submissions, binds and estimated annual premium declined in both the first and second quarters of 2020 and, although new business opportunities in California improved in June and July, they have not been as strong as we have observed in other states.

We currently expect that our new business premium will continue to be down, as compared to that of the prior year, until such time as our insureds and businesses can reopen, resume their operations, and begin increasing staffing and payroll. Although our new business growth, as defined by number of policies, has been strong, it was insufficient as of June 30, 2020, to offset the decline in premium that we have experienced. The amount of the decrease in premium that we will ultimately experience remains uncertain. This is largely due to: (i) concerns that many small business owners face permanent closure or heavy reliance on newly-established federal government programs, such as the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), in order to retain their businesses and the ultimate success of these programs remains unknown; and (ii) uncertainty as to when our insureds and targeted businesses will be permitted to fully reopen and resume their normal operations.

We continually review and adjust to changes in our policyholders' payrolls, economic conditions, and seasonality, as experience develops or new information becomes known. Any such adjustments are included in our current operations. Approximately 25% of our current payroll exposure, including that associated with policies generated by our largest payroll partners, is considered to be "pay as you go," where the associated premium charged to the underlying policyholder is adjusted in real-time based on changes in the underlying payroll. For all other policyholders, payroll adjustments are made periodically through mid-term endorsements and/or premium audits. We experienced a significant increase in mid-term endorsement requests that served to reduce policy premiums beginning in late March 2020 and continuing into the second quarter; although these premium-reducing endorsements moderated beginning in the latter half of the second quarter.

We have been fully functional since we closed our buildings to employees and the general public on March 20, 2020, and it is expected that our business can remain fully functional while our employees work-from-home for an indefinite period of time. In addition, we currently plan to continue to execute on our strategic business plan despite being in a work-from-home status.

We are taking precautions to protect the safety and well-being of our employees while providing uninterrupted service to our policyholders and claimants. However, no assurance can be given that these actions will be sufficient, nor can we predict the level of disruption that will occur should the COVID-19 pandemic and its related macro-economic risks continue for an extended period of time. Additional information regarding risks and uncertainties related to the COVID-19 pandemic to our business, financial condition, and results of operations are set forth in Part II, Item 1A of this report.

We formally test the goodwill that we carry on our Consolidated Balance Sheets for impairment in the fourth quarter of each year. In addition, at the end of each quarter, we review the results of the previous analysis, as well as any recent developments that may constitute triggering events requiring the impairment analysis of our goodwill to be updated. As of June 30, 2020, we reviewed our goodwill analysis and determined that no impairment was necessary because our fair value, in accordance with ASC 350-20-35-23, exceeded our carrying value by more than an insignificant amount. However, our fair value had decreased significantly, as compared to that of the past several quarters, due to a decline in our market capitalization as a result of investor concerns of the potential adverse effects of COVID-19 on our business.

A further decline in our market capitalization in future periods, or any other relevant developments, could constitute a triggering event that could lead us to impair the valuation of all or a portion of our goodwill. As of June 30, 2020, the carrying value of our goodwill was $36.2 million.

Results of Operations

Our results of operations are as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(in millions)			
Gross premiums written	$ 140.2	$ 176.6	$ 324.9	$ 386.6
Net premiums written	$ 139.0	$ 175.2	$ 322.4	$ 383.9
Net premiums earned	$ 151.5	$ 175.5	$ 319.4	$ 350.3
Net investment income	19.9	21.4	39.8	43.2
Net realized and unrealized gains (losses) on investments	39.7	7.4	(21.4)	30.7
Other income	0.3	—	0.6	0.4
Total revenues	211.4	204.3	338.4	424.6
Losses and LAE	73.1	86.8	177.4	175.3
Commission expense	19.2	23.8	40.5	45.8
Underwriting and general and administrative expenses	44.8	43.8	91.5	91.3
Interest and financing expenses	—	0.2	—	0.6
Total expenses	137.1	154.6	309.4	313.0
Income tax expense	14.7	9.0	4.3	19.0
Net income	$ 59.6	$ 40.7	$ 24.7	$ 92.6

Overview

Our net income was $59.6 million and $24.7 million for the three and six months ended June 30, 2020, respectively, compared to $40.7 million and $92.6 million for the corresponding periods of 2019. The key factors that affected our financial performance during the three and six months ended June 30, 2020, compared to the same periods of 2019 included:

- Net premiums earned decreased 13.7% and 8.8%, respectively;
- Losses and LAE decreased 15.8% and increased 1.2%, respectively;
- Underwriting and general and administrative expenses increased 2.3% and 0.2%, respectively;
- Net investment income decreased 7.0% and 7.9%, respectively; and
- Net realized and unrealized gains (losses) on investments increased by $32.3 million and decreased by $52.1 million, respectively.

Summary of Consolidated Financial Results

Gross Premiums Written

Gross premiums written were $140.2 million and $324.9 million and for the three and six months ended June 30, 2020, respectively, compared to $176.6 million and $386.6 million for the corresponding periods of 2019. The year-over-year decrease was primarily related to our Employers segment. See "—Summary of Financial Results by Segment —Employers".

Net Premiums Written

Net premiums written are gross premiums written less reinsurance premiums ceded.

Net Premiums Earned

Net premiums earned are primarily a function of the amount and timing of net premiums previously written.

Net Investment Income and Net Realized and Unrealized Gains and Losses on Investments

We invest in fixed maturity securities, equity securities, other invested assets, short-term investments, and cash equivalents. Net investment income includes interest and dividends earned on our invested assets and amortization of premiums and discounts on our fixed maturity securities, less bank service charges and custodial and portfolio management fees. We have established a high quality/short duration bias in our investment portfolio.

Net investment income decreased 7.0% and 7.9% for three and six months ended June 30, 2020, compared to the same periods of 2019. The decreases were primarily due to a sharp increase in the amortization of bond premiums associated with our residential mortgage-backed securities, which was caused by an acceleration of near-term mortgage loan prepayment speed assumptions during the current periods. The average pre-tax book yield on invested assets decreased to 3.2% as of June 30, 2020, down from 3.5% as of June 30, 2019. Average invested assets decreased year-over-year.

Realized and certain unrealized gains and losses on our investments are reported separately from our net investment income. Realized gains and losses on investments include the gain or loss on a security at the time of sale compared to its original or adjusted cost (equity securities) or amortized cost (fixed maturity securities). Realized losses are also recognized for changes in our expected credit loss allowance or when securities are written down as a result of an other-than-temporary impairment. Changes in fair value of equity securities and other invested assets are also included in Net realized and unrealized gains (losses) on investments on our Consolidated Statements of Comprehensive Income.

Net realized and unrealized gains (losses) on investments were $39.7 million and $(21.4) million for the three and six months ended June 30, 2020, respectively, compared to $7.4 million and $30.7 million for the corresponding periods of 2019. The net realized and unrealized gains on investments for the three months ended June 30, 2020 and 2019 included $32.5 million and $7.1 million of net realized and unrealized gains on equity securities, respectively, and $7.5 million and $0.3 million of net realized gains on fixed maturity securities, respectively. The net realized and unrealized (losses) gains on investments for the six months ended June 30, 2020 and 2019 included $(21.3) million and $29.8 million of net realized and unrealized (losses) gains on equity securities, respectively, and $0.6 million and $0.9 million of net realized gains on fixed maturity securities, respectively.

The sizable net realized and unrealized gains (losses) we experienced on equity and fixed maturity securities during the three and six months ended June 30, 2020 were primarily the result of significant volatility in financial markets resulting from the COVID-19 pandemic. Our net gains and losses on equity securities during the three and six months ended June 30, 2020 were largely consistent with the performance of U.S. equity markets. Our net gains on fixed maturity securities during the three and six months ended June 30, 2020 were largely the result of a tightening of credit spreads between the yield on the fixed maturities we held versus that of U.S. Treasuries, as well as decreases in market interest rates during the periods. The net realized and unrealized gains and (losses) on fixed maturities also included a $9.5 million and $(1.2) million change to the allowance for expected credit losses for the three and six months ended June 30, 2020, respectively.

The net realized and unrealized losses we experienced on equity and fixed maturity securities during the three and six months ended June 30, 2019 were primarily the result of generally favorable market conditions, as measured by the performance of U.S. equity markets and decreases in market interest rates during the period. We recorded no other-than-temporary impairments on investments for the six months ended June 30, 2019.

Additional information regarding our Investments is set forth under “—Liquidity and Capital Resources—Investments.”

Other Income

Other income consists of net gains on fixed assets, non-investment interest, installment fee revenue, and other miscellaneous income.

Losses and LAE

Losses and LAE represents our largest expense item and includes claim payments made, amortization of the Deferred Gain, estimates for future claim payments and changes in those estimates for current and prior periods, and costs associated with investigating, defending, and adjusting claims. The quality of our financial reporting depends in large part on accurately predicting our losses and LAE, which are inherently uncertain as they are estimates of the ultimate cost of individual claims based on actuarial estimation techniques.

Our indemnity claims frequency (the number of claims expressed as a percentage of payroll) continued to decrease through June 30, 2020, while medical and indemnity costs per claim increased over the same period. However, we recognize that the impacts of the COVID-19 pandemic, including the potential for further expansions or permanent extensions of presumed compensability of COVID-19 in certain jurisdictions, could result in an increase in claims frequency and severity for the current accident year. These trends and considerations are reflected in our current accident year loss estimate. Total claims costs have also been reduced by cost savings associated with increased claims settlement activity that continued in 2020. We believe our current accident year loss estimate is adequate; however, ultimate losses will not be known with any certainty for many years. We assume that increasing medical and indemnity cost trends will continue to impact our long-term claims costs and current accident year loss estimate, which may be offset by rate increases. See "—Summary of Financial Results by Segment —Employers".

Commission Expenses

Commission expenses include direct commissions to our agents and brokers, including our partnerships and alliances, for the premiums that they produce for us, as well as incentive payments, other marketing costs, and fees. See "—Summary of Financial Results by Segment —Employers".

Underwriting and General and Administrative Expenses

Underwriting expenses represent those costs that we incur to underwrite and maintain the insurance policies we issue, excluding commissions. Direct underwriting expenses, such as premium taxes, policyholder dividends, and those expenses that vary directly with the production of new or renewal business, are recognized as the associated premiums are earned. Indirect underwriting expenses, such as the operating expenses of each of the Company's subsidiaries, do not vary directly with the production of new or renewal business and are recognized as incurred.

General and administrative expenses of the holding company are excluded in determining the underwriting expense ratios of our reportable segments.

Interest and Financing Expenses

Interest and financing expenses include interest on notes payable, letter of credit fees, finance lease interest, and other financing fees.

Income Tax Expense

Income tax expense was $14.7 million and $4.3 million for the three and six months ended June 30, 2020, respectively, compared to $9.0 million and $19.0 million for the corresponding periods of 2019. The effective tax rates were 19.8% and 14.8% for the three and six months ended June 30, 2020, respectively, compared to 18.1% and 17.0% for the same periods of 2019. The lower effective tax rate for the six months ended June 30, 2020, versus those of the all other periods presented, resulted from net realized and unrealized losses on investments recorded on the Consolidated statement of comprehensive income for that period.

Summary of Financial Results by Segment

EMPLOYERS

The components of Employers' net income before income taxes are set forth in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollars in millions)			
Gross premiums written	$ 140.2	$ 176.6	$ 324.9	$ 386.6
Net premiums written	$ 139.0	$ 175.2	$ 322.4	$ 383.9
Net premiums earned	$ 151.4	$ 175.5	$ 319.3	$ 350.3
Net investment income	18.8	20.3	37.4	40.9
Net realized and unrealized gains (losses) on investments	38.2	6.9	(19.1)	27.7
Other income	0.3	—	0.6	0.4
Total revenues	208.7	202.7	338.2	419.3
Losses and LAE	75.6	92.5	182.3	183.5
Commission expense	19.2	23.8	40.5	45.8
Underwriting expenses	38.4	35.9	77.6	75.2
Interest and financing expenses	—	0.2	—	0.6
Total expenses	133.2	152.4	300.4	305.1
Net income before income taxes	$ 75.5	$ 50.3	$ 37.8	$ 114.2
Underwriting income	$ 18.2	$ 23.3	$ 18.9	$ 45.8
Combined ratio	88.0 %	86.8 %	94.1 %	87.0 %

<u>**Underwriting Results**</u>

Gross Premiums Written

Gross premiums written were $140.2 million and $324.9 million for the three and six months ended June 30, 2020, respectively, compared to $176.6 million and $386.6 million for the corresponding periods of 2019. The year-over-year decreases for the three and six months ended June 30, 2020 were primarily driven by the impacts of the COVID-19 pandemic during the first half of 2020, including higher levels of unemployment and declines in payrolls for many of our insureds, upon which our premiums are based, particularly in our restaurant and hospitality classes. We reduced our premiums written by approximately $14.7 million in the second quarter of 2020 to reflect our estimate of the exposure adjustments on our in-force policies that we expect have resulted and will result from the impact of economic contraction. In the first quarter of 2020, we experienced strong new business opportunities, as evidenced by record levels of submissions, quotes, and binds, as well as strong renewal business. Given the abrupt and severe economic impacts attributable to the COVID-19 pandemic, the number of submissions, quotes, and binds decreased significantly beginning in the latter half of March 2020 and this trend continued through May 2020. In June 2020, as many businesses began to reopen, we experienced a year-over-year increase in new business submission and new policies bound. New business premium fell, however, principally driven by a significant decline in policies with premium greater than $25,000. Unlike our entire book of business, California new business submissions, binds and estimated annual premium declined in both the first and second quarter of 2020 and, although improved in June and July to-date, have not shown the same improvement we have observed elsewhere. Additionally, year-over-year decreases in average rates in many of the states in which we do business further impacted our gross premiums written during the first half of 2020.

Net Premiums Written

Net premiums written were $139.0 million and $322.4 million for the three and six months ended June 30, 2020, respectively, compared to $175.2 million and $383.9 million for the corresponding periods of 2019. Reinsurance premiums ceded were $1.2 million and $2.5 million for the three and six months ended June 30, 2020, respectively, compared to $1.4 million and $2.7 million for the corresponding periods of 2019.

Net Premiums Earned

Net premiums earned were $151.4 million and $319.3 million for the three and six months ended June 30, 2020, respectively, compared to $175.5 million and $350.3 million for the corresponding periods of 2019.

The following table shows the percentage change in Employers' in-force premiums, policy count, average policy size, and payroll exposure (upon which our premiums are based) overall, for California, where 47% of our premiums were generated, and for all other states, excluding California:

	As of June 30, 2020					
	Year-to-Date Change			Year-Over-Year Change		
	Overall	California	All Other States	Overall	California	All Other States
In-force premiums	(6.2)%	(11.2)%	(1.3)%	(7.0)%	(15.8)%	2.5 %
In-force policy count	6.0	(0.9)	11.3	8.8	(2.5)	18.4
Average in-force policy size	(11.5)	(10.4)	(11.3)	(14.6)	(13.7)	(13.4)
In-force payroll exposure	0.9	(5.9)	4.7	7.6	(4.4)	14.9

The following table shows Employers' in-force premiums and number of policies in-force for each state with approximately five percent of our in-force premiums and all other states combined for the periods presented:

State	June 30, 2020		December 31, 2019		June 30, 2019		December 31, 2018	
	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force
	(dollars in millions)							
California	$ 292.9	42,705	$ 329.8	43,079	$ 348.0	43,813	$ 357.1	41,988
Florida	37.1	6,406	36.3	5,822	37.2	5,743	41.0	5,833
New York	30.1	6,753	31.7	5,679	29.8	4,734	23.9	3,663
Other (43 states and D.C.)	263.2	48,611	266.7	44,019	255.3	41,710	244.2	40,014
Total	$ 623.3	104,475	$ 664.5	98,599	$ 670.3	96,000	$ 666.2	91,498

Our alternative distribution channels that utilize partnerships and alliances generated $163.8 million and $162.7 million, or 26.3% and 24.3%, of our in-force premiums as of June 30, 2020 and 2019, respectively. We believe that the bundling of payroll-related products and services through these relationships contributes to higher retention rates than business generated by our independent agents. These relationships also allow us to access new customers that we may not have access to through our independent agent distribution channel. We continue to actively seek new partnerships and alliances.

The current COVID-19 pandemic and its ongoing impacts on the marketing and distribution of our insurance products, including potential for the further and/or prolonged disruption of business of our independent agents and strategic partnerships and alliances, remains uncertain.

Losses and LAE, Commission Expenses, and Underwriting Expenses

Prior to December 31, 2019, we operated under a single reportable segment and presented our Combined Ratio on that basis, including general and administrative expenses of the holding company expenses and the impact of the LPT. Beginning in the fourth quarter of 2019, we now present the Combined Ratio for each of our reporting segments on a stand-alone basis and have adjusted all prior periods presented herein to conform to this presentation.

The following table presents the components of our calendar year combined ratios for our Employers segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Loss and LAE ratio	49.9 %	52.7 %	57.1 %	52.4 %
Underwriting expense ratio	25.4	20.5	24.3	21.5
Commission expense ratio	12.7	13.6	12.7	13.1
Combined Ratio	88.0 %	86.8 %	94.1 %	87.0 %

Loss and LAE Ratio. We analyze our loss and LAE ratios on both a calendar year and accident year basis.

The calendar year loss and LAE ratio is calculated by dividing the losses and LAE recorded during the calendar year, regardless of when the underlying insured event occurred, by the net premiums earned during that calendar year. The calendar year loss and LAE ratio includes changes made during the calendar year in reserves for losses and LAE established for insured events occurring in the current and prior years. The calendar year loss and LAE ratio for a particular year will not change in future periods.

