

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

**FORM 8-K**

**CURRENT REPORT**

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

**Date of report (Date of earliest event reported): October 22, 2020**

**EMPLOYERS HOLDINGS, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Nevada**

(State or Other Jurisdiction of Incorporation)

**001-33245**

(Commission File Number)

**04-3850065**

(I.R.S. Employer Identification No.)

**10375 Professional Circle**

**Reno, Nevada**

(Address of Principal Executive Offices)

**89521**

(Zip Code)

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

**No change since last report**

(Former Name or Address, if Changed Since Last Report)

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

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

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

Emerging growth company

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

## Section 2 – Financial Information

### Item 2.02. Results of Operations and Financial Condition.

On October 22, 2020, Employers Holdings, Inc. (the “Company”) issued a press release and financial supplement announcing results for the quarter ended September 30, 2020. The press release and financial supplement are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference, and are being furnished, not filed, under Item 2.02 to this Current Report on Form 8-K.

## Section 8 – Other Information

### Item 8.01. Other Events.

On October 21, 2020, the Company's Board of Directors declared a fourth quarter 2020 cash dividend of \$0.25 per share on the Company's common stock. The dividend is payable on November 18, 2020 to stockholders of record as of November 4, 2020.

## Section 9 – Financial Statements and Exhibits

### Item 9.01. Financial Statements and Exhibits.

99.1 Employers Holdings, Inc. press release, dated October 22, 2020.

99.2 Employers Holdings, Inc. financial supplement, dated October 22, 2020.

## SIGNATURE

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

EMPLOYERS HOLDINGS, INC.

Dated: October 22, 2020

/s/ Michael S. Paquette

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Michael S. Paquette  
Executive Vice President,  
Chief Financial Officer

## Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>	
99.1	<a href="#">Employers Holdings, Inc. press release, dated</a>	October 22, 2020
99.2	<a href="#">Employers Holdings, Inc. financial supplement, dated</a>	October 22, 2020

## **Employers Holdings, Inc. Reports Third Quarter 2020 Results; Declares Fourth Quarter 2020 Cash Dividend of \$0.25 per Share**

**Company to Host Conference Call on Friday, October 23, 2020, at 11:00 a.m. Eastern Daylight Time**

**Reno, Nevada-October 22, 2020-Employers Holdings, Inc. (the "Company")** (NYSE:EIG), a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low-to-medium hazard industries, today reported financial results for its third quarter ended September 30, 2020.

### **Financial Highlights**

- Net income of \$31.1 million, or \$1.05 per diluted share;
- Adjusted net income of \$14.1 million, or \$0.48 per diluted share;
- Net realized and unrealized gains on investments recorded through the income statement of \$19.1 million;
- Net investment income of \$18.5 million, down 17% year-over-year;
- Net premiums earned of \$144.4 million, down 18% year-over-year;
- Favorable prior year loss reserve development on voluntary business of \$15.0 million, versus \$20.0 million a year ago;
- The Company repurchased 314,241 shares of its common stock at an average price of \$29.75 per share;
- Book value per share including the Deferred Gain of \$44.62, up 3.3% for the quarter including dividends declared.

### **Management Commentary**

Chief Executive Officer Douglas Dirks commented: "During the third quarter, we delivered a 5% annualized return on adjusted equity and a 13% annualized increase in our book value per share including the deferred gain. Each represents a solid result given the ongoing negative impact of the COVID-19 pandemic on the U.S. economy and on small businesses specifically. Although our operating results for the third quarter were good, considering the challenging macro-economic environment, our top line continues to be adversely impacted by a meaningful decrease in new business premium, principally related to our larger accounts. We have concluded that we cannot achieve acceptable margins on many of these accounts and have returned the businesses that does not meet our pricing objectives back to the market.

Our new business writings were down sharply earlier in the year, but have rebounded since June. We are currently experiencing significant year-over-year increases in new business submissions and binds in nearly all the states in which we operate, with the notable exception of California which continues to lag all other states. Despite the increases in new business that we have experienced year-to-date, our new business premium has fallen, driven primarily by a significant decline in policies with premium greater than \$25,000.

The increase in new business activity we are seeing today is an encouraging sign that many of our targeted businesses have reopened and are resuming their operations, and that the significant investments we have made in delivering a superior customer experience for our agents and insureds are contributing to growth in our business in an unprecedentedly challenging time. We continue to actively manage our underwriting expenses with a view towards maintaining our target expense ratios despite the meaningful reductions in earned premium we have experienced thus far this year. We continue to believe that the COVID-19 pandemic will likely be more of a premium event than a capital event.