The accident year loss and LAE ratio is calculated by dividing cumulative losses and LAE for reported events that occurred during a particular year by the net premiums earned for that year. The accident year loss and LAE ratio for a particular year can decrease or increase when recalculated in subsequent periods as the reserves established for insured events occurring during that year develop favorably or unfavorably. The accident year loss and LAE ratio is based on our statutory financial statements and is not derived from our GAAP financial information.

We analyze our calendar year loss and LAE ratio to measure our profitability in a particular year and to evaluate the adequacy of our premium rates charged in a particular year to cover expected losses and LAE from all periods, including development (whether favorable or unfavorable) of reserves established in prior periods. In contrast, we analyze our current accident year loss and LAE ratios to evaluate our underwriting performance and the adequacy of the premium rates we charged in a particular year in relation to ultimate losses and LAE from insured events occurring during that year. The loss and LAE ratios provided in this report are calendar year basis, except where they are expressly identified as accident year loss and LAE ratios.

The table below reflects prior accident year loss and LAE reserve adjustments and the impact to the loss ratio.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(dollars in millions)			
Losses and LAE	$ 75.6	$ 92.5	$ 182.3	$ 183.5
Prior accident year favorable development, net	23.6	23.7	27.1	45.9
Current accident year losses and LAE	$ 99.2	$ 116.2	$ 209.4	$ 229.4
Current accident year loss ratio	65.5 %	66.2 %	65.6 %	65.5 %

Losses and LAE during the three and six months ended June 30, 2020 were lower, compared to the same periods of 2019, primarily due to lower earned premiums for both periods. Additionally, the decrease for the six months ended June 30, 2020 was partially offset by lower levels of favorable prior accident year loss development in the first half of 2020, compared to the first half of 2019. Favorable development totaled $23.6 million and $27.1 million during the three and six months ended June 30, 2020, respectively, which included $23.5 million and $26.5 million favorable development on our voluntary business and an additional $0.1 million and $0.6 million favorable development on our assigned risk business, respectively. Favorable development for the three and six months ended June 30, 2019 totaled $23.7 million and $45.9 million, which included $24.0 million and $46.0 million of favorable development on our voluntary business and $0.3 million and $0.1 million of unfavorable development on our assigned risk business, respectively. Favorable prior accident year loss development on our voluntary business during the three and six months ended June 30, 2020 was the result of observed favorable loss cost trends across most prior accident years; however, we believe that the current economic conditions resulting from the COVID-19 pandemic have introduced significant risk of a prolonged recession, which could impact future development trends, including the increased risk of cumulative trauma claims and latent claim reporting, particularly for the more recent prior accident years. As a result, we limited the recognition of favorable development for accident years subsequent to 2010, which were not impacted by the last recession. Favorable prior accident year loss development on our voluntary business during the three and six months ended June 30, 2019 was the result of observed favorable loss cost trends, primarily for the 2014 through 2017 accident years, which have been impacted by our internal initiatives to reduce loss costs, including the accelerated claims settlement activity that began in 2014 and continued into 2019.

The current accident year loss and LAE ratio of 65.5% and 65.6% for the three and six months ended June 30, 2020 remains consistent with the 65.6% ratio for the full-year ratio 2019. Our current accident year loss and LAE ratio continues to reflect the impact of key business initiatives, including: an emphasis on the accelerated settlement of 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, as well as the impact of increased competitive pressures and price decreases across most of our markets, and the impacts of COVID-19, which could result in an increase in claims frequency and severity for the current accident year driven by the presumed compensability of COVID-19 in certain jurisdictions.

Commission Expense Ratio. The commission expense ratio was 12.7% for each of the three and six months ended June 30, 2020, compared to 13.6% and 13.1% for the corresponding periods of 2019. Our commission expenses were $19.2 million and $40.5 million for the three and six months ended June 30, 2020, respectively, compared to $23.8 million and $45.8 million for the same periods of 2019. Our commission expense ratio decreased 0.9 and 0.4 percentage points, or 6.6% and 3.1%, for the three and six months ended June 30, 2020, respectively, compared to the same periods of 2019. The decreases in the commission expense ratios were primarily the result of changes in business mix generating lower commission expense and lower 2020 agency incentives, compared to the same periods of 2019.

Underwriting Expenses Ratio. The underwriting expense ratio was 25.4% and 24.3% for the three and six months ended June 30, 2020, respectively, compared to 20.5% and 21.5% for the same periods of 2019. Our underwriting expenses were $38.4 million and $77.6 million for the three and six months ended June 30, 2020, respectively, compared to $35.9 million and $75.2 million for the same periods of 2019. Our underwriting and other operating expenses ratio increased 4.9 and 2.8 percentage points, or 23.9% and 13.0%, for the three and six months ended June 30, 2020, compared to the same periods of 2019, primarily driven by year-over-year decreases in net premiums earned and certain expense increases. During the three months ended June 30, 2020, premium taxes and assessments increased $2.3 million, compensation-related expenses increased $1.1 million, partially offset by a decrease in IT expenses of $0.9 million and a decrease in travel expenses of $0.5 million, each compared to the same period of 2019. During the six months ended June 30, 2020, depreciation and amortization increased $1.6 million, compensation-related expenses increased $1.3 million, partially offset by a decrease in IT expenses of $0.5 million and a decrease in travel expenses of $0.6 million, each compared to the same period of 2019.

Underwriting Income

Underwriting income for our Employers segment was $18.2 million and $18.9 million for the three and six months ended June 30, 2020, respectively, compared to $23.3 million and $45.8 million for the same periods of 2019. Underwriting income or loss is determined by deducting losses and LAE, commission expense, and underwriting expenses from net premiums earned.

Non-Underwriting Income and Expenses

For a further discussion of non-underwriting related income and expenses, including Net Investment Income and Net Realized and Unrealized Gains and Losses on Investments, Other Income, and Interest and Financing Expenses see "—Results of Operations —Summary of Consolidated Financial Results".

CERITY

The components of Cerity's net loss before income taxes are set forth in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Gross premiums written	$ —	$ —	$ —	$ —
Net premiums written	$ —	$ —	$ —	$ —
Net premiums earned	$ 0.1	$ —	$ 0.1	$ —
Net investment income	0.9	—	1.7	—
Net realized and unrealized gains (losses) on investments	1.3	—	(0.4)	—
Total revenues	2.3	—	1.4	—
Underwriting expenses	4.3	4.1	8.1	7.6
Total expenses	4.3	4.1	8.1	7.6
Net loss before income taxes	$ (2.0)	$ (4.1)	$ (6.7)	$ (7.6)
Underwriting loss	$ (4.2)	$ (4.1)	$ (8.0)	$ (7.6)
Combined ratio	n/m	n/m	n/m	n/m

n/m - not meaningful

Underwriting Results

Gross Premiums Written and Net Premiums Written

Gross premiums written and net premiums written were less than $0.1 million for the three and six months ended June 30, 2020.

Net Premiums Earned

Net premiums earned were $0.1 million for the three and six months ended June 30, 2020.

Underwriting Expenses

Underwriting expenses for our Cerity segment were $4.3 million and $8.1 million for the three and six months ended June 30, 2020, respectively, compared to $4.1 million and $7.6 million for the same periods of 2019. During the three months ended June 30, 2020, professional fees increased $0.3 million, compared to the same period of 2019. During the six months ended June 30, 2020, professional fees increased $0.4 million, compensation-related expenses increased $0.3 million, and licenses and fees increased $0.2 million, partially offset by a decrease in advertising expenses of $0.4 million, each as compared to the same period of 2019.

Underwriting Loss

Underwriting losses for our Cerity segment were $4.2 million and $8.0 million for the three and six months ended June 30, 2020, respectively, compared to $4.1 million and $7.6 million for the same periods of 2019. Underwriting income or loss is determined by deducting losses and LAE, commission expense, and underwriting expenses from net premiums earned.

Non-Underwriting Income

For a further discussion of non-underwriting related income, including Net Investment Income and Net Realized and Unrealized Gains and Losses on Investments, see "–Results of Operations –Summary of Consolidated Financial Results Consolidated."

CORPORATE AND OTHER

The components of Corporate and Other's net income (loss) before income taxes are set forth in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Net investment income	0.2	1.1	0.7	2.3
Net realized and unrealized gains (losses) on investments	0.2	0.5	(1.9)	3.0
Total revenues	0.4	1.6	(1.2)	5.3
Losses and LAE - LPT	(2.5)	(5.7)	(4.9)	(8.2)
General and administrative expenses	2.1	3.8	5.8	8.5
Total expenses	(0.4)	(1.9)	0.9	0.3
Net income (loss) before income taxes	$ 0.8	$ 3.5	$ (2.1)	$ 5.0

Net Investment Income and Net Realized and Unrealized Gains and Losses on Investments

See "–Results of Operations –Summary of Consolidated Financial Results."

Losses and LAE - LPT

The table below reflects the impact of the LPT on Losses and LAE, which are recorded as a reduction to Losses and LAE incurred on our Consolidated Statements of Comprehensive Income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Amortization of the Deferred Gain related to losses	$ 2.1	$ 3.2	$ 4.1	$ 5.2
Amortization of the Deferred Gain related to contingent commission	0.4	0.5	0.8	1.0
Impact of LPT Reserve Adjustments(1)	—	1.8	—	1.8
Impact of LPT Contingent Commission Adjustments(2)	—	0.2	—	0.2
Total impact of the LPT	$ 2.5	$ 5.7	$ 4.9	$ 8.2

(1) LPT Reserve Adjustments result in a cumulative adjustment to the Deferred Gain, which is recognized in losses and LAE incurred on our Consolidated Statements of Comprehensive Income, such that the Deferred Gain reflects the balance that would have existed had the revised reserves been recognized at the inception of the LPT Agreement.

(2) LPT Contingent Commission Adjustments result in an adjustment to the Deferred Gain, which is recognized in losses and LAE incurred on our Consolidated Statements of Comprehensive Income, such that the Deferred Gain reflects the balance that would have existed had the revised contingent profit commission been recognized at the inception of the LPT Agreement.

General and Administrative Expenses

General and administrative expenses primarily consist of compensation related expenses, professional fees, and other corporate expenses at the holding company level. General and administrative expenses were $2.1 million and $5.8 million for three and the six months ended June 30, 2020, respectively, compared to $3.8 million and $8.5 million for the same periods of 2019. During the three months ended June 30, 2020, our Corporate and Other compensation-related expenses decreased $1.5 million compared to the same period of 2019. During the six months ended June 30, 2020, our Corporate and Other compensation-related expenses decreased $2.5 million compared to the same period of 2019.

Liquidity and Capital Resources

COVID-19 Liquidity and Capital Resources Considerations

The impacts of the COVID-19 pandemic on the U.S. economy, our operations and our investment portfolio have been significant. Nonetheless we believe that the liquidity available to our holding company and its operating subsidiaries remains adequate and we do not currently foresee a need to: (i) suspend ordinary dividends; (ii) seek a capital infusion; or (iii) seek any material non-investment asset sales. Furthermore, the holding company has no outstanding debt obligations and its operating subsidiaries have no interest-bearing debt obligations.

Holding Company Liquidity

We are a holding company and our ability to fund our operations is contingent upon existing capital and the ability of our subsidiaries to pay dividends up to the holding company. Payment of dividends by our insurance subsidiaries is restricted by state insurance laws and regulations, including laws establishing minimum solvency and liquidity thresholds. We require cash to pay stockholder dividends, repurchase common stock, make interest and principal payments on any outstanding debt obligations, provide additional surplus to our insurance subsidiaries, and fund our operating expenses.

Our insurance subsidiaries' ability to pay dividends to their parent is based on reported capital, surplus, and dividends paid within the prior 12 months. During the first quarter of 2020, EICN made a $20.0 million cash dividend payment to its parent company. As a result of that payment, EICN's dividend capacity is limited to $1.1 million without prior regulatory approval for the remainder of 2020. During the second quarter of 2020, EPIC made a $21.7 million cash dividend payment to its parent company, and EAC made a $20.8 million cash dividend to its parent company. As a result of those payments, EPIC cannot pay any dividends through the remainder of 2020 without prior regulatory approval, and EAC's dividend capacity is limited to $0.1 million for the remainder of 2020 without prior regulatory approval. ECIC cannot pay any dividends through September 23, 2020 without prior regulatory approval, and $32.1 million thereafter; and CIC cannot pay dividends without prior regulatory approval until July 31, 2021.

Total cash and investments at the holding company was $50.7 million at June 30, 2020, consisting of $25.7 million of cash and cash equivalents, $24.6 million of unaffiliated fixed maturity securities, and $0.4 million of equity securities. We do not currently have a revolving credit facility at the holding company because we believe that its cash needs for the foreseeable future will be met with its cash and investments on hand, as well as dividends available from our insurance subsidiaries.

Operating Subsidiaries' Liquidity

The primary sources of cash for our operating subsidiaries, which include our insurance and other operating subsidiaries, are premium collections, investment income, sales and maturities of investments, proceeds from FHLB advances, and reinsurance recoveries. The primary uses of cash by our operating subsidiaries are payments of losses and LAE, commission expenses, underwriting and other operating expenses, ceded reinsurance, investment purchases and dividends paid to their parent.

Total cash and investments held by our operating subsidiaries was $2,832.2 million at June 30, 2020, consisting of $106.4 million of cash and cash equivalents, $2,426.8 million of fixed maturity securities, $222.6 million of equity securities, $33.3 million of other invested assets, and $43.1 million of short-term investments. Sources of immediate and unencumbered liquidity at our operating subsidiaries as of June 30, 2020 consisted of $106.1 million of cash and cash equivalents, $205.4 million of publicly traded equity securities whose proceeds are available within three business days, $809.9 million of highly liquid fixed maturity securities, and $43.1 million of short-term investments whose proceeds are available within three business days. We believe that our subsidiaries' liquidity needs over the next 24 months will be met with cash from operations, investment income, and maturing investments.

EICN, ECIC, EPIC, and EAC are members of the FHLB. Membership allows our insurance subsidiaries access to collateralized advances, which may be used to support and enhance liquidity management. The amount of advances that may be taken is dependent on statutory admitted assets on a per company basis.

During the second quarter of 2020, the FHLB announced its FHLB Advance Program. The FHLB Advance Program is a zero percent interest, six-month or one-year credit product that members can use to provide immediate relief to property owners, businesses, and other customers struggling with the financial impacts of the COVID-19 pandemic. Each member was allocated up to $10.0 million in advances under the FHLB Advance Program.

On May 11, 2020, our insurance subsidiaries received a total of $35.0 million of advances under the FHLB Advance Program. The advances were secured by collateral previously pledged to the FHLB by our insurance subsidiaries in support of our existing collateralized advance facility, which has been reduced by the amount of these outstanding advances. The advances are required to be repaid to the FHLB on November 12, 2020 in the amount of $15.0 million and on May 11, 2021 in the amount of $20.0 million.

FHLB membership also allows our insurance subsidiaries access to Letter of Credit Agreements and on March 9, 2018, ECIC, EPIC, and EAC entered into Letter of Credit Agreements with the FHLB. On March 1, 2019, FHLB and ECIC amended its Letter of Credit Agreement to increase its credit amount and on March 2, 2020, FHLB and EAC and EPIC each amended their Letter of Credit Agreements to increase their respective credit amounts. The Letter of Credit Agreements are between the FHLB and each of EAC, in the amount of $80.0 million, and EPIC, in the amount of $125.0 million. On April 20, 2020, FHLB and ECIC, amended its Letter of Credit Agreement to decrease its credit limit amount to $70.0 million. The amended Letter of Credit Agreements will expire March 31, 2021, and will remain evergreen with automatic one-year extensions unless the FHLB notifies the beneficiary at least 60 days prior to the then applicable expiration date of its election not to renew. The Letter of Credit Agreements may only be used to satisfy, in whole or in part, insurance deposit requirements with the State of California and are fully secured with eligible collateral at all times (See Note 10).

We purchase reinsurance to protect us against the costs of severe claims and catastrophic events, including pandemics. On July 1, 2020, we entered into a new reinsurance program that is effective through June 30, 2021 with similar terms and conditions to the expiring program. The reinsurance program consists of one treaty covering excess of loss and catastrophic loss events in four layers of coverage. Our reinsurance coverage is $190.0 million in excess of our $10.0 million retention on a per occurrence basis, subject to certain exclusions. We believe that our reinsurance program meets our needs and that we are sufficiently capitalized. We further believe that we will not trigger a recovery under our current excess of loss reinsurance program in connection with the COVID-19 pandemic.

Various state laws and regulations require us to hold investment securities or letters of credit on deposit with certain states in which we do business. These laws and regulations govern both the amount and types of investment securities that are eligible for deposit. Securities having a fair value of $870.1 million and $844.9 million were on deposit at June 30, 2020 and December 31, 2019, respectively. Additionally, standby letters of credit from the FHLB have been issued in lieu of $275.0 million and $260.0 million of securities on deposit at June 30, 2020 and December 31, 2019, respectively.

Certain reinsurance contracts require company funds to be held in trust for the benefit of the ceding reinsurer to secure the outstanding liabilities we assumed. The fair value of fixed maturity securities held in trust for the benefit of our ceding reinsurers was $3.3 million and $2.9 million at June 30, 2020 and December 31, 2019, respectively.

Sources of Liquidity

We monitor the cash flows of each of our subsidiaries individually, as well as collectively as a consolidated group. We use trend and variance analyses to project future cash needs, making adjustments to our forecasts as appropriate.

The table below shows our net cash flows for the six months ended:

	June 30,	
	2020	**2019**
	(in millions)	
Cash, cash equivalents, and restricted cash provided by (used in):		
Operating activities	$ 28.1	$ 42.3
Investing activities	4.4	42.5
Financing activities	(55.6)	(81.0)
(Decrease) increase in cash, cash equivalents, and restricted cash	$ (23.1)	$ 3.8

For additional information regarding our cash flows, see Item 1, Consolidated Statements of Cash Flows.

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2020 included net premiums received of $321.8 million and investment income received of $45.3 million. These operating cash inflows were partially offset by net claims payments of $195.9 million, underwriting and other operating expenses paid of $101.8 million, and commissions paid of $41.3 million.

Net cash provided by operating activities for the six months ended June 30, 2019 included net premiums received of $374.6 million and investment income received of $48.5 million. These operating cash inflows were partially offset by net claims payments of $209.2 million, underwriting and other operating expenses paid of $100.8 million, and commissions paid of $47.7 million.

Investing Activities

Net cash provided by investing activities for the six months ended June 30, 2020 and June 30, 2019 was primarily related to sales, maturities, and redemptions of investments whose proceeds were used to fund claims payments, underwriting and other operating expenses, stockholder dividend payments, and share repurchases, partially offset by the investment of premiums received and the reinvestment of funds from sales, maturities, redemptions, and interest income.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2020 was primarily related to share repurchases and stockholder dividend payments, partially offset by cash received from the FHLB Advance Program.

Net cash used in financing activities for the six months ended June 30, 2019 was primarily related to share repurchases, the redemption of notes payable, and stockholder dividend payments.

Dividends

Stockholder dividends paid were $15.8 million and $14.7 million for the six months ended June 30, 2020 and 2019, respectively. On July 22, 2020, the Board of Directors declared a $0.25 dividend per share, payable August 19, 2020, to stockholders of record on August 5, 2020.

Share Repurchases

On February 21, 2018, the Board of Directors authorized a share repurchase program for repurchases of up to $50.0 million of our common stock from February 26, 2018 through February 26, 2020 (the 2018 Program). On April 24, 2019, the Board of Directors authorized a $50.0 million expansion of the 2018 Program, to $100.0 million, and extended the repurchase authority pursuant to the 2018 Program through June 30, 2020. On March 11, 2020, the Board of Directors authorized a second $50.0 million expansion of the 2018 Program, to $150.0 million, and extended the repurchase authority pursuant to the 2018 Program through June 30, 2021. On July 22, 2020, the Board of Directors authorized a third $50.0 million expansion of the 2018 Program, to $200.0 million, and extended the repurchase authority pursuant to the 2018 Program through September 30, 2021. The 2018 Program provides that shares may be purchased at prevailing market prices through a variety of methods, including open market or private transactions, in accordance with applicable laws and regulations and as determined by management. The timing and actual number of shares that may be repurchased will depend on a variety of factors, including the share price, corporate and regulatory requirements, and other market and economic conditions. Repurchases under the 2018 Program may be commenced, modified, or suspended from time to time without prior notice, and the program may be suspended or discontinued at any time. Through June 30, 2020, we repurchased a total of 3,908,266 shares of common stock under the 2018 Program at an average price of $37.09 per share, including commissions, for a total cost of $144.9 million.

Capital Resources

As of June 30, 2020, the capital resources available to us consisted of $1,144.0 million of stockholders' equity and the $132.2 million Deferred Gain.

Contractual Obligations and Commitments

The following table identifies our long-term debt and contractual obligations as of June 30, 2020.

	Payment Due By Period				
	Total	**Less Than 1-Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
	(in millions)				
Operating leases	$ 23.7	$ 4.3	$ 10.1	$ 5.0	$ 4.3
Non-cancellable contracts	19.4	4.4	8.3	5.9	0.8
FHLB advances	35.0	35.0	—	—	—
Finance leases	0.6	0.2	0.3	0.1	—
Unpaid losses and LAE reserves (1)(2)	2,170.7	354.2	400.5	261.9	1,154.1
Unfunded investment commitments	67.1	67.1	—	—	—
Total contractual obligations	$ 2,316.5	$ 465.2	$ 419.2	$ 272.9	$ 1,159.2

(1) Estimated losses and LAE reserve payment patterns have been computed based on historical information. Our calculation of loss and LAE reserve payments by period is subject to the same uncertainties associated with determining the level of reserves and to the additional uncertainties arising from the difficulty of predicting when claims (including claims that have not yet been reported to us) will be paid. Actual payments of losses and LAE by period will vary, perhaps materially, from the above table to the extent that current estimates of losses and LAE reserves vary from actual ultimate claims amounts due to variations between expected and actual payout patterns.

(2) The unpaid losses and LAE reserves are presented gross of reinsurance recoverables for unpaid losses, which were as follows for each of the periods presented above:

	Recoveries Due By Period				
	Total	**Less Than 1-Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
	(in millions)				
Reinsurance recoverables on unpaid losses and LAE	$ (523.2)	$ (33.3)	$ (56.2)	$ (50.2)	$ (383.5)

Investments

Our investment portfolio is structured to support our need for: (i) optimizing our risk-adjusted total return; (ii) providing adequate liquidity; (iii) facilitating financial strength and stability; and (iv) ensuring regulatory and legal compliance.

As of June 30, 2020, the total cost and amortized cost of our investments recorded at fair value was $2,503.7 million and its fair value was $2,710.8 million. These investments provide a steady source of income, which may fluctuate with changes in interest rates and our current investment strategies.

As of June 30, 2020, our investment portfolio consisted of 89% fixed maturity securities. We strive to limit interest rate risk associated with fixed maturity investments by managing the duration of these securities. Our fixed maturity securities (excluding cash and cash equivalents) had a duration of 2.7 at June 30, 2020. To minimize interest rate risk, our portfolio is weighted toward short-term and intermediate-term bonds; however, our investment strategy balances consideration of duration, yield, and credit risk. Our investment guidelines require that the minimum weighted average quality of our fixed maturity securities portfolio be “A+,” using ratings assigned by Standard & Poor’s (S&P) or an equivalent rating assigned by another nationally recognized statistical rating agency. Our fixed maturity securities portfolio had a weighted average quality of “A+” as of June 30, 2020, with 54.0% of the portfolio rated “AA” or better, based on market value. Other securities within fixed maturity securities consist of bank loans, which are classified as AFS and are reported at fair value.

Our investment portfolio also contains equity securities. We strive to limit the exposure to equity price risk associated with our publicly traded equity securities by diversifying our holdings across several industry sectors. These equity securities had a fair value of $216.3 million at June 30, 2020, which represented 8% of our investment portfolio at that time. We also have a $6.7 million investment in FHLB stock which we record at cost. We receive periodic dividends from the FHLB for this investment, when declared, which can vary from period to period.

Our Other invested assets made up 1% of our investment portfolio as of June 30, 2020 and include private equity limited partnerships and convertible preferred shares of real estate investment trusts. Our investments in private equity limited partnerships totaled $13.3 million at June 30, 2020 and are generally not redeemable by the investees and cannot be sold without approval of the general partner. These investments have a fund term of 10 to 12 years, subject to two or three one-year extensions at the general partner’s discretion. We expect to receive distributions of proceeds from dividends and interest from fund investments, as well as from the disposition of a fund investment or portion thereof, from time-to-time during the full course of the fund term. As of June 30, 2020, we had unfunded commitments to these private equity limited partnerships totaling $67.1 million. Our investments in convertible preferred shares of real estate investment trusts totaled $20.0 million at June 30, 2020 and are non-redeemable until conversion and are periodically evaluated for impairment based on the ultimate recovery of the investment.

We believe that our current asset allocation meets our strategy to preserve capital for claims and policy liabilities and to provide sufficient capital resources to support and grow our ongoing insurance operations.

The following table shows the estimated fair value, the percentage of the fair value to total invested assets at fair value, the average book yield, and the average tax equivalent yield (each based on the book value of each category of invested assets) as of June 30, 2020.

Category	**Estimated Fair Value**	**Percentage of Total**	**Book Yield**	**Tax Equivalent Yield (1)**
	(in millions, except percentages)			
U.S. Treasuries	$ 92.0	3.4 %	2.1 %	2.1 %
U.S. Agencies	3.1	0.1	3.5	3.5
States and municipalities	434.1	16.0	3.1	3.6
Corporate securities	1,028.5	38.0	3.4	3.4
Residential mortgage-backed securities	496.1	18.3	2.6	2.6
Commercial mortgage-backed securities	115.1	4.2	3.2	3.2
Asset-backed securities	41.8	1.5	3.6	3.6
Collateralized loan obligations	80.9	3.0	2.9	2.9
Other securities	159.8	5.9	3.4	3.4
Equity securities	216.3	8.0	3.3	4.4
Short-term investments	43.1	1.6	5.7	5.7
Total investments at fair value	$ 2,710.8	100.0 %		
Weighted average yield			3.2 %	3.4 %

(1) Computed using a statutory income tax rate of 21%

The following table shows the percentage of total estimated fair value of our fixed maturity securities as of June 30, 2020 by credit rating category, using the lower of ratings assigned by Moody's Investors Service or S&P.

Rating	Percentage of Total Estimated Fair Value
"AAA"	7.6 %
"AA"	46.4
"A"	29.6
"BBB"	9.7
Below investment grade	6.7
Total	100.0 %

Investments that we currently own could be subject to default by the issuer. We regularly assess individual securities as part of our ongoing portfolio management, including the identification of credit related losses. Our assessment includes reviewing the extent of declines in fair value of investments below amortized cost, historical and projected financial performance and near-term prospects of the issuer, the outlook for industry sectors, credit rating, and macro-economic changes, including those caused by the current COVID-19 pandemic. We also make a determination as to whether it is not more likely than not that we will be required to sell the security before its fair value recovers to above cost, or maturity.

We believe that we have appropriately identified the declines in the fair values for the six months ended June 30, 2020. We recorded an allowance for expected credit losses on AFS debt securities of $1.2 million during the six months ended June 30, 2020, primarily driven by COVID-19 related disruptions to the economy and financial markets. Those fixed maturity securities whose total fair value was less than amortized cost at June 30, 2020, were those in which the Company had no intent, need, or requirement to sell at an amount less than their amortized cost.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

The unaudited interim consolidated financial statements included in this quarterly report include amounts based on the use of estimates and judgments of management for those transactions that are not yet complete. We believe that the estimates and judgments that were most critical to the preparation of the consolidated financial statements involved the following: (a) reserves for losses and LAE; (b) reinsurance recoverables; (c) recognition of premium income; (d) deferred income taxes; and (e) valuation of investments. These estimates and judgments require the use of assumptions about matters that are highly uncertain and therefore are subject to change as facts and circumstances develop. Our accounting policies are discussed under "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are credit risk, interest rate risk, and equity price risk.

Credit Risk

Our fixed maturity securities, equity securities, other invested assets and cash equivalents are exposed to credit risk, which we attempt to manage through issuer and industry diversification. Our investment guidelines include limitations on the minimum rating of fixed maturity securities and concentrations of a single issuer for certain investment securities.

We also bear credit risk with respect to the reinsurers, which can be significant considering that some loss reserves remain outstanding for an extended period of time. We are required to pay losses even if a reinsurer refuses or fails to meet its obligations to us under the applicable reinsurance agreement(s). We continually monitor the financial condition and financial strength ratings of our reinsurers. Additionally, we bear credit risk with respect to premiums receivable, which is generally diversified due to the large number of entities comprising our policyholder base and their dispersion across many different industries and geographies.

The recent economic disruptions caused by the COVID-19 pandemic has increased the credit risk associated with certain of our investment holdings, reinsurance recoverables and premiums receivable. As a result, and in accordance with the adoption of ASU 2016-13, we recorded $1.2 million of impairment for expected credit losses during the six-month period ended June 30, 2020. See Note 5 to the consolidated financial statements.

Interest Rate Risk

Fixed Maturity Securities

The fair value of our fixed maturity portfolio is exposed to interest rate risk, which is the risk of a decline in fair value resulting from changes in prevailing interest rates, which we strive to limit by managing duration. Our fixed maturity investments (excluding cash and cash equivalents) had a duration of 2.7 at June 30, 2020. Future market interest rates are particularly uncertain at this time given the abrupt interest rate cuts recently made by the Federal Reserve in response to the COVID-19 pandemic. To minimize interest rate risk, our portfolio is weighted toward short-term and intermediate-term bonds; however, our investment strategy balances consideration of duration, yield and credit risk. We continually monitor the changes in interest rates and the impact on our liquidity and ability to meet our obligations.

Sensitivity Analysis

The fair values or cash flows of market sensitive instruments are subject to potential losses in future earnings resulting from changes in interest rates and other market conditions. Our sensitivity analysis applies a hypothetical parallel shift in market rates and reflects what we believe are reasonably possible near-term changes in those rates (covering a period of time going forward up to one year from the date of the consolidated financial statements). Actual results may differ from the hypothetical change in market rates assumed in this disclosure. This sensitivity analysis does not reflect the results of any action that we may take to mitigate such hypothetical losses in fair value.

We use fair values to measure our potential loss in this model, which includes fixed maturity securities and short-term investments. For invested assets, we use modified duration modeling to calculate changes in fair values. Durations on invested assets are adjusted for call, put, and interest rate reset features. Invested asset portfolio durations are calculated on a market value weighted basis, excluding accrued investment income, using holdings as of June 30, 2020. The estimated changes in fair values on our fixed maturity securities, which had an aggregate value of $2,451.4 million as of June 30, 2020, based on specific changes in interest rates are as follows:

Hypothetical Changes in Interest Rates	**Estimated Pre-tax Increase (Decrease) in Fair Value**	
	(in millions, except percentages)	
300 basis point rise	$ (254.4)	(11.1)%
200 basis point rise	(168.9)	(7.3)
100 basis point rise	(82.0)	(3.6)
50 basis point decline	41.0	1.8
100 basis point decline	82.3	3.6

The most significant assessment of the effects of hypothetical changes in interest rates on investment income would be based on GAAP guidance related to "*Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*," which requires amortization adjustments for mortgage-backed securities. The rates at which the mortgages underlying mortgage-backed securities are prepaid, and therefore the average life of mortgage-backed securities, can vary depending on changes in interest rates (for example, mortgages are prepaid faster and the average life of mortgage-backed securities falls when interest rates decline). Adjustments for changes in amortization are based on revised average life assumptions and would have an impact on investment income if a significant portion of our commercial and residential mortgage-backed securities were purchased at significant discounts or premiums to par value. As of June 30, 2020, the par value of our commercial and residential mortgage-backed securities holdings was $570.5 million, and the amortized cost was 102.4% of par value. Since a majority of our mortgage-backed securities were purchased at a premium or discount that is significant as a percentage of par, an adjustment could have a significant effect on investment income. The commercial and residential mortgage-backed securities portion of the portfolio totaled 22.5% of total investments as of June 30, 2020. Agency-backed residential mortgage pass-throughs totaled $470.0 million, or 94.7%, of the residential mortgage-backed securities portion of the portfolio as of June 30, 2020.

Equity Price Risk

Equity price risk is the risk that we may incur losses in the fair value of the equity securities we hold in our investment portfolio. Adverse changes in the market prices of the equity securities we hold in our investment portfolio would result in decreases in the fair value of our total assets on our Consolidated Balance Sheets and in net realized and unrealized gains and losses on our Consolidated Statements of Comprehensive Income. Recent economic and market disruptions caused by the COVID-19 pandemic have resulted in significant volatility in the fair value of our equity securities. We minimize our exposure to equity price risk by investing primarily in the equity securities of mid-to-large capitalization issuers and by diversifying our equity holdings across several industry sectors.

The table below shows the sensitivity of our equity securities at fair value to price changes as of June 30, 2020:

(in millions)	Cost	Fair Value	20% Fair Value Decrease	Pre-tax Impact on Total Equity Securities	20% Fair Value Increase	Pre-tax Impact on Total Equity Securities
Equity securities	$ 142.1	$ 216.3	$ 173.0	$ (43.3)	$ 259.6	$ 43.3

Effects of Inflation

Inflation could impact our financial statements and results of operations. Our estimates for losses and LAE include assumptions about the timing of closure and future payment of claims and claims handling expenses, such as medical treatments and litigation costs. To the extent inflation causes these costs to increase above established reserves, we will be required to increase those reserves for losses and LAE, reducing our earnings in the period in which the deficiency is identified. We consider inflation in the reserving process by reviewing cost trends and our historical reserving results. We also consider an estimate of increased costs in determining the adequacy of our rates, particularly as it relates to medical and hospital rates where historical inflation rates have exceeded general inflation rates.

Fluctuations in rates of inflation also influence interest rates, which in turn impact the market value of our investment portfolio and yields on new investments. Operating expenses, including payrolls, are also impacted to a certain degree by inflation.

The COVID-19 pandemic has created great uncertainty about the path of the economy, consumer behavior, and workplace norms in the years ahead. Recent supply and demand shocks and dramatic changes in fiscal policy may lead to higher levels of inflation in future periods.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Despite the Company being in work-from-home status, there have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time-to-time, the Company is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have a material effect on our results of operations, liquidity, or financial position.

Item 1A. Risk Factors

The following risk factors are in addition to, or serve to update, the risk factors contained in our Annual Report. Investing in our common stock involves risks. In evaluating our company, you should carefully consider such risks, together with all the information included or incorporated by reference in this report, as well as our Annual Report. Additional risks that we are not presently aware of or that we currently believe are immaterial may also impair our business operations. The occurrence of one or more of these events could significantly and adversely affect our business, financial condition, results of operations, cash flows, and stock price, and you could lose all or part of your investment.

The effects of the COVID-19 pandemic have significantly affected the global and U.S. economies and financial markets, and may further disrupt our operations and the operations of our insureds, agents, and third parties upon which we rely.