Mr. Dirks continued, "Our balance sheet and income statement were each favorably impacted by \$27 million of pretax investment gains arising during the quarter, thanks to the further recovery in the financial markets. We were also successful in terms of managing our capital. During the quarter we repurchased \$9 million of our common stock and, year-to-date, we have returned \$107 million to our shareholders through share repurchases and regular quarterly dividends. Our balance sheet and capital position remain strong and supportive of our aggressive business objectives."

### **Summary of Third Quarter 2020 Operating Results**

(All comparisons vs. third quarter 2019, unless noted otherwise).

Gross premiums written were \$131.3 million, a decrease of 21%. The decrease was primarily due to declines in new business premium, particularly in California, and a reduction in our estimated final audit premium accruals. Net premiums earned were \$144.4 million, a decrease of 18% year-over-year.

Losses and loss adjustment expenses were \$77.1 million, a decrease of 17%. The Company recognized \$15.0 million of favorable prior year loss reserve development on voluntary business during the current period versus \$20.0 million of favorable prior year loss reserve development a year ago.

Commission expenses were \$19.4 million, a decrease of 11%. The decrease was primarily due to the decrease in earned premiums.

Underwriting and general and administrative expenses were \$46.4 million, an increase of 2%. The increase was largely the result of higher premium taxes, assessments and bad debt expenses.

Net investment income was \$18.5 million, a decrease of 17%. The decrease was primarily due to lower bond yields and an increase in the amortization of bond premiums associated with the Company's residential mortgage-backed securities, which resulted from an acceleration in near-term mortgage loan prepayment speed assumptions.

Income tax expense was \$7.2 million (19% effective rate) versus \$8.1 million (20% effective rate). The decrease in the effective rate was due primarily to having a higher proportion of tax-advantaged income to total pre-tax income than a year ago.

The Company's book value per share of \$40.16 and book value per share including the Deferred Gain of \$44.62 increased by 3.8% and 3.3% during the third quarter of 2020, respectively, each computed after taking into account dividends declared. These measures were favorably impacted during the current period by \$13.6 million of net after tax unrealized gains arising from equity securities and other investments (which are reflected on the income statement) and \$8.0 million of after tax unrealized gains arising from fixed maturity securities (which are reflected on the balance sheet).

## Summary of Results by Segment

(see page 14 of the Financial Supplement for a description of our reportable segments. All comparisons vs. third quarter 2019, unless noted otherwise).

### Employers Segment

The Employers segment reported net income before income taxes of \$42.8 million versus \$46.8 million.

Highlights included the following:

- Underwriting income of \$6.9 million versus \$22.5 million;
- Combined ratio of 95.2% versus 87.3%;
- Current accident year loss and LAE ratio of 65.3% versus 65.6%;
- Favorable prior year loss reserve development of 10.2 percentage points versus 11.4 percentage points;
- Commission expense ratio of 13.4% versus 12.5%;
- Underwriting expense ratio of 26.7% versus 20.6%;
- Net investment income of \$17.5 million versus \$21.4 million; and
- Net realized and unrealized gains on investments recorded through the income statement of \$19.2 million versus \$2.6 million.

### Cerity Segment

The Cerity segment reported a net loss before income taxes of \$3.2 million versus \$3.8 million, and an underwriting loss of \$3.9 million versus \$4.1 million.

### Corporate and Other

Corporate and Other activities reported a net loss before income taxes of \$1.3 million versus \$2.1 million.

Highlights included the following:

- LPT amortization, which served to reduce losses and LAE, of \$2.5 million versus \$2.3 million;
- Net investment income of \$0.2 million versus \$0.7 million; and
- General and administrative expenses of \$4.0 million versus \$5.0 million.

## Share Repurchases and Fourth Quarter 2020 Dividend Declaration

During the third quarter of 2020, the Company repurchased 314,241 shares of its common stock at an average price of \$29.75 per share. During the period from October 1, 2020 through October 16, 2020, the Company repurchased a further 50,542 shares of its common shares at an average price of \$30.70 per share. The Company currently has a remaining share repurchase authorization of \$44.2 million.

On October 21, 2020, the Board of Directors declared a fourth quarter 2020 dividend of \$0.25 per share. The dividend is payable on November 18, 2020 to stockholders of record as of November 4, 2020.

### **Earnings Conference Call and Webcast**

The Company will host a conference call on Friday, October 23, 2020, at 11:00 a.m. Eastern Daylight Time / 8:00 a.m. Pacific Daylight Time.