The COVID-19 health emergency has caused significant disruption in the global and U.S. economies and financial markets. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity, widespread unemployment, supply chain interruptions, and overall economic and financial market instability. The U.S. currently has the most reported COVID-19 cases in the world, and all 50 states and the District of Columbia have reported cases of infected individuals. All U.S. states, including California, where we generated nearly one-half of our in-force premiums as of June 30, 2020, have declared states of emergency. Impacts to our business could be widespread and material, including but not limited to, the following:

- employees contracting COVID-19;
- reductions in our operating effectiveness as our employees work from home;
- unavailability of key personnel necessary to conduct our business activities;
- reductions in our insureds' payrolls upon which our premiums are based;
- unprecedented volatility in financial markets that could materially affect our investment portfolio valuations and returns;
- government mandates and/or legislative changes, including premium grace periods and presumed COVID-19 compensability for all or certain occupational groups;
- increases in frequency and/or severity of compensable claims;
- increased credit risk;
- business disruption to independent insurance agents and brokers and/or our partners that market and sell our insurance products; and
- business disruptions to third parties that we outsource certain business functions to and whose technology upon which we rely.

We are taking precautions to protect the safety and well-being of our employees while providing uninterrupted service to our policyholders and claimants. However, no assurance can be given that these actions will be sufficient, nor can we predict the level of disruption that will occur to our employees' ability to continue to provide customer support and service as they work from home. Furthermore, should the COVID-19 pandemic and its related macro-economic risks continue for an extended period of time, demand for our insurance products would be negatively impacted and the frequency and severity of our compensable claims could increase, each of which could result in a material adverse effect on our results of operations and financial condition.

It is not possible at this time to estimate the impact that COVID-19 could have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted.

The insurance business is subject to extensive regulation and legislative changes, which impact the manner in which we operate our business.

Our insurance business is subject to extensive regulation by the applicable state agencies in the jurisdictions in which we operate, most significantly by the insurance regulators in California, Florida, Nevada, and New York, the states in which our insurance subsidiaries are domiciled. Changes in laws and regulations could have a significant negative impact on our business. As of December 31, 2019, nearly one-half of our in-force premiums were generated in California. Accordingly, we are particularly affected by regulation in California.

More generally, insurance regulators have broad regulatory powers designed to protect policyholders and claimants, and not stockholders or other investors. Regulations vary from state to state, but typically address or include:

- standards of solvency, including RBC measurements;
- restrictions on the nature, quality, and concentration of investments;
- restrictions on the types of terms that we can include in the insurance policies we offer;
- mandates that may affect wage replacement and medical care benefits paid under the workers' compensation system;
- requirements for the handling and reporting of claims and procedures for adjusting claims;
- restrictions on the way rates are developed and premiums are determined;
- the manner in which agents may be appointed;
- establishment of liabilities for unearned premiums, unpaid losses and LAE;
- limitations on our ability to transact business with affiliates;
- mergers, acquisitions, and divestitures involving our insurance subsidiaries;
- licensing requirements and approvals that affect our ability to do business;
- compliance with all applicable privacy laws;
- compliance with cyber-security laws and regulations;
- potential assessments for the settlement of covered claims under insurance policies issued by impaired, insolvent, or failed insurance companies or other assessments imposed by regulatory agencies; and
- the amount of dividends that our insurance subsidiaries may pay to EGI and CGI and, in turn, the ability of EGI and CGI to pay dividends to EHI.

Workers' compensation insurance is statutorily provided for in all of the states in which we do business. State laws and regulations specify the form and content of policy coverage and the rights and benefits that are available to injured workers, their representatives, and medical providers. Additionally, any retrospective change in regulatorily required benefits could materially increase the benefits costs that we would be responsible for to the extent of the legislative increase. In "administered pricing" states, insurance rates are set by the state insurance regulators and are adjusted periodically. Rate competition is generally not permitted in these states. Of the states in which we currently operate, Florida, Wisconsin, and Idaho are administered pricing states. Additionally, we are exposed to the risk that other states in which we operate will adopt administered pricing laws.

Legislation and regulation impact our ability to investigate fraud and other abuses of the workers' compensation system in the states in which we do business. Our relationships with medical providers are also impacted by legislation and regulation, including penalties for failure to make timely payments.

Federal legislation typically does not directly impact our workers' compensation business, but our business can be indirectly affected by changes in healthcare, occupational safety and health, and tax and financial regulations. Since healthcare costs are the largest component of our loss costs, we may be impacted by changes in healthcare legislation, which could affect healthcare costs and delivery in the future. There is also the possibility of federal regulation of insurance.

This extensive regulation of our business may affect the cost or demand for our products and may limit our ability to obtain rate increases or to take other actions that we might desire to maintain our profitability. In addition, we may be unable to maintain all required approvals or comply fully with applicable laws and regulations, or the relevant governmental authority's interpretation of such laws and regulations. If that were to occur, we might lose our ability to conduct business in certain jurisdictions. Further, changes in the level of regulation of the insurance industry or changes in laws or regulations or interpretations by regulatory authorities could impact our operations, require us to bear additional costs of compliance, and impact our profitability.

Any government mandates and/or legislative changes related to the COVID-19 pandemic, including mandated premium refunds or credits, extended premium grace periods, and presumed COVID-19 compensability for all or certain occupational groups, could have a material adverse effect on our results of operations and financial condition. Premium grace periods, along with prolonged declines in our insureds' payrolls upon which our premiums are based, could significantly increase our expenses and adversely impact our liquidity. Furthermore, the presumption of COVID-19 compensability for all or certain occupational groups could significantly increase the frequency and severity of our compensable claims and increase our losses and LAE.

We focus on small businesses, and those businesses may be severely and disproportionately impacted by the recent downturn in economic conditions caused by the COVID-19 pandemic.

All states, including California, where we generated nearly one-half of our in-force premiums as of June 30, 2020, have declared states of emergency related to the COVID-19 pandemic and have imposed various types and levels of economic and social restrictions. At various times there have been impositions of greater restrictions in some states and lessening of restrictions in others, and in some cases a return to complete shutdown of certain government-defined non-essential businesses after re-opening had occurred. Certain classes of our business, especially those related to restaurants and hospitality, have been particularly hard-hit. Restaurants and Other Eating Places is currently our largest class of business, which at December 31, 2019, represented 24.7% of our in-force premiums. As a result of these significant business disruptions related to the COVID-19 pandemic and the uncertainty and inconsistency in which economic activity will resume, estimating the likely impact of the COVID-19 pandemic on our business, financial condition, and results of operations in future periods remains difficult.

In light of the COVID-19 pandemic, concerns persist that many non-essential small business owners face permanent closure or heavy reliance on newly-established federal government programs (such as the CARES Act) in order to retain their businesses. The ultimate success of these programs is currently unknown. To the extent that such programs prove to be ineffective or are otherwise unattractive, unavailable, or overly burdensome, many of our insureds could face permanent closure, which could have a material adverse effect on our future revenues and results of operations.

Our concentration in California ties our performance to the business, economic, demographic, natural perils, competitive, and regulatory conditions in that state.

Our business is concentrated in California, where we generated nearly one-half of our in-force premiums as of June 30, 2020. Accordingly, the loss environment and unfavorable business, economic, demographic, natural perils, competitive, and regulatory conditions in California, including the impacts of the ongoing COVID-19 pandemic, could negatively impact our business.

Many California businesses are dependent on tourism revenues, which are, in turn, dependent on a robust economy. A downturn in the national economy or the economy of California, or any other event that causes deterioration in tourism, could adversely impact small businesses, such as restaurants, that we have targeted as customers. The departure from California or insolvency of a significant number of small businesses could also have a material adverse effect on our financial condition and results of operations. California is also exposed to climate and environmental changes, natural perils such as earthquakes, and susceptible to pandemics, or terrorist acts. Additionally, the workers' compensation industry has seen a higher level of claims litigation in California, which could expose us to further liabilities beyond what are currently expected and included on our financial statements. Because of the concentration of our business in California, we may be exposed to losses and business, economic, and regulatory risks or risk from natural perils that are greater than the risks associated with companies with greater geographic diversification.

We rely on independent insurance agents and brokers.

We market and sell the majority of our insurance products through independent, non-exclusive insurance agents and brokers. These agents and brokers are not obligated to promote our products and can and do sell our competitors' products. In addition, these agents and brokers may find it easier to promote the broader range of programs of some of our competitors than to promote our single-line workers' compensation insurance products. Additionally, any disruptions to or changes in the distribution of our insurance products, including Cerity's direct-to-customer workers' compensation insurance offerings or other potential market disruptions, could negatively impact the relationship between us and our independent agents and brokers. The loss or disruption of business of a number of our independent agents and brokers or the failure or inability of these agents and brokers to successfully market our insurance products, including impacts related to the COVID-19 pandemic, could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to obtain reinsurance or collect on ceded reinsurance, our ability to write new policies and to renew existing policies could be adversely affected and our financial condition and results of operations could be materially adversely affected.

At June 30, 2020, we had $530.8 million of reinsurance recoverables for paid and unpaid losses and LAE, of which $7.6 million was due to us on paid claims.

We purchase reinsurance to protect us against the costs of severe claims and catastrophic events, including natural perils and acts of terrorism, excluding nuclear, biological, chemical, and radiological events. On July 1, 2020, we entered into a new reinsurance program that is effective through June 30, 2021. The reinsurance program consists of one treaty covering excess of loss and catastrophic loss events in four layers of coverage. Our reinsurance coverage is $190.0 million in excess of our $10.0 million retention on a per occurrence basis, subject to certain exclusions.

The availability, amount, and cost of reinsurance depend on market conditions and our loss experience and may vary significantly. We cannot be certain that our reinsurance agreements will be renewed or replaced prior to their expiration with terms satisfactory to us. If we are unable to renew or replace our reinsurance agreements with terms satisfactory to us, our net liability on individual risks would increase and we would have greater exposure to large and catastrophic losses, which could have a material adverse effect on our financial condition and results of operations.

In addition, we are subject to credit risk with respect to our reinsurers, and they may refuse to pay or delay payment of losses we cede to them. We remain liable to our policyholders even if we are unable to make recoveries that we believe we are entitled to under our reinsurance contracts. Losses may not be recovered from our reinsurers until claims are paid and, in the case of long-term workers' compensation cases, the creditworthiness of our reinsurers may change before we can recover amounts that we are entitled to. The inability of any of our reinsurers to meet their financial obligations could have a material adverse effect on our financial condition and results of operations.

Intense competition and the fact that we write only a single line of insurance could adversely affect our ability to sell policies at rates that we deem adequate.

The market for workers' compensation insurance products is highly competitive. Competition in our business is based on many factors, including premiums charged, services provided, ease of doing business, financial ratings assigned by independent rating agencies, speed of claims payments, reputation, policyholder dividends, perceived financial strength, and general experience. In some cases, our competitors offer lower priced products than we do. If our competitors offer more competitive premiums, policyholder dividends, or payment plans, services or commissions to independent agents, brokers, and other distributors, we could lose market share, have to reduce our premium rates, or increase commission rates, which could adversely affect our profitability. We compete with regional and national insurance companies, professional employer organizations, third-party administrators, self-insured employers, and state insurance funds. Our main competitors vary from state to state, but are usually those companies that offer a full range of services in underwriting, loss control, and claims. We compete on the basis of the services that we offer to our policyholders and on ease of doing business rather than solely on price.

Many of our competitors are significantly larger and possess greater financial, marketing, and management resources than we do. Some of our competitors benefit financially by not being subject to federal income tax. Intense competitive pressure on prices can result from the actions of even a single large competitor. Competitors with more surplus than us have the potential to expand in our markets more quickly than we can and invest more heavily in new technologies. Greater financial resources also permit an insurer to gain market share through more competitive pricing, even if that pricing results in reduced underwriting margins or an underwriting loss.

Many of our competitors are multi-line carriers that can price the workers' compensation insurance they offer at a loss in order to obtain other lines of business at a profit. This creates a competitive disadvantage for us, as we only offer a single line of insurance. For example, a business may find it more efficient or less expensive to purchase multiple lines of commercial insurance coverage from a single carrier. Additionally, we primarily target small businesses, which may be more significantly and disproportionately impacted by a downturn in economic conditions such as those created by the COVID-19 pandemic.

The property and casualty insurance industry is cyclical in nature and is characterized by periods of so-called "soft" market conditions, in which premium rates are stable or falling, insurance is readily available, and insurers' profits decline, and by periods of so-called "hard" market conditions, in which rates rise, insurance may be more difficult to find, and insurers' profits increase. According to the Insurance Information Institute, since 1970, the property and casualty insurance industry experienced hard market conditions from 1975 to 1978, 1984 to 1987, and 2001 to 2004. Although the financial performance of an individual insurance company is dependent on its own specific business characteristics, the profitability of most workers' compensation insurance companies generally tends to follow this cyclical market pattern. We believe the workers' compensation industry currently has excess underwriting capacity resulting in lower rate levels and smaller profit margins. We continue to experience price competition in our target markets.

Because of cyclicality in the workers' compensation market, due in large part to competition, capacity, and general economic factors, we cannot predict the timing or duration of changes in the market cycle. This cyclical pattern has in the past and could in the future adversely affect our financial condition and results of operations. If we are unable to compete effectively, our business, financial condition, and results of operations could be materially adversely affected.

We may be unable to realize our investment objectives, and economic conditions in the financial markets could lead to investment losses.

Investment income is an important component of our revenue and net income. Our investment portfolio is managed by independent asset managers that operate under investment guidelines approved by the Finance Committee of the Board of Directors. Although these guidelines stress diversification and capital preservation, our investments are subject to a variety of risks that are beyond our control, including risks related to general economic conditions, interest rate fluctuations or prolonged periods of low interest rates, and market volatility. Interest rates are highly sensitive to many factors, including governmental fiscal and monetary policies and domestic and international economic and political conditions. These and other factors affect the capital markets and, consequently, the value of our investment portfolio.

We are exposed to significant financial risks related to the capital markets, including the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are interest rate risk, credit risk, and equity price risk. For more information regarding market risk, see "Part I, Item 3-Quantitative and Qualitative Disclosures About Market Risk."

The outlook for our investment income is dependent on the future direction of interest rates, maturity schedules, and cash flow from operations that is available for investment. The fair values of fixed maturity securities that are AFS fluctuate with changes in interest rates and credit risk assumptions, which cause fluctuations in our stockholders' equity, net income and comprehensive income. Future market interest rates are particularly uncertain at this time given the abrupt interest rate cuts recently made by the Federal Reserve in response to the COVID-19 pandemic. Any significant decline in our investment income or the value of our investments as a result of changes in interest rates, deterioration in the credit of companies or municipalities in which we have invested, decreased dividend payments, general market conditions, or events that have an adverse impact on any particular industry or geographic region in which we hold significant investments could have an adverse effect on our net income and, as a result, on our stockholders' equity and policyholder surplus.

The valuation of our investments, including the determination of the amount of impairments, includes estimates and assumptions and could result in changes to investment valuations that may adversely affect our financial condition and results of operations. Beginning on January 1, 2018, we are required to measure equity securities at fair value with changes in fair value recognized in net income, which causes increased volatility in our results of operations. Equity securities represented 8% of our total investment portfolio as of June 30, 2020. The use of internally developed valuation techniques may have a material effect on the estimated fair value amounts of our investments and our financial condition.

We regularly review the valuation of our entire portfolio of fixed maturity investments, including the identification of other-than-temporary declines in fair value and expected credit losses. The determination of the amount of impairments taken on our investments is based on our periodic evaluation and assessment of our investments and known and inherent risks associated with the various asset classes. There can be no assurance that we have accurately determined the level of other-than-temporary impairments reflected on our financial statements and additional impairments may need to be taken in the future. Historical trends may not be indicative of future impairments.

Bank loans represented approximately 5.9% of our investment portfolio as of June 30, 2020. The yield on our bank loans is currently based on the London Interbank Offered Rate (LIBOR). With the likelihood that there will be a cessation of LIBOR by the end of 2021, the yields and associated fair values of our bank loans could be impacted favorably or unfavorably by a transition from LIBOR to another rate.

We may require additional capital in the future, which may not be available to us or may be available only on unfavorable terms.

Our future capital requirements will depend on many factors, including state regulatory requirements, our ability to write new business successfully, and to establish premium rates and reserves at levels sufficient to cover losses. If we have to raise additional capital, equity or debt financing may not be available on terms that are favorable to us. In the case of equity financings, there could be dilution to our stockholders and the securities may have rights, preferences, and privileges senior to our common stock. In the case of debt financings, we may be subject to covenants that restrict our ability to freely operate our business. If we cannot obtain adequate capital on favorable terms or at all, we may be unable to implement our future growth or operating plans and our business, financial condition, and results of operations could be materially adversely affected.

The capital and credit markets continue to experience volatility and disruption that could negatively affect market liquidity. These conditions have produced downward pressure on stock prices and limit the availability of credit for certain issuers without regard to those issuers' underlying financial strength. In addition, we could be forced to delay raising capital or be unable to raise capital on favorable terms, or at all, which could decrease our profitability, significantly reduce our financial flexibility, and cause rating agencies to reevaluate our financial strength ratings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to the Company’s repurchases of its common stock during the second quarter of 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
				(in millions)
April 1 - April 30	112,004	$ 32.87	112,004	$ 32.1
May 1 - May 31	594,982	29.20	594,982	14.7
June 1 - June 30	326,062	29.72	326,062	5.1
	1,033,048	$ 29.76	1,033,048	

On February 21, 2018, the Board of Directors announced a share repurchase program for repurchases of up to $50.0 million of our common stock from February 26, 2018 through February 26, 2020 (the 2018 Program). On April 24, 2019, the Board of

Directors authorized a $50.0 million expansion of the 2018 Program, to $100.0 million, and extended the repurchase authority pursuant to the 2018 Program through June 30, 2020. On March 11, 2020, the Board of Directors authorized a second $50.0 million expansion of the 2018 Program, to $150.0 million, and extended the repurchase authority pursuant to the 2018 Program through June 30, 2021. On July 22, 2020, the Board of Directors authorized a third $50.0 million expansion of the 2018 Program, to $200.0 million, and extended the repurchase authority pursuant to the 2018 Program through September 30, 2021. The 2018 Program provides that shares may be purchased at prevailing market prices through a variety of methods, including open market or private transactions, in accordance with applicable laws and regulations and as determined by management. The timing and actual number of shares that may be repurchased will depend on a variety of factors, including the share price, corporate and regulatory requirements, and other market and economic conditions. Repurchases under the 2018 Program may be commenced, modified, or suspended from time to time without prior notice, and the program may be suspended or discontinued at any time.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein			
			Form	File No.	Exhibit	Filing Date
*10.1	Amended and Restated Employment Agreement by and between Employers Holdings, Inc. and Michael S. Paquette dated June 11, 2020, and effective as of January 1, 2021		8-K	001-33245	10.1	June 12, 2020
*10.2	Amended and Restated Employment Agreement by and between Employers Holdings, Inc. and Lori A. Brown dated June 11, 2020, and effective as of January 1, 2021		8-K	001-33245	10.2	June 12, 2020
*10.3	Employers Holdings, Inc. Amended and Restated Equity and Incentive Plan effective as of April 1, 2020		S-8 POS	333-168563	10.2	May 28, 2020
10.4	Amendment No. 2 to Irrevocable Standby Letter of Credit No. 2018-09 between ECIC and FHLB, dated May 5, 2020	X				
10.5	Confirmation of Amendment No. 2 to Irrevocable Standby Letter of Credit No. 2018-08 between EAC and FHLB, dated February 20, 2020	X				
10.6	Confirmation of Amendment No. 2 to Irrevocable Standby Letter of Credit No. 2018-10 between EPIC and FHLB, dated February 20, 2020	X				
10.7	FHLB Form of Advances and Security Agreement	X				
31.1	Certification of Douglas D. Dirks Pursuant to Section 302	X				
31.2	Certification of Michael S. Paquette Pursuant to Section 302	X				
32.1	Certification of Douglas D. Dirks Pursuant to Section 906	X				
32.2	Certification of Michael S. Paquette Pursuant to Section 906	X				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded with the Inline XBRL document.	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				

*Represents management contracts and compensatory plans or arrangements.

SIGNATURES

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 thereunto duly authorized.

EMPLOYERS HOLDINGS, INC.

Date: July 28, 2020	/s/ Michael S. Paquette
	Michael S. Paquette Executive Vice President and Chief Financial Officer Employers Holdings, Inc. (Principal Financial and Accounting Officer)

Exhibit 10.4

FHLBank San Francisco

FHLBank San Francisco
333 Bush Street, Suite 2700
San Francisco, CA 94104
fhlbsf.com

Amendment No. 2 To Irrevocable Letter of Credit No. 2018-09

May 5, 2020

Insurance Commissioner, State of California c/o Chief, Securities Transaction Unit

300 Capitol Mall, Suite 1700

Greetings:

As directed by Insurance Commissioner, State of California, the beneficiary, and for the account of Employers Compensation Insurance Company, Reno, Nevada, the Federal Home Loan Bank of San Francisco hereby amends its Irrevocable Standby Letter of Credit No. 2018-09 (the "Letter of Credit"), dated March 9, 2018, by decreasing the Credit Amount (as defined in the Letter of Credit) from $90,000,000 to $70,000,000.

This document and the document first establishing the Letter of Credit (including any amendments) together constitute the Letter of Credit. Except as specifically amended herein, the terms and conditions of the Letter of Credit remain in full force and effect.

Very truly yours,

Federal Home Loan Bank of San Francisco

By: /s/ Ira Chin	Title Ira Chin, Managing Director
By: /s/ Kush Patel	Title Kush Patel, Managing Director

Exhibit 10.5

FHLBank
San Francisco

FHLBank San Francisco
333 Bush Street, Suite 2700
San Francisco, CA 94104
fhlbsf.com

Confirmation of Amendment No. 2
to Irrevocable Standby Letter of Credit No. 2018-08

February 20, 2020

Employers Assurance Company
10375 Professional Circle
Reno, NV 89521

Greetings:

The Federal Home Loan Bank of San Francisco (the "Bank") hereby confirms that, at the request and for the account of Employers Assurance Company, Reno, Nevada (the "Member"), the Credit Amount (as defined therein) of Irrevocable Standby Letter of Credit No. 2018-08 {the "Credit"), will be increased by the Bank as specified below, subject to the Member's continuing compliance with the Bank's Advances and Security Agreement and other applicable agreements, as well as with the Bank's Credit Program and specific eligibility or documentation requirements and policies applicable to specific Bank products. Also, statutory or regulatory conditions (including regulatory limits on Bank credit to capital-deficient savings institutions) may apply. The Credit Amount is being increased pursuant to the Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement") between the Bank and the Member. The rights and obligations of the Bank and the Member with respect to each other in regard to the Credit are as set forth in the Reimbursement Agreement and herein.

Beneficiary Name and Address:	Insurance Commissioner, State of California c/o Chief, Securities Transaction Unit 300 Capitol Mall, Suite 1700
Type of Transaction:	Liquidity - Other Funding
Current Credit Amount:	$60,000,000
Amended Credit Amount:	$80,000,000
Current Expiration Date:	March 31, 2020 (Evergreen with automatic one (1) year extensions unless the Bank notifies the beneficiary at least sixty (60) days prior to the then applicable Expiration Date of its election not to renew.)
Effective Date of Amendment:	March 2, 2020
Amendment Fee:	$500 (charged to the Member's Settlement/Transaction Account (STA) on the effective date of the amendment)

The original amendment will be given to the beneficiary at its above address.

Pursuant to the Bank's policy, the Member is required to reimburse the Bank for any attorney's fees, accountants' fees or other out-of-pocket costs associated with the Bank's issuance or modification of the Credit.

The Member covenants, represents, and warrants with and to the Bank that the terms set forth above are those that the Member has requested and by which the Member agrees to be bound.

Please have this Confirmation signed where indicated below by an authorized signer for the Member and returned to the Bank immediately.

Employers Assurance Company

By: /s/ Doug Dirks	Title: CEO
By: /s/ Matthew Hendricksen	Title: VP, Treasury & Investments

Exhibit 10.6

FHLBank San Francisco

FHLBank San Francisco
333 Bush Street, Suite 2700
San Francisco, CA 94104
fhlbsf.com

Confirmation of Amendment No. 2
to Irrevocable Standby Letter of Credit No. 2018-10

February 20, 2020

Employers Preferred Insurance Company
10375 Professional Circle
Reno, NV 89521

Greetings:

The Federal Home Loan Bank of San Francisco (the "Bank") hereby confirms that, at the request and for the account of Employers Preferred Insurance Company, Reno, Nevada (the "Member"), the Credit Amount (as defined therein) of Irrevocable Standby Letter of Credit No. 2018-1O (the "Credit"), will be increased by the Bank as specified below, subject to the Member's continuing compliance with the Bank's Advances and Security Agreement and other applicable agreements, as well as with the Bank's Credit Program and specific eligibility or documentation requirements and policies applicable to specific Bank products. Also, statutory or regulatory conditions (including regulatory limits on Bank credit to capital-deficient savings institutions) may apply. The Credit Amount is being increased pursuant to the Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement") between the Bank and the Member. The rights and obligations of the Bank and the Member with respect to each other in regard to the Credit are as set forth in the Reimbursement Agreement and herein.

Beneficiary Name and Address:	Insurance Commissioner, State of California c/o Chief, Securities Transaction Unit 300 Capitol Mall, Suite 1700
Type of Transaction:	Liquidity - Other Funding
Current Credit Amount:	$110,000,000
Amended Credit Amount:	$125,000,000
Current Expiration Date:	March 31, 2020 (Evergreen with automatic one (1) year extensions unless the Bank notifies the beneficiary at least sixty (60) days prior to the then applicable Expiration Date of its election not to renew.)
Effective Date of Amendment:	March 2, 2020
Amendment Fee:	$500 (charged to the Member's Settlement/Transaction Account (STA) on the effective date of the amendment)

The original amendment will be given to the beneficiary at its above address.

Pursuant to the Bank's policy, the Member is required to reimburse the Bank for any attorney's fees, accountants' fees or other out-of-pocket costs associated with the Bank's issuance or modification of the Credit.

The Member covenants, represents, and warrants with and to the Bank that the terms set forth above are those that the Member has requested and by which the Member agrees to be bound.

Please have this Confirmation signed where indicated below by an authorized signer for the Member and returned to the Bank immediately.

Employers Preferred Insurance Company

By: /s/ Doug Dirks	Title: CEO
By: /s/ Matthew Hendricksen	Title: VP, Treasury & Investments

Exhibit 10.7

Advances and Security Agreement

Insurance Companies

This Advances and Security Agreement ("Agreement") is made as of ___ between the Federal Home Loan Bank of San Francisco ("Bank") and ___ ("Member"), which has its main, home, or principal office at ____.

WHEREAS, the Member may apply from time to time for extensions of credit from the Bank in accordance with the terms and conditions of this Agreement; and

WHEREAS, the Bank requires that all indebtedness of the Member to the Bank and all extensions of credit by the Bank to the Member pursuant to this Agreement be secured pursuant to this Agreement and in accordance with applicable laws, regulations, and policies, and the Member is willing to provide such security:

NOW THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Member and the Bank agree as follows:

I. Definitions

The following terms have the following meanings in this Agreement:

A. **"Act"** means the Federal Home Loan Bank Act, as amended, modified, or supplemented from time to time.

B. **"Advance" or "Advances"** means any and all loans and other extensions of credit made by the Bank to the Member, including without limitation, all payments made by the Bank on behalf of or for the account of the Member under outstanding Commitments and all loans and other extensions of credit made by the Bank to the Member prior to the date of this Agreement.

C. **"Bank's Credit Program"** means the credit program established by the Bank as it is described in the Bank's Credit Guide and Collateral Guide, each as amended, modified, or supplemented from time to time.

D. **"Borrowing Capacity"** means the aggregate dollar amount assigned by the Bank, in its sole discretion, to the Member's Collateral for purposes of determining the Member's compliance with the Collateral maintenance obligations of Section IV.A. The Bank may calculate and change the Borrowing Capacity of the Member's Collateral, at any time and for any reason including, but not limited to, the Bank's assessment of the Member's creditworthiness.

E. **"Capital Stock"** means all of the capital stock of the Bank owned by the Member and all dividends and proceeds of such capital stock.

F. **"Collateral"** means all property, including the proceeds and products thereof, at any time pledged to the Bank by the Member as security for Indebtedness, including without limitation, all Loan Collateral, Securities Collateral, and Other Collateral pledged to the Bank pursuant to Section III.A. or otherwise, all Deposit Accounts, and all Capital Stock.

G. **"Collateral Confirmation"** means a writing or electronic transmission from the Bank to the Member or a report or other information posted on the Bank's member website, confirming the contents of a Collateral Update Report.

H. **"Collateral Guide"** means the Bank's Collateral Guide, as amended, modified, or supplemented from time to time.

I. **"Collateral Maintenance Level"** means the product of (1) the dollar sum of the Member's (a) outstanding Advances, (b) outstanding Commitments, (c) the amount for which the Member is required to maintain Collateral under each outstanding Swap Transaction, and (d) any additional Indebtedness of the Member to the Bank, and (2) the percentage specified by the Bank from time to time and which the Bank, in its sole discretion, may increase or decrease at any time and for any reason including, but not limited to, the Bank's assessment of the Member's creditworthiness. In accordance with Section IV.A., the Member must at all times pledge Eligible Collateral with an aggregate Borrowing Capacity at least equal to the Member's then current Collateral Maintenance Level.

J. **"Collateral Update Report"** means a schedule, embodied on the media and in the form required by the Bank from time to time, specifying and describing certain Eligible Collateral pledged by the Member to the Bank as of the date of the schedule.

K. **"Commercial Loan"** means a whole mortgage loan made for commercial, corporate or business purposes and secured by a lien on real property that is not a dwelling unit or is not used for residential purposes and the parcel(s) of real estate on which it is located. A Multifamily Loan is not a Commercial Loan.

L. "Commercial Loan Collateral" means with respect to each Commercial Loan that is pledged by the Member to the Bank pursuant to Section III.A. or otherwise, the promissory note, bond, or other instrument that evidences the Commercial Loan; any related mortgage or deed of trust that secures the Commercial Loan; any endorsements or assignments thereof to the Member; all ancillary security agreements, policies, and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights (if not otherwise pledged, sold, or conveyed to another party), loan servicing data and agreements; all other electronically stored and written records or materials relating to the Commercial Loan; and all proceeds and products of the Commercial Loan.

M. **"Commitments**" means any and all agreements under which the Bank is obligated to make Advances to the Member or payments on behalf of or for the account of the Member, existing on or after the date of this Agreement, including without limitation, letters of credit, firm commitments, guarantees, or other arrangements intended to facilitate transactions between the Member and third parties, and irrespective of whether the Bank's obligation under any applicable agreement is contingent upon the occurrence or nonoccurrence of a condition subsequent.

N. **"Confirmation"** means a writing or electronic transmission from the Bank to the Member, confirming the terms and conditions upon which the Bank and the Member have agreed with respect to an Advance or Commitment.

O. **"Credit Guide"** means the Bank's Credit Guide, as amended, modified, or supplemented from time to time.

P. **"Deposit Account"** means a demand, time, term, savings, transaction, or similar account with the Bank that is established by the Member or the Bank for the benefit, or in the name, of the Member.

Q. **"Eligible Collateral"** means Collateral, other than Deposit Accounts and Capital Stock, that at the time it becomes Collateral and at all times thereafter (1) qualifies as security for the origination, issuance, or renewal of any Advance, Commitment, or other Indebtedness under the terms and conditions of the Act and the Regulations; (2) satisfies the requirements established by the Bank pursuant to the Bank's Credit Program or otherwise; and (3) is owned by the Member free and clear of any liens, encumbrances or other interests other than the security interest granted to the Bank hereunder.

R. "**Finance Agency"** means the Federal Housing Finance Agency or any successor agency thereto.

S. **"Government and Agency Securities Collateral"** means securities (including participation certificates) or other obligations issued, insured, or guaranteed by the United States Government or any agency thereof, including without limitation, mortgage-backed securities issued or guaranteed by Freddie Mac, Fannie Mae, Ginnie Mae, or any other agency of the United States; and securities backed by, or representing an equity interest in, Government Loans.

T. **"Government Loan"** means a whole mortgage or other loan, regardless of delinquency status, to the extent the loan is insured or guaranteed by the United States or any agency thereof, or otherwise backed by the full faith and credit of the United States, and such insurance, guarantee or other backing is for the direct benefit of the holder of the loan.

U. **"Government Loan Collateral"** means with respect to each Government Loan that is pledged by the Member to the Bank pursuant to Section III.A. or otherwise, the certificate of insurance or guarantee or other evidence of insurance, guarantee or other backing by the United States or any agency thereof; all electronically stored and written records or materials relating to the Government Loan as required by the Bank from time to time (which may include the promissory note, bond or other instrument that evidences the Government Loan; any related mortgage or deed of trust that secures the Government Loan; any endorsements or assignments thereof to the Member; any related certificates of deposit, stocks, bonds, certificates of title, notices, acknowledgments, control agreements and other similar certificates; documents and agreements that secure the Government Loan and represent a lien on certain personal property; all ancillary security agreements, policies, certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights [if not otherwise pledged, sold, or conveyed to another party], loan servicing data and agreements); and all proceeds and products of the Government Loan.

V. "Indebtedness" means all indebtedness of the Member to the Bank, whether now outstanding or incurred after the date of this Agreement, and whether real, contingent, or conditional, including without limitation, all Advances, any other sums owed by the Member to the Bank pursuant to any provision of this Agreement or any other agreement between the Member and the Bank, all obligations of the Member to provide credit enhancements to the Bank, and all other obligations and liabilities of the Member to the Bank.

W. "Loan Collateral" means all loans secured by a lien on real property; all loans made for commercial, corporate, and business purposes; and all participation interests in such loans that are pledged by the Member to the Bank pursuant to Section III.A. or otherwise. With respect to each loan pledged to the Bank, Loan Collateral includes, without limitation, the promissory note, bond or other instrument that evidences the loan; any related mortgage or deed of trust that secures the loan; any endorsements or assignments thereof to the Member; any related certificates of deposit, stocks, bonds, certificates of title, notices, acknowledgments, control agreements and other similar certificates, documents, and agreements that secure the loan and represent a lien on certain personal property; all ancillary security agreements, policies, and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights (if not otherwise pledged, sold, or conveyed to another party), loan servicing data and agreements; all other electronically stored and written records or materials relating to the loan; and all proceeds and products of the loan. Loan Collateral includes, without limitation, Residential Loan Collateral, Multifamily Loan Collateral, Commercial Loan Collateral, Government Loan Collateral, Participation Collateral, and any other loans and participation interests that are pledged by the Member to the Bank and accepted as Loan Collateral by the Bank.

X. "Multifamily Loan" means a whole mortgage loan secured by a lien on a multifamily residential dwelling of five or more units and the parcel(s) of real estate on which it is located.

Y. "Multifamily Loan Collateral" means with respect to each Multifamily Loan that is pledged by the Member to the Bank pursuant to Section III.A. or otherwise, the promissory note, bond or other instrument that evidences the Multifamily Loan; any related mortgage or deed of trust that secures the Multifamily Loan; any endorsements or assignments thereof to the Member; all ancillary security agreements, policies, and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights (if not otherwise pledged, sold, or conveyed to another party), loan servicing data and agreements; all other electronically stored and written records or materials relating to the Multifamily Loan; and all proceeds and products of the Multifamily Loan.

Z. "Other Collateral" means items of property, other than Capital Stock, Deposit Accounts, Loan Collateral, and Securities Collateral, that are pledged by the Member to the Bank pursuant to Section III.A. or otherwise as Collateral for Indebtedness, and all proceeds and products thereof.