To participate in the live conference call by telephone, dial +1 (888) 364-8443 or +1 (484) 747-6630 and use the conference call access code 3787131.

The webcast will be accessible on the Company's web site at [www.employers.com](http://www.employers.com) through the "Investors" link. An archived version of the webcast will remain on the Company's web site for up to seven days following the live call. To listen to a recording of the call by telephone, dial +1 (855) 859-2056 or +1 (404) 537-3406 and use the conference call access code 3787131.

### **Reconciliation of Non-GAAP Financial Measures to GAAP**

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

Within this earnings release we present various financial measures, some of which are "Non-GAAP financial measures" as defined in Regulation G pursuant to Section 401 of the Sarbanes - Oxley Act of 2002. A description of these Non-GAAP financial measures, as well as a reconciliation of such Non-GAAP measures to our most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these Non-GAAP measures are important to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. Management further believes that these measures are more relevant than comparable GAAP measures in evaluating our financial performance.

### **Forward-Looking Statements**

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

### **Filings with the SEC**

The Company's filings with the SEC and its quarterly investor presentations can be accessed through the "Investors" link on the Company's website, [www.employers.com](http://www.employers.com). The Company's filings with the SEC can also be accessed through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (EDGAR CIK No. 0001379041).

### **About Employers Holdings, Inc.**

EMPLOYERS® and America's small business insurance specialist® are registered trademarks of EIG Services, Inc. Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low-to-medium hazard industries. The Company operates throughout the United States, with the exception of four states that are served exclusively by their state funds. Insurance is offered through Employers Insurance Company of Nevada, Employers Compensation Insurance Company, Employers Preferred Insurance Company, Employers Assurance Company and Cerity Insurance Company, all rated A- (Excellent) by the A.M. Best Company. Not all companies do business in all jurisdictions. See [www.employers.com](http://www.employers.com) and [www.cerity.com](http://www.cerity.com) for coverage availability.

### **Contact Information**

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**Employers Holdings, Inc.**  
Third Quarter 2020  
Financial Supplement

***EMPLOYERS***<sup>®</sup>

*America's small business insurance specialist*<sup>®</sup>

# EMPLOYERS HOLDINGS, INC.

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

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2020	2019	% change	2020	2019	% change
<b>Selected financial highlights:</b>						
Gross premiums written	\$ 131.3	\$ 166.5	(21)%	\$ 456.2	\$ 553.1	(18)%
Net premiums written	129.6	165.2	(22)	452.0	549.1	(18)
Net premiums earned	144.4	175.8	(18)	463.8	526.1	(12)
Net investment income	18.5	22.3	(17)	58.3	65.5	(11)
Net income before impact of the LPT <sup>(1)</sup>	28.6	30.5	(6)	48.4	114.9	(58)
Adjusted net income <sup>(1)</sup>	14.1	28.4	(50)	50.8	88.6	(43)
Net income before income taxes	38.3	40.9	(6)	67.3	152.4	(56)
Net income	31.1	32.8	(5)	55.8	125.4	(56)
Comprehensive income	37.8	47.6	(21)	102.2	207.2	(51)
Total assets				3,985.1	4,024.9	(1)
Stockholders' equity				1,167.4	1,160.4	1
Stockholders' equity including the Deferred Gain <sup>(2)</sup>				1,297.1	1,299.8	—
Adjusted stockholders' equity <sup>(2)</sup>				1,185.4	1,231.7	(4)
Annualized adjusted return on stockholders' equity <sup>(3)</sup>	4.8 %	9.3 %	(48)%	5.6 %	9.8 %	(43)%
<b>Amounts per share:</b>						
Cash dividends declared per share	\$ 0.25	\$ 0.22	14 %	\$ 0.75	\$ 0.66	14 %
Earnings per diluted share <sup>(4)</sup>	1.05	1.01	4	1.83	3.85	(52)
Earnings per diluted share before impact of the LPT <sup>(4)</sup>	0.97	0.94	3	1.59	3.53	(55)
Adjusted earnings per diluted share <sup>(4)</sup>	0.48	0.88	(45)	1.66	2.72	(39)
Book value per share <sup>(2)</sup>				40.16	36.47	10
Book value per share including the Deferred Gain <sup>(2)</sup>				44.62	40.86	9
Adjusted book value per share <sup>(2)</sup>				40.78	38.71	5
<b>Financial information by Segment<sup>(5)</sup>:</b>						
Net income (loss) before income taxes						
Employers	\$ 42.8	\$ 46.8	(9)%	\$ 80.6	\$ 160.9	(50)%
Cerity	(3.2)	(3.8)	(16)	(9.9)	(11.4)	13
Corporate and Other	(1.3)	(2.1)	(38)	(3.4)	2.9	(217)

(1) See Page 3 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 11 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 8 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 12 for description and calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(5) See Pages 4-7 for details and Page 14 for a description of our reportable segments.