AA. "Other Securities Collateral" means securities (other than Government and Agency Securities Collateral and Private Securities Collateral) that are pledged by the Member to the Bank pursuant to Section III.A. or otherwise as Collateral for Indebtedness, and all proceeds and products thereof.

BB. "Participation" means an undivided participation or fractional interest in a Residential Loan, Multifamily Loan, Commercial Loan, or any other loan. A Participation is "retained" where the Member owns the whole loan and has sold or conveyed a participation or fractional interest in the loan, and "purchased" where the Member purchases a participation or fractional interest in the loan from another entity.

CC. "Participation Collateral" means with respect to each Participation that is pledged by the Member to the Bank pursuant to Section III.A. or otherwise, the related participation agreement or other similar agreement or document governing the Participation; all ancillary security agreements, policies, and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights (if not otherwise pledged, sold, or conveyed to another party), loan servicing data and agreements; all other electronically stored and written records or materials relating to the Participation; and all proceeds and products of the Participation. With respect to a purchased Participation, Participation Collateral may also include the participation certificate or other instrument or document that evidences the Member's Participation.

DD. "Private Securities Collateral" means privately issued securities representing unsubordinated interests in, or collateralized by first priority security interests in, both the interest and principal payments on fully disbursed whole first lien residential mortgage loans.

EE. "Regulations" means the regulations of the Finance Agency or its predecessor the Federal Housing Finance Board, as amended, modified, or supplemented from time to time.FF. "Residential Loan" means a whole residential mortgage loan secured by a lien on a one- to four-unit residential dwelling and the parcel(s) of real estate on which it is located.

GG. "Residential Loan Collateral" means with respect to each Residential Loan that is pledged by the Member to the Bank pursuant to Section III.A. or otherwise, the promissory note, bond or other instrument that evidences the Residential Loan; any related mortgage or deed of trust that secures the Residential Loan; any endorsements or assignments thereof to the Member; all ancillary security agreements, policies, and certificates of insurance or guarantees, evidences of recordation, applications, underwriting materials, appraisals, approvals, permits, notices, opinions of counsel, and loan servicing rights (if not otherwise pledged, sold, or conveyed to another party), loan servicing data and agreements; all other electronically stored and written records or materials relating to the Residential Loan; and all proceeds and products of the Residential Loan.

HH. "Securities Collateral" means Government and Agency Securities Collateral, Private Securities Collateral, Other Securities Collateral, that are pledged by the Member to the Bank pursuant to Section III.A. or otherwise, and all proceeds and products thereof.

II. "Solvent" means the Member has capital and surplus greater than zero as determined in accordance with statutory accounting principles.

JJ. "Swap Transaction" means an interest rate swap; interest rate cap, floor or collar; currency exchange transaction, or similar transaction entered into between the Bank and the Member.

I. Advances Agreement

A. Application and Procedures for Advances

From time to time, the Member may apply to the Bank for Advances or Commitments in accordance with the procedures established by the Bank from time to time. Each Advance or Commitment will be evidenced by a Confirmation. Each Advance or Commitment will be governed by the terms of this Agreement, the Bank's Credit Program, the related Confirmation, and any other writing applicable thereto. Unless otherwise agreed to in writing by the Bank, each Advance will be made by crediting the Member's Deposit Account specified by the Bank. The Bank's obligation to fund any Commitment will be subject to compliance by the Member with the terms and provisions of this Agreement, including without limitation, the Collateral maintenance requirements set forth in Section IV.A., and satisfaction by the Member of the applicable credit considerations and other eligibility requirements and policies described in the Bank's Credit Program. If the Member's access to Advances is subsequently restricted pursuant to any provision of law or regulatory action, the Bank will not be required to fund any outstanding Commitments for Advances not funded prior to the effective date of the restriction. The Member will sign and deliver to the Bank a promissory note or notes in such form as the Bank may require to evidence any Advance.

B. Repayment of Advances

The Member agrees to repay each Advance or any other amount due in accordance with this Agreement and the applicable terms and provisions of the Bank's Credit Program and, where relevant, the terms and conditions of the applicable Confirmation. A payment will be deemed delinquent if it is not received by the Bank on or before the applicable payment due date as provided in the Confirmation or otherwise. The Member will maintain in the Member's Deposit Account specified by the Bank an amount at least equal to the amounts then currently due and payable to the Bank on outstanding Advances or otherwise due to the Bank, and the Member hereby authorizes the Bank to debit such Deposit Account from time to time in an amount equal to the amounts then due and payable.

C. Amortization Payments

If the creditworthiness of the Member, as determined from time to time by the Bank in its sole discretion, does not meet the requirements of the Bank, the Bank may require amortization by means of monthly payments of principal on all or any portion of the Member's outstanding Advances. The Member agrees to begin making monthly amortization payments as required by the Bank upon 30 calendar days' written notice from the Bank in the amounts, not to exceed 10% of the original principal balance of the subject Advances, as specified in writing by the Bank, plus any prepayment or early termination fees that may be due and payable under the terms of the related Confirmations. The Member will make such payments as long as any amount remains unpaid on the subject Advances or until notified otherwise by the Bank. Amortization payments required pursuant to this Section II.C. will be in addition to all other payments of principal, interest, prepayment fees and other amounts due and payable to the Bank with respect to any Advances or otherwise.

D. Estoppel

Failure of the Member to deliver written notice to the Bank within five business days of the Member's receipt of a Confirmation of Advance specifying any discrepancy or disputed term or condition of the related Advance will constitute the agreement and acknowledgment by the Member that the terms and conditions of the Advance are valid and are those that the Member requested and by which the Member agreed to be bound, and the Member will be estopped from asserting any claim or defense with respect to the repayment of the Advance and all interest and related fees and other charges or with respect to the validity, accuracy, or completeness of information contained in the Confirmation.

E. Right of Bank to Make Advances with Respect to Outstanding Commitments

Without limiting the Bank's rights and remedies under Section VII of this Agreement, if any Commitment is outstanding at the time of an Event of Default, the Bank may, at its option and without notice to or request from the Member, make an Advance by crediting a special Deposit Account of the Member in an amount up to the amount of the outstanding Commitment(s). Amounts credited to the special Deposit Account may not be withdrawn by the Member as long as there is an outstanding Commitment. The Bank may apply the funds in the special Deposit Account to satisfy the Bank's obligations under the Commitment(s). When all such obligations have expired or have been satisfied or the Event(s) of Default has been cured or waived, the Bank will disburse the balance, if any, in the special Deposit Account first to the satisfaction of any amounts then due and owing by the Member to the Bank and then to the Member or its successors in interest. Advances made pursuant to this Section II.E. will be payable on demand and will bear interest from the date the Advance is made up to, but not including, the date it is paid at such rate as the Bank may determine in its sole discretion.

F. Interest

The Member agrees to pay interest on each Advance at the rate described in the related Confirmation and otherwise as specified in this Agreement or as agreed to in writing by the Member and the Bank. The Member agrees to make interest payments using the method specified by the Bank from time to time. Interest with respect to a given type of Advance as specified in the related Confirmation will be determined on the basis described in the related Confirmation and otherwise as described in the Bank's Credit Program for such type of Advance. Accrued interest on each Advance will be due and payable at the times specified in the related Confirmation, the Bank's Credit Program, or otherwise as specified in this Agreement or as agreed to in writing by the Member and the Bank.

G. Commitment Fees

The Member agrees to pay when due any fees applicable to any Commitments issued by the Bank, including any fees applicable to the amendment or cancellation of such Commitments, as specified in the related Confirmation or the Bank's Credit Program.

H. Prepayment Fees

Upon any prepayment of any Advance, including upon any acceleration of the maturity of any Advance or any amortization of principal of any Advance, the Member agrees to pay when due any applicable prepayment fees pertaining to such Advance, as specified in the related Confirmation, the Bank's Credit Program, and otherwise as specified in this Agreement, or as agreed to in writing by the Member and the Bank, or as the Bank may require from time to time to conform to law or regulation. Prepayments will be permitted only in accordance with the terms and provisions of the related Confirmation and the Bank's Credit Program.

I. Security Agreement

A. Creation of Security Interest

As security for all Indebtedness, the Member hereby grants to the Bank a security interest in:

(1) All Capital Stock; and

(2) All Securities Collateral and Other Collateral specified pursuant to Section IV.B. or delivered pursuant to Section IV.C.; and

(3) All Loan Collateral specified pursuant to Section IV.B. or delivered pursuant to Section IV.C.; and

(4) All Deposit Accounts.

Without limiting the foregoing, all property pledged by the Member to the Bank as Collateral securing Indebtedness and other obligations of the Member to the Bank prior to the date of this Agreement is hereby pledged to the Bank as Collateral under this Agreement.

B. Perfection and Priority of Security Interest

The Member agrees to take all actions as required by the Bank (1) to perfect, or to enable the Bank to perfect, its security interest in the Collateral, including without limitation, authorizing the filing of financing statements, cooperating with the Bank to ensure that the Bank obtains control of the Collateral, and delivering the Collateral to the Bank or its designee, and (2) to ensure that the Bank has a first priority security interest in Eligible Collateral. To the extent the Bank has filed a financing statement prior to the date of this Agreement, the Member hereby acknowledges, ratifies, confirms, and authorizes such filing.

/. Rights and Covenants Regarding Collateral

A. Collateral Maintenance Requirement

(1) The Member will at all times have pledged to the Bank Eligible Collateral that has a Borrowing Capacity at least equal to the Member's then current Collateral Maintenance Level. In the event the aggregate Borrowing Capacity of the Member's Eligible Collateral decreases below the Member's then current Collateral Maintenance Level, the Member will promptly notify the Bank and pledge to the Bank such additional amounts of Eligible Collateral as are necessary to satisfy the Member's then current Collateral Maintenance Level. If at any time any Eligible Collateral ceases to be Eligible Collateral as determined by the Bank in its sole discretion, the Member will promptly grant a security interest to the Bank in additional or substitute Eligible Collateral as necessary to meet the Member's then current Collateral Maintenance Level. Notwithstanding the foregoing, the Bank may elect to exercise its rights under Section VII.A. at any time the aggregate Borrowing Capacity of the Member's Eligible Collateral is below the Member's then current Collateral Maintenance Level.

(2) Without the prior written consent of the Bank, the Member will not: (a) grant any security interest in, sell, convey, or otherwise dispose of any Collateral pledged pursuant to Section III.A.(2) or III.A.(3), to any party other than the Bank; or (b) to the extent it would result in the Member having pledged with the Bank Eligible Collateral with an aggregate Borrowing Capacity less than the Member's then current Collateral Maintenance Level, foreclose on any property that secures any Loan Collateral.

(3) To the extent the Bank does not require delivery of Member's Collateral, or the Member has not yet delivered the Collateral to the Bank, subject to Section IV.B.(6) and Section IV.C., all Collateral will be held by the Member in trust for the benefit of, and subject to the direction and control of, the Bank, and will be physically safeguarded by the Member with reasonable care. The Member will take all action necessary or prudent to protect and preserve the Collateral and the Bank's interest therein, including without

limitation, ensuring that all Loan Collateral is serviced in accordance with the standards of a reasonable and prudent mortgagee.

(4) The form and sufficiency of all documents pertaining to the Collateral must be satisfactory to the Bank. If any Collateral documents are not satisfactory to the Bank, the Bank may assign a Borrowing Capacity to the related Collateral that is less than the Borrowing Capacity that would otherwise be assigned to such Collateral under the Bank's Credit Program, as the Bank may specify from time to time. Before extending any Advance or Commitment or accepting any Collateral, the Bank may require that the Member make any or all documents pertaining to the Collateral available to the Bank for its inspection and approval.

B. Specification of Certain Collateral

(1) The Member will prepare and deliver to the Bank periodic Collateral Update Reports as specified in this Section IV.B. or in the Bank's Credit Program. From time to time, but at least quarterly for Loan Collateral, or as requested or required by the Bank for other Collateral, the Member will deliver to the Bank any required Collateral Update Report specifying and describing the Eligible Collateral pledged to the Bank that, together with other Eligible Collateral already pledged to the Bank, has a Borrowing Capacity as of the date of the Collateral Update Report at least equal to the Member's then current Collateral Maintenance Level.

With respect to a Collateral Update Report that only specifies and describes Loan Collateral that the Member requests to be released from the Bank's security interest, the Bank's security interest in the Loan Collateral specified and described in the Collateral Update Report will be released upon receipt of the report but only if the aggregate Borrowing Capacity of the Member's Collateral immediately after such release would be at least equal to the Member's then current Collateral Maintenance Level. With respect to a Collateral Update Report that specifies and describes all Loan Collateral that the Member has pledged or thereby pledges to the Bank and that omits to specify and describe certain Loan Collateral currently pledged to the Bank, the Bank's security interest in the omitted assets will be released upon receipt of such report but only if the aggregate Borrowing Capacity of the Member's Collateral immediately after such release would be at least equal to the Member's then current Collateral Maintenance Level. The Bank has no obligation to accept any Collateral Update Report or release any Collateral if immediately after such acceptance or release, the Borrowing Capacity of the remaining Collateral would be less than the Member's then current Collateral Maintenance Level.

(2) If required by the Bank, the Member will endorse and assign, as appropriate, to the Bank all applicable documents evidencing Collateral in such manner as specified by the Bank from time to time. The Member will specify, describe and deliver to the Bank such writings pertaining to Collateral as the Bank requires from time to time.

(3) Following the receipt of a Collateral Update Report, the Bank may generate a Collateral Confirmation and any other records with respect to the contents of the Collateral Update Report, and may provide the Collateral Confirmation and any such record to the Member. Failure of the Member to deliver written notice to the Bank within seven business days of the date of a Collateral Confirmation, specifying any discrepancy on the Collateral Confirmation or any accompanying record prepared by the Bank, will constitute the agreement and acknowledgment by the Member of the validity and accuracy of the information contained in the Collateral Confirmation or accompanying record, and the Member will be estopped from asserting any claim or defense with respect to the accuracy or validity of any information contained in the Collateral Confirmation or accompanying record. If the Member delivers timely notice to the Bank with respect to any discrepancy in any Collateral Confirmation or accompanying record, the Bank will promptly consult with the Member and attempt to resolve the matter. However, any Borrowing Capacity assigned to the Collateral that is the subject of such consultation will be in the sole discretion of the Bank. Nothing contained in this Agreement or in any Collateral Confirmation or accompanying record or other document delivered with any Collateral Confirmation will be construed as an agreement or commitment on the part of the Bank to make an Advance or Commitment to the Member, and the Bank expressly reserves the right to grant or to deny a request by the Member for an Advance or Commitment.

(4) Notwithstanding anything in this Agreement to the contrary, the Member will be solely responsible for the accuracy and adequacy of all information and data in: (i) each Collateral Update Report (or other writing specifying and describing any Collateral) submitted to the Bank; (ii) any report or information provided by

the Member to any state insurance regulator from which the Bank obtains information related to Collateral; and (iii) any other report, schedule, certification, or document relating to Collateral that is provided by the Member to the Bank. The Bank will have no obligation to make any independent examination of or calculation with respect to the information submitted in a Collateral Update Report (or in any other written report, schedule, certification, or other document that may be submitted by the Member) and, without limiting the generality of the foregoing, the Bank makes no representation or warranty as to the validity, accuracy, or completeness of any information contained in any Collateral Confirmation or accompanying record or other document provided with any Collateral Confirmation.

(5) The Bank may maintain any and all information contained in each Collateral Update Report or in any other report, schedule, certification, or document relating to Collateral received from the Member in any form or medium. The Member will at all times maintain complete and accurate records and materials supporting or relating to any Collateral Update Report or other report, schedule, certification, or document relating to Collateral information submitted to the Bank and will promptly make the same available, if required, to the Bank. The maintenance and retention of such supporting records and materials will be the sole responsibility of the Member, and the Bank will not be liable for any loss of such information.

(6) To the extent the Bank does not require delivery of Member's Collateral, or the Member has not yet delivered the Collateral to the Bank, the Member will physically segregate any Collateral pledged to the Bank from all other property of the Member in a manner satisfactory to the Bank. For Loan Collateral, the Member will hold the physical note, any certificated Participation, and any other documents that the Member maintains in physical form for each segregated loan or certificated Participation pledged to the Bank in a separate file folder with each file folder clearly labeled with the loan or other identification number and the name of the mortgagor/debtor.

(7) If required by the Bank, the Member will provide, at its own expense, a certification by an independent certified public accountant or by another entity acceptable to the Bank that the Member has complied with the terms of this Section IV.B.

C. Delivery of Collateral

(1) Within five business days of the Bank's written direction, the Member will deliver to the Bank, or to a bailee or custodian designated by the Bank, Eligible Collateral with a Borrowing Capacity that equals or exceeds the Member's then current Collateral Maintenance Level. The Member hereby authorizes the Bank, upon receipt of Loan Collateral or Other Collateral, to affix or otherwise attach to each note or other related writings labels or stickers containing identification codes or other relevant information. The Member will endorse and assign all Collateral delivered to the Bank in the manner required by the Bank. Concurrently with the initial delivery of Collateral and within 30 days of each subsequent valuation date established by the Bank (and at such other times as required by the Bank), the Member will deliver to the Bank a Collateral Update Report or a writing in such form as may be required by the Bank from time to time, each dated as of the then most recent valuation date, describing the Collateral held by the Bank and any of its bailees or custodians. In addition, if required by the Bank, the Member will immediately take such other actions as the Bank deems necessary or appropriate to perfect or protect its security interest in the Collateral.

(2) With respect to any Securities Collateral pledged to the Bank, the delivery requirements contained in this Agreement and the Bank's Credit Program will be satisfied by: (i) the transfer of the securities to the Bank or its agent, such transfer to be effected in such manner and to be evidenced by such documents as the Bank specifies from time to time; or (ii) the execution of an agreement among the Bank, the Member and any securities intermediary holding the securities that, in the Bank's sole determination, grants the Bank "control" over such securities as that term is defined in the applicable Uniform Commercial Code.

(3) The Member agrees to pay to the Bank all reasonable fees and charges as may be assessed by the Bank to cover overhead and other costs relating to the receipt, holding, and redelivery of Collateral and otherwise relating to the perfection, protection, and enforcement of the Bank's security interest in the Collateral and to reimburse the Bank for all recording fees and other reasonable expenses, disbursements, and advances incurred or made by the Bank in connection with the Collateral (including the reasonable compensation, expenses and disbursements of any bailee or custodian that may be appointed by the Bank, and the agents and legal counsel of the Bank and of such bailee or custodian).

Any sums owed to the Bank under this Section IV.C.(3) may be collected by the Bank, at its option, by debiting the Member's Deposit Account specified by the Bank.

D. Release and Redelivery of Delivered Collateral

The Bank will promptly release and redeliver to the Member, at the Member's expense, Collateral delivered to the Bank, upon receipt by the Bank from the Member of:

(1) A written request to release the Bank's security interest on and redeliver any Collateral pledged to the Bank pursuant to Section III.A. and delivered to the Bank pursuant to Section IV.C.(1),

(2) A listing of the Collateral (and any other writings required by the Bank) to be released and redelivered, and

(3) A certificate of a duly authorized signer for the Member certifying that immediately after release, the aggregate Borrowing Capacity of the remaining Eligible Collateral in which the Bank will have a first, prior and perfected security interest will not be less than the Member's then current Collateral Maintenance Level.

Notwithstanding anything in this Agreement to the contrary, the Bank will have no obligation to release or redeliver the specified Collateral if an Event of Default has occurred and is continuing, or at any time that the Bank determines that release of its security interest would reduce the Borrowing Capacity of the Member's Eligible Collateral below the Member's then current Collateral Maintenance Level, or at any time that the Bank reasonably and in good faith deems itself insecure.

E. Collateral Audits and Reports

All Collateral and the Member's compliance with the terms of this Agreement and the Bank's Credit Program will be subject to audit and verification by the Bank. Such audits and verifications may occur without notice during the Member's normal business hours or upon reasonable notice at such other times as the Bank may require. The Member will provide access to, and will make adequate working facilities available to, the representatives or agents of the Bank for purposes of such audits and verifications. The Member agrees to pay to the Bank reasonable fees and charges as may be assessed by the Bank to cover overhead and other costs relating to such audit, verification, and evaluation.

F. Additional Documentation and Assurances

The Member will promptly make, execute, and deliver to the Bank such assignments, listings, powers, financing statements, or other instruments, agreements, and documents with respect to the Collateral and the Bank's security interest therein and in such form as the Bank may require. The Member will immediately take such other actions as the Bank deems necessary or appropriate to create, perfect, and protect the Bank's security interest in the Collateral or otherwise to obtain, preserve, protect, or enforce the Collateral and the Bank's security interest therein.

G. Bank's Responsibility as to Collateral

Upon possession of any Collateral, the Bank's duty as to such Collateral will be solely to use reasonable care in the custody and preservation of the Collateral in its possession, which will not include any steps necessary to preserve rights of the Member against prior or other parties nor the duty to send notices, perform services, or take any action in connection with the management of the Collateral. The Bank will not have any responsibility or liability for the form, sufficiency, correctness, genuineness, or legal effect of any instrument or document evidencing or relating to the Collateral, or any signature thereon or the description or misdescription or value of property represented or purported to be represented, by any such document or instrument, or for any error or omission or delay in the liquidation of any Collateral, including the sale, assignment, or delivery of the Collateral or any part thereof, including the settlement, collection, or payment of any Collateral, or any damage resulting therefrom. The Member agrees that any and all Collateral may be removed by the Bank from the state or location where situated and may thereafter be dealt with by the Bank as necessary to protect the Bank's security interest in the Collateral.

H. Bank's Rights as to Collateral; Power of Attorney

At any time or times, at the expense of the Member, the Bank may in its discretion, before or after the occurrence of an Event of Default, in its own name or in the name of its nominee or of the Member, do any or all things and take any and all actions that are pertinent to the protection of the Bank's interests hereunder and, if such actions are subject to the laws of a state, are lawful under the laws of the State of California, including without limitation, the following:

(1) Terminate any consent given hereunder;

(2) Notify obligors on any Collateral to make payments thereon directly to the Bank;

(3) Endorse and assign, as applicable, any Collateral that is in the Member's name or that has been endorsed and assigned by others to the Member's name;

(4) Enter into any extension, compromise, settlement, or other agreement relating to or affecting any Collateral;

(5) Take any action the Member is required to take or that is otherwise necessary: (a) to file a financing statement or otherwise perfect a security interest in any or all of the Collateral, or (b) to obtain, preserve, protect, enforce, or collect the Collateral;

(6) Take control of any funds or other proceeds generated by or arising from the Collateral and use the same to reduce Indebtedness as it becomes due; and

(7) Cause the Collateral to be transferred to the name of the Member, the name of the Bank or the name of the Bank's nominee.

In accordance with the foregoing, the Member hereby appoints the Bank as its true and lawful attorney, for and on behalf of the Member and in its name, place, and stead, to prepare, execute, and record endorsements and assignments to the Bank of all or any item of Collateral (including the identification and listing of Loan Collateral), giving and granting to the Bank, as such attorney, full power and authority to do or perform every lawful act necessary or proper in connection therewith as fully as the Member could or might do. The Member hereby ratifies and confirms all that the Bank lawfully does or causes to be done now or in the future by virtue of this special power of attorney. This special power of attorney is granted for a period commencing on the date hereof and continuing until the discharge of all Indebtedness and all obligations of the Member hereunder regardless of any default by the Member, is coupled with an interest, and is irrevocable for the period granted. As the Member's true and lawful attorney-in-fact, the Bank will have no responsibility to take any steps necessary to preserve rights of the Member against prior or other parties nor the duty to send notices, perform services, or take any action in connection with the management of the Collateral, except as set forth in Section IV.G.

I. Application of Payments

The Bank may, in its sole discretion, apply any payments by or recovery from the Member or any sums realized from Collateral, which are received by the Bank without any designation from the Member (at the time of such payment, recovery, or realization) as to the intended application thereof, at such time and in such manner and order of priority as the Bank deems fit.

J. Certain Covenants as to Collateral

At any time Collateral is pledged to the Bank, the Member covenants and agrees that it will do all of the following, unless the Bank consents otherwise in writing:

(1) With respect to any Loan Collateral, the Member will cause its borrowers to pay when due (or will pay if such borrowers are unable or cannot be made to pay) all taxes and assessments on the real property and improvements that secure any Loan Collateral or the use thereof. Unless otherwise agreed by the Member and the Bank, the Member will perform each of its obligations as a lender, secured party, or otherwise, under all loan or other agreements pertaining to the Loan Collateral.

(2) The Member agrees to take any action that the Member or the Bank, in either party's reasonable judgment, deems necessary to preserve the Member's or Bank's rights against any prior or other parties (including without limitation, endorsers), and any guarantors or sureties with respect to, any and all of the chattel paper, documents, or instruments constituting all or any part of the Collateral and to preserve

redemption, conversion, warrant, preemptive, or other rights concerning all or any part of such Collateral. Subject to Section IV.G., the Bank may, but need not, take any action that in its reasonable judgment will assist in the preservation of such rights. The Bank's failure to act hereunder will not relieve the Member of the Member's duties under this Section IV.J.(2) or in any way impair or discharge any indebtedness or result in any liability to the Member on the part of the Bank. The Bank will have no duty to take any steps necessary to preserve the rights of the Member against prior or other parties or to initiate any action to protect against the possibility of a decline in the market value or other impairment of such Collateral. Furthermore, except as provided in Section IV.G., the Bank will not be obligated to take any action with respect to such Collateral requested by the Member unless such request is made in writing, and the Bank determines, in its discretion, that the requested action would not jeopardize the value of such Collateral as security for Indebtedness or otherwise adversely affect any right or interest of the Bank.

(3) With respect to Collateral Update Reports for Loan Collateral, the Member will update and provide to the Bank schedules showing such information about the Loan Collateral identified and described in the Collateral Update Report as the Bank may require from time to time. In any event, the Member will immediately identify to the Bank any Loan Collateral that is needed to meet the Member's then current Collateral Maintenance Level and that is classified as nonperforming, nonaccrual, scheduled or criticized, special mention, substandard, doubtful, loss, or the like. Unless otherwise required by the Bank, the Member may make the foregoing classifications according to its own loan criteria, provided that such criteria at least meet applicable regulatory criteria for such classifications

(4) The Member will obtain and maintain current financial statements, appraisals, rent rolls, and other information as may be required by the Bank supporting or relating to Loan Collateral and the related real property and improvements and personal property, and the Member will use its best efforts to cause all persons obligated under such Collateral to make the same available, if required, to the Bank.

(5) The Member hereby agrees to save, hold harmless, indemnify, and defend the Bank against any and all damages, liabilities, losses, claims, causes of action, and expenses (including attorneys' fees and expenses of the Bank's counsel) (for purposes of this Section IV.J.(5), together "Losses," and each a "Loss") that the Bank may directly or indirectly suffer or incur as a result or consequence of any Loss by any person arising out of or connected with the use or creation of any Collateral or any real or personal properties that secure such Collateral, except to the extent such Losses are attributable to the gross negligence or willful misconduct of the Bank or the failure of the Bank to act in accordance with its responsibilities under Section IV.G. Losses include, without limitation, any Loss arising with respect to any loan transaction involving the Member, or any default or wrongdoing by the Member with respect to any third party, including any nonperformance by the Member of any of its obligations as a lender or otherwise in connection with any such Collateral. Under no circumstances will the Bank be obligated to assume, perform or fulfill any obligation of the Member as a lender or otherwise.

K. Right to Cure Defaults on Loan Collateral

If the Member fails (1) to obtain or maintain insurance, or to maintain or cause the maintenance of any real property or improvements or personal property secured by any Loan Collateral, or to pay or obtain the payment of any fees, assessments, charges, or taxes arising with respect to any real property or improvements or personal property secured by such Collateral, or to perform any other obligation to the Bank, as specified in this Agreement or in the Bank's Credit Program, or (2) to make any other advances or take any other actions necessary or advisable to preserve or protect any such Collateral, its value, or the Bank's security interest in it, the Bank will have the right to obtain such insurance, or cause such real property or improvements or personal property to be maintained, or pay such fees, assessments, charges, or taxes, or perform such obligations, or make such advances or take such actions, as the case may be. In any such event, the Member agrees to pay the cost thereof immediately to the Bank. All liabilities owing by the Member to the Bank under this Section IV.K. will bear interest from the date when first due at a rate specified by the Bank for such liabilities or, if no such rate is specified, at the highest rate of interest in effect on any Indebtedness of the Member to the Bank from time to time, changing with each scheduled change in such rate.

/. Representations and Warranties of Member

The Member hereby represents and warrants that, as of the date hereof and as of each date on which there is outstanding an Advance, Commitment, or other Indebtedness:

A. The Member is an insurance company validly existing and in good standing with all applicable laws and the rules and regulations of its state insurance regulator.

B. The Member has full corporate power and authority and has received all corporate and governmental authorizations and approvals (including the approval of its board of directors, which approval is reflected in the minutes of said board) to enter into and perform its obligations under this Agreement, to borrow each Advance, to obtain each Commitment, and to pledge any Collateral.

C. The Member is not now, and neither the execution of nor the performance of any of the transactions or obligations of the Member under this Agreement will, with the passage of time, the giving of notice, or otherwise, cause the Member to be: (1) in violation of its charter or articles of incorporation, by-laws, the Act, the Regulations, any other law or administrative regulation (including, without limitation, any statutory or regulatory limits on secured credit), any decree, directive, or other restriction or legally binding determination of any governmental authority governing the Member's business, or any administrative supervision order, or other order of a regulatory authority; or (2) in default under or in breach of any indenture, contract, or other instrument or agreement to which the Member is a party or by which the Member or any of its property may be bound. This Agreement is the legal, valid and binding obligation of the Member, enforceable against the Member in accordance with its terms.

D. The information given by the Member in connection with an application or request for Membership, an Advance or a Commitment, or a pledge, specification, or delivery of Collateral, or otherwise furnished with respect to this Agreement, is true, accurate, and complete in all material respects, and no information or document furnished by the Member to the Bank in connection with this Agreement or pursuant to the terms of this Agreement contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

E. Each Advance and Commitment applied for by the Member hereunder will be authorized by the terms and provisions of the Act and the Regulations, as well as any applicable law or regulation governing the Member's business. Any application for an Advance or Commitment hereunder will be deemed to be a representation by the Member that, as of the date of such application, (1) the Member will be in compliance with the Collateral maintenance requirements set forth in Section IV.A.(1) as of the funding of such Advance or extension of such Commitment, (2) that such Advance and any Collateral pledged to the Bank, whether before or after such Advance, will not cause the Member to violate any law, regulation, administrative supervision order, or other order, decree, directive, or other restriction or legally binding determination of any governmental authority governing the Member's business, and (3) the Member has obtained any necessary consent, approval, or permission from applicable state insurance regulators and filed any necessary certificates, documents or disclosure therewith, as required by applicable law or regulation in order to obtain the Advance sought and to grant the Bank a security interest in the assets offered as Collateral.

F. There is no actual, threatened or pending litigation, regulatory action or other similar proceeding or event affecting the Member before any court, governmental agency (including without limit its state insurance regulator) or arbitrator, which may materially adversely affect the financial condition or operations of the Member, which may materially affect the value of the Collateral, or which purports to affect the legality, validity or enforceability of this Agreement.

G. The Member has received all licenses, certificates of authority and other authorizations or approvals from all governmental authorities, including but not limited to all insurance commissioners in all states where required, and has satisfied all examination requirements, paid in capital and surplus requirements and deposited all required securities and documents with the appropriate governmental authorities or regulators.

H. Collateral

(1) The Member owns and has marketable title to the Collateral and has the right and authority to grant a security interest to the Bank in the Collateral and to subject all of the Collateral to this Agreement.

(2) The information given from time to time by the Member to the Bank as to each item of Collateral is true, accurate, and complete in all material respects.

(3) All Eligible Collateral meets the standards and requirements with respect thereto from time to time established by the Bank, the Act, the Regulations, and all other applicable laws, rules, regulations and orders.

(4) The Member has not conveyed or otherwise created and there does not otherwise exist any participation interest or other direct, indirect, legal, or beneficial interest in any Loan Collateral on the part of anyone other than the Bank and the Member.

(5) All signatories to any and all writings that constitute any Collateral are and will be bound as they appear to be by their signatures and have the requisite authority and capacity (corporate or other) to execute such writings.

(6) No account debtor or other obligor owing any obligation to the Member with respect to any Loan Collateral has or will have any claims, defenses, offsetting claims, or other condition affecting the right of the Member or the Bank to enforce the writings constituting any Loan Collateral in accordance with the express terms of such writings, and no defaults (or conditions that, with the passage of time or the giving of notice or both, would constitute a default) exist or will exist under any such writings.

(7) Any and all real property or interest in real property that secures any Loan Collateral contains no toxic or hazardous wastes or other toxic or hazardous substance the presence of which could subject the Bank to any liability under applicable state or federal law or local ordinance either at any time that any Loan Collateral is pledged to the Bank or upon enforcement by the Bank of its security interest therein. The Member hereby agrees to indemnify and hold the Bank harmless against all costs, claims, expenses, damages, and liabilities, including without limitation, reasonable attorneys' fees and expenses of the Bank, resulting in any way from the presence on any real property or interest in real property that secures Loan Collateral or that otherwise constitutes Collateral, of toxic or hazardous wastes or substances.

I. Covenants of the Member

At all times during the term of this Agreement, the Member agrees as follows:

A. Compliance with Bank's Credit Program

The Member agrees to comply with the terms and provisions of the Bank's Credit Program, including without limitation, any reporting requirements, application procedures, or eligibility requirements described in the Bank's Credit Program with respect to particular types of Advances or Collateral. If the Bank's Credit Program is amended, the Member agrees to comply with the terms and provisions of the Bank's Credit Program as so amended from time to time, provided that any outstanding Advances and Commitments existing at the time of any amendment will continue to be governed by the terms and provisions of the related Confirmation. Changes to the Bank's Credit Program will become effective ten business days after the date of the Bank's notice of the change, unless the notice specifies a different period.

B. Compliance with Applicable Laws

The Member agrees to comply in all material respects with all applicable laws, rules, regulations, and orders.

C. Information

(1) The Member agrees to furnish to the Bank within the timeframe required by the Bank all reports, statements, documents, and other information respecting the condition or operations, financial or otherwise, and Collateral of the Member as the Bank may from time to time require. At any reasonable time and from time to time, the Member agrees that the Bank or its designees may discuss the affairs, finances, and accounts of the Member with any of its officers or directors and with its independent certified public accountants.

(2) The Member will promptly provide to the Bank any reports it submits to its state insurance regulator regarding liquidity, corrective actions, and any other matters as specified from time to time by the Bank.

D. Insurance

The Member agrees to maintain insurance on the Collateral with financially sound, responsible and reputable insurance companies or associations in such amounts, containing such terms, for such periods, and covering such risks as is usually carried by companies engaged in similar businesses and owning similar assets.

E. Notices

The Member agrees to notify the Bank in writing of the following events within the specified timeframe:

(1) The Member will notify the Bank promptly after the occurrence of any Event of Default, or any event that with the giving of notice or passage of time would constitute an Event of Default;

(2) The Member will notify the Bank prior to any merger, consolidation, material asset acquisition, material stock acquisition, or material change of ownership to which it is a party;

(3) The Member will notify the Bank prior to any name change, charter change, or location change of its main, home, or principal office;

(4) The Member will notify the Bank promptly after any actual or threatened litigation, regulatory action, or other similar proceeding or event that (a) may materially adversely affect the financial condition or operations of the Member, (b) may materially adversely affect the value of the Collateral or any of the rights, interests, or remedies of the Bank with respect to the Collateral, (c) purports to affect the legality, validity, or enforceability of this Agreement, or (d) may materially adversely affect the Member's ability to fulfill its obligations under this Agreement;

(5) The Member will notify the Bank promptly when any conditions exist, or events have transpired, that may cause, or have caused, the Member's state insurance regulator to require the Member to sign an administrative supervision order, cease and desist order, voluntary agreement to discontinue, limit, or restrict business, or other similar order or agreement;

(6) The Member will notify the Bank promptly if the Member's actual or estimated total adjusted capital is less than the percentage of the Member's authorized control level, as that percentage is specified by the Bank from time to time. Total adjusted capital and authorized control level are as determined in accordance with statutory accounting principles;

(7) The Member will notify the Bank promptly after the Member becomes aware of any claims against any Collateral;

(8) The Member will notify the Bank promptly after the Member becomes aware or has any reason to believe that the Member does not meet its then current Collateral Maintenance Level, or that a contingency exists that, with the passage of time, would reasonably be likely to result in the Member failing to meet its then current Collateral Maintenance Level; and

(9) The Member will notify the Bank promptly after the Member becomes aware, through audit or otherwise, of any exception to statements or representations previously made to the Bank with respect to any of the Collateral or any real property or improvements or personal property covered by the lien of any Loan Collateral or any other matter covered by this Agreement.

(10)The Member will notify the Bank promptly of any material event, including but not limited to any change in any applicable state insurance law or regulation, that would cause the Member to be ineligible to remain a member of the Bank or to obtain Advances, or to pledge any Collateral to the Bank, pursuant to the provisions of the Act and the Regulations

F. Additional Covenants by the Member

The Member will (1) maintain a copy of this Agreement in its official records at all times, and (2) use the proceeds from all Advances constituting long-term Advances, as defined in the Bank's Credit Program, only for the purposes of providing funds for residential housing finance.

G. Advances and Security Agreement

The Bank may revise the Advances and Security Agreement from time to time. If required by the Bank, the Member will execute any revised Advances and Security Agreement.

H. Solvency

The Member will remain Solvent at all times.

I. Legal Opinion

If required by the Bank, the Member will furnish to the Bank opinions of counsel in form and substance acceptable to the Bank relating to, among other things, this Agreement, the Member's eligibility to remain a member, and the Member's ability and authority to purchase capital stock, borrow advances and pledge its assets as collateral hereunder.

I. Default, Remedies

A. Events of Default; Acceleration

Upon the occurrence of and during the continuation of any of the following events or conditions of default ("Event of Default"), the Bank may in its discretion and notwithstanding any other provision of this Agreement, by a notice to the Member, (a) declare all Indebtedness (including without limitation, any accrued interest and any applicable prepayment fees and early termination fees) to be immediately due and payable, without presentment, demand, protest, or any further notice, and (b) terminate any obligation on the part of the Bank in respect of any Commitment or to make or continue any Advances:

(1) Failure of the Member to pay when due the interest on or the principal of any Advance or any other amount due to the Bank;

(2) Failure of the Member to perform any promise or obligation or to satisfy any condition or liability contained in this Agreement, in any Confirmation, or in any other agreement to which the Member and the Bank are parties;

(3) Credible evidence coming to the attention of the Bank that any representation, statement, or warranty made or furnished in any manner to the Bank by or on behalf of the Member in connection with any Advance, any Commitment, any Collateral, any certification or statement of Borrowing Capacity, or in any agreement with or for the benefit of the Bank, is false, misleading or incomplete in any material respect;

(4) Failure of the Member to maintain adequate Eligible Collateral free of any encumbrances or claims as required in this Agreement;

(5) The issuance of any tax, levy, seizure, attachment, garnishment, levy of execution, or other process with respect to the Collateral;

(6) Any suspension of payment by the Member to any creditor of sums due or the occurrence of any event that results (or that with the giving of notice or passage of time or both will result) in acceleration of the maturity of any indebtedness of the Member to others under any security agreement, indenture, loan agreement, or other undertaking;

(7) Appointment of a trustee, conservator, receiver, liquidator, custodian, or similar official for the Member or any parent (direct or indirect) or subsidiary (direct or indirect) of the Member or the Member's property; notice of a judgment, decree, or administrative decision adjudicating the Member or any parent or subsidiary of the Member insolvent or bankrupt; the assignment by the Member or any parent or subsidiary of the Member for the benefit of creditors; the filing of a petition or application by any person for the appointment of any such official for any such parent or subsidiary of the Member; or the transfer of any of the Member's assets or liabilities (whether by purchase and assumption by any third party or merger or otherwise) in connection with or as a result of any event described in this Section VII.A.(7);

(8) Sale by the Member of all or a material part of the Member's assets or the taking of any action by the Member to liquidate or dissolve;

(9) Termination of the Member's membership in the Bank or the Member's ceasing to be a type of financial institution that is eligible under the Act to become a member of the Bank or the Member's failure to satisfy any requirement under the Act for remaining a member of the Bank or obtaining or holding an Advance;

(10) Merger, consolidation, or other combination of the Member with an entity that is not a member of the Bank if the nonmember entity is the surviving entity;

(11)The Member has borrowed, or committed to borrow, from any source an amount that is greater than the amount the Member is permitted to borrow under applicable law;

(12)The Bank reasonably and in good faith determines that a material adverse change has occurred in the financial condition of the Member or in the Collateral from that disclosed previously to the Bank; or

(13)The Bank reasonably and in good faith deems itself insecure even though the Member is not otherwise in default.

B. Remedies

Upon the occurrence of any Event of Default, the Bank will have all of the rights and remedies provided by applicable law, including without limitation, all of the remedies of a secured party under the Uniform Commercial Code as in effect in the State of California. In addition, the Bank may take immediate possession of any or all of the Collateral wherever it may be found. The Bank may sell, assign, and deliver all or any part of the Collateral at public or private sale for such price as the Bank deems appropriate without any liability for any loss due to

increase or decrease in the market value of the Collateral during the period held. The Bank will have the right to purchase all or part of the Collateral at such sale. If the Collateral includes instruments or securities that will be redeemed by the issuer upon surrender, or any accounts or deposits in the possession of the Bank, the Bank may realize upon such Collateral without notice to the Member. If any notification of intended disposition of any of the Collateral is required by applicable law, such notification will be deemed reasonable and properly given if mailed, postage prepaid, at least ten days before any such disposition to the address of the Member appearing on the records of the Bank. Upon the occurrence of any Event of Default, the Bank may, in its sole discretion, apply any payment by or recovery from the Member or any sum realized from Collateral, at such time and in such manner and order of priority as the Bank determines, without regard to any contrary intention or request on the part of the Member or the provisions of any other agreement between the Bank and the Member. The Member agrees that the Bank may exercise its rights of setoff upon the occurrence of an Event of Default in the same manner as if the Advances, Commitments, or other Indebtedness were unsecured. Notwithstanding any other provision of this Agreement, upon the occurrence of any Event of Default at any time when all or any part of the obligations of the Member to the Bank are the subject of any guarantee by a third party for the Bank's benefit and there exist other outstanding obligations of the Member to the Bank that are not so guaranteed but that are secured by the Collateral, then any sums realized by the Bank from the Collateral, or from any other collateral pledged or furnished to the Bank by the Member under any other agreement, will be applied first to the satisfaction of the nonguaranteed obligations and then to the Member's guaranteed obligations. The Member agrees to pay all of the costs and expenses of the Bank in the collection of the Indebtedness, the enforcement and preservation of the Bank's rights and remedies under or related to this Agreement, and the disposition of Collateral, including without limitation, reasonable attorneys' fees and expenses. The Bank, at its discretion, may apply any surplus after payment of the Indebtedness, provision for repayment to the Bank of any amounts to be paid or advanced under outstanding Commitments, and payment of all costs of collection and enforcement, to third parties claiming a secondary security interest in the Collateral, with any remaining surplus paid to the Member. The Member will be liable to the Bank for any deficiency remaining.

C. Payment of Prepayment and Early Termination Charges

Any prepayment or early termination fees or charges for which provision is made under the applicable Confirmation, the Bank's Credit Program or otherwise with respect to any Advance will be due at the time of any voluntary or involuntary payment of the principal of the Advance prior to its originally scheduled maturity, including without limitation, any payment that is made in connection with the liquidation of the Member or that becomes due as a result of an acceleration by the Bank pursuant to Section VII.A. or an amortization required by the Bank pursuant to Section II.C., whether such payment is made by the Member, by a trustee, conservator, receiver, liquidator, custodian, or similar official, for the Member, or by any successor to or any assignee of the Member or any other entity for or on behalf of the Member.

D. Default Rate

Any payment of principal or interest or any other sum that is not made to the Bank when due (whether at stated maturity, by acceleration, or otherwise) will bear interest, to the maximum extent permitted by applicable law, for each day during the period commencing on the due date through, but not including, the date the amount is paid in full, at a rate per annum equal to one percentage point above the interest rate that otherwise would be applicable to any such payment of principal or, if such payment does not constitute a principal sum, then at a rate equal to one percentage point above such rate as the Bank may determine in its sole discretion.

E. Certain Provisions as to Sale of Securities Collateral

In view of the possibility that federal and state securities laws and other applicable federal and state laws may impose restrictions on the method by which a sale of the Collateral may be effected, the Bank and the Member agree that any sale of the Collateral as a result of an Event of Default that does not comply with the Securities Act of 1933 or any other applicable federal or state securities law or other applicable federal or state law does not prevent the sale from being "commercially reasonable." The Bank and the Member further agree that from time to time the Bank may attempt to sell the Collateral by means of private placement. In so doing, the Bank may restrict the bidders and prospective purchasers to those that will represent and agree that they are purchasing for investment only and not for distribution or otherwise impose restrictions deemed appropriate by the Bank for the purpose of complying with the requirements of applicable securities laws. The Bank may solicit offers to buy such Collateral, for cash or otherwise, from a limited number of investors deemed by the Bank to be responsible parties that might be interested in purchasing such Collateral. If the Bank solicits offers from at least three such investors, then the acceptance by the Bank of the highest offer received (whether or not three offers are received) from a qualifying investor will be deemed to be a commercially reasonable method of disposing of the Collateral.

I. Assignment of Indebtedness and Sale of Participations

The Member hereby gives the Bank the full right, power, and authority to pledge or assign to any party all or part of the Indebtedness, together with all or any part of the Collateral, as security for any consolidated Federal Home Loan Bank obligations issued pursuant to the provisions of the Act or for any other purpose authorized by the Act, the Regulations, or the Finance Agency. In the case of any such pledge or assignment, the Bank will have no further responsibility with respect to Collateral transferred to the pledgee or assignee, and all references herein to the "Bank" will be read to refer to the pledgee or assignee. The Member may not (voluntarily or involuntarily or by operation of law or otherwise) assign or transfer any of its rights or obligations hereunder or with respect to any Advances, Commitments or other Indebtedness without the express prior written consent of the Bank. The Bank may at any time sell, assign, grant participations in, or otherwise transfer to any other person or entity, including without limitation another Federal Home Loan Bank (a "participant"), all or part of the Indebtedness of the Member then outstanding hereunder. The Member hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of the Member to the participant. The Member hereby authorizes the Bank and each participant, in case of any Event of Default under this Agreement, to proceed directly, by right of setoff, banker's lien, or otherwise, against any assets of the Member which may at the time of such default be in the respective hands of the Bank or any such participant. The Member further agrees that the Bank may furnish any information pertaining to the Member that is in the possession of the Bank to any prospective participant to assist it in evaluating such participation, provided that any non-public information reasonably designated in writing to the Bank by the Member as constituting non-public information will be furnished to such prospective participant on a confidential basis.

K. Discretion of Bank to Grant or Deny Advances or Commitments

Nothing contained herein or in any documents describing or setting forth the Bank's Credit Program will be construed as an agreement or commitment on the part of the Bank to grant Advances or extend Commitments hereunder, or to enter into any other transaction, and the right and power of the Bank in its discretion to either grant (with or without conditions) or deny any Advance or to extend any Commitment or enter into any other transaction requested hereunder is expressly reserved. Any determination by the Bank of the Borrowing Capacity of any Collateral pledged hereunder will not constitute a determination by the Bank that the Member may obtain Advances or Commitments in amounts up to such Borrowing Capacity or otherwise.

K. Amendment; Waivers

No modification, amendment, or waiver of any provision of this Agreement or consent to any departure therefrom will be effective unless executed by the party against which such change is asserted and will be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Member in any case will entitle the Member to any other or further notice or demand in the same or similar or other circumstances. Any forbearance, failure, or delay by the Bank in exercising any right, power, or remedy hereunder will not be deemed to be a waiver thereof, and any single or partial exercise by the Bank of any right, power, or remedy hereunder will not preclude the further exercise thereof. Every right, power, and remedy of the Bank will continue in full force and effect until specifically waived by the Bank in writing.

I. Jurisdiction; Legal Fees

In any action or proceeding brought by the Bank or the Member to enforce any right or remedy under or related to this Agreement, the parties hereby consent to and agree that they will submit to the jurisdiction of the United States District Court for the Northern District of California or, if such action or proceeding may not be brought in federal court, the jurisdiction of the Superior Court of the City and County of San Francisco to the exclusion of all other courts. The Member agrees that, if any action or proceeding is brought by the Member seeking to obtain any legal or equitable relief against the Bank in connection with this Agreement or any transaction contemplated hereby, and such relief is not granted by the final decision of a court of competent jurisdiction, after any and all appeals, the Member will pay all attorneys' fees and other costs incurred by the Bank in connection with the action or proceeding. The Member agrees to reimburse the Bank for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Bank in connection with the enforcement or preservation of the Bank's rights under or related to this Agreement, including without limitation, its rights in respect of any Collateral and the audit or possession of the Collateral.

I. Applicable Law; Severability

This Agreement and all Advances and Commitments made under this Agreement will be governed by the statutory and common law of the United States and, to the extent federal law incorporates or defers to state law, the laws of the State of California (excluding, however, the conflict of laws rules of the State of California). Notwithstanding the foregoing, the

Uniform Commercial Code as in effect in the State of California will be deemed applicable to this Agreement, and to any Advance or Commitment made and to any Collateral pledged under this Agreement. In the event that any portion of this Agreement conflicts with applicable law, such conflict will not affect other provisions of this Agreement that can be given effect without the conflicting provision, and to this end the provisions of this Agreement are declared to be severable.

I. Successors and Assigns

This Agreement will be binding upon and inure to the benefit of the successors and permitted assigns of the Member and the Bank.

/. Notices

Any notice, advice, request, consent, or direction given, made, or withdrawn pursuant to this Agreement must be made in writing or by electronic transmission, and will be deemed to have been duly given to and received by a party when mailed to such party at its given address by first-class mail, or if by personal delivery or electronic transmission, when actually received by such party at its main, home, or principal office.

/. Consent to Receive Information and Communications

The Member hereby grants the Bank its express permission, invitation, and consent to send to the Member from time to time notices, announcements, bulletins, press releases, and other information and communications, some of which may be deemed advertisements, concerning the Bank and its products and services and other information that the Bank believes may be of interest or benefit to the Member, by mail, delivery service, e-mail, or facsimile to the address(es), e- mail address(es), and facsimile number(s) as the Member has indicated or will indicate to the Bank from time to time.

I. Agreement Interpretation

The parties agree that this Agreement will be interpreted in a fair, equal, and neutral manner as to each of the parties, notwithstanding the provisions of Section 1654 of the California Civil Code or any similar common law.

I. Entire Agreement

This Agreement embodies the entire agreement and understanding between the parties relating to the subject matter and supersedes all prior agreements between the parties that relate to the subject matter. Notwithstanding the above, Advances and Commitments made by the Bank to the Member prior to the execution of this Agreement will continue to be governed by the terms of the Confirmation pursuant to which such Advances and Commitments were made, and otherwise by the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the Member and the Bank have caused this Agreement to be signed in their names by their duly authorized officers as of the date first mentioned above.

____
Full Corporate Name of Member

____
Authorized Signature* Authorized Signature*

____
Name Name

____
Title Title

* This Agreement must be signed in accordance with the Member's authorizations on file with the Bank, and the accompanying acknowledgment form must be completed by a Notary Public.

Federal Home Loan Bank of San Francisco

____
Authorized Signature Authorized Signature

____
Name Name

____
Title Title

Mail this form to:

Federal Home Loan Bank of San Francisco
600 California Street, Suite 300
San Francisco, CA 94108

or

Federal Home Loan Bank of San Francisco
P.O. Box 7948
San Francisco, CA 94120

Exhibit 31.1

CERTIFICATIONS

I, Douglas D. Dirks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Employers Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020	/s/ Douglas D. Dirks
	Douglas D. Dirks
	President and Chief Executive Officer
	Employers Holdings, Inc.

Exhibit 31.2

CERTIFICATIONS

I, Michael S. Paquette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Employers Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020

/s/ Michael S. Paquette

Michael S. Paquette
Executive Vice President and Chief Financial Officer
Employers Holdings, Inc.
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Form 10-Q of Employers Holdings, Inc. (the Company) for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	July 28, 2020	/s/ Douglas D. Dirks
		Douglas D. Dirks
		President and Chief Executive Officer
		Employers Holdings, Inc.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Form 10-Q of Employers Holdings, Inc. (the Company) for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2020

/s/ Michael S. Paquette

Michael S. Paquette
Executive Vice President and Chief Financial Officer
Employers Holdings, Inc.
(Principal Financial and Accounting Officer)