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Investments, cash and cash equivalents	\$ 2,954.2	\$ 2,933.6
Accrued investment income	17.2	16.4
Premiums receivable, net	251.6	285.7
Reinsurance recoverable, net of allowance, on paid and unpaid losses and LAE	521.0	539.7
Deferred policy acquisition costs	46.6	47.9
Contingent commission receivable—LPT Agreement	13.2	13.2
Other assets	181.3	167.6
<b>Total assets</b>	<b>\$ 3,985.1</b>	<b>\$ 4,004.1</b>
<b>LIABILITIES</b>		
Unpaid losses and LAE	\$ 2,141.4	\$ 2,192.8
Unearned premiums	325.6	337.1
Commissions and premium taxes payable	45.5	48.6
Deferred Gain	129.7	137.1
FHLB Advances <sup>(1)</sup>	35.0	—
Other liabilities	140.5	122.7
<b>Total liabilities</b>	<b>\$ 2,817.7</b>	<b>\$ 2,838.3</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and additional paid-in capital	\$ 402.2	\$ 397.0
Retained earnings	1,191.4	1,158.8
Accumulated other comprehensive income, net	111.7	65.3
Treasury stock, at cost	(537.9)	(455.3)
<b>Total stockholders' equity</b>	<b>1,167.4</b>	<b>1,165.8</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,985.1</b>	<b>\$ 4,004.1</b>
Stockholders' equity including the Deferred Gain <sup>(2)</sup>	\$ 1,297.1	\$ 1,302.9
<b>Adjusted stockholders' equity <sup>(2)</sup></b>	<b>1,185.4</b>	<b>1,237.6</b>
Book value per share <sup>(2)</sup>	\$ 40.16	\$ 37.18
Book value per share including the Deferred Gain <sup>(2)</sup>	44.62	41.55
<b>Adjusted book value per share <sup>(2)</sup></b>	<b>40.78</b>	<b>39.47</b>

(1) FHLB=Federal Home Loan Bank

(2) See Page 11 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Summary Consolidated Income Statements (unaudited)**  
**\$ in millions**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>				
Gross premiums written	\$ 131.3	\$ 166.5	\$ 456.2	\$ 553.1
Premiums ceded	(1.7)	(1.3)	(4.2)	(4.0)
Net premiums written	129.6	165.2	452.0	549.1
Net premiums earned	\$ 144.4	\$ 175.8	\$ 463.8	\$ 526.1
Net investment income	18.5	22.3	58.3	65.5
Net realized and unrealized gains (losses) on investments <sup>(1)</sup>	19.1	2.6	(2.3)	33.3
Other income (loss)	(0.1)	0.3	0.5	0.6
<b>Total revenues</b>	<b>181.9</b>	<b>201.0</b>	<b>520.3</b>	<b>625.5</b>
<b>Expenses:</b>				
Losses and LAE incurred	(77.1)	(92.9)	(254.5)	(268.2)
Commission expense	(19.4)	(21.9)	(59.9)	(67.7)
Underwriting and general and administrative expenses	(46.4)	(45.3)	(137.9)	(136.6)
Interest and financing expenses	—	—	—	(0.6)
Other expenses	(0.7)	—	(0.7)	—
<b>Total expenses</b>	<b>(143.6)</b>	<b>(160.1)</b>	<b>(453.0)</b>	<b>(473.1)</b>
Net income before income taxes	38.3	40.9	67.3	152.4
Income tax expense	(7.2)	(8.1)	(11.5)	(27.0)
<b>Net income</b>	<b>31.1</b>	<b>32.8</b>	<b>55.8</b>	<b>125.4</b>
Unrealized AFS investment gains arising during the period, net of tax <sup>(2)</sup>	8.0	16.4	48.2	84.1
Reclassification adjustment for realized AFS investment gains in net income, net of tax <sup>(2)</sup>	(1.3)	(1.6)	(1.8)	(2.3)
<b>Total comprehensive income</b>	<b>\$ 37.8</b>	<b>\$ 47.6</b>	<b>\$ 102.2</b>	<b>\$ 207.2</b>
Net income	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Amortization of the Deferred Gain - losses	(2.0)	(1.9)	(6.1)	(7.1)
Amortization of the Deferred Gain - contingent commission	(0.5)	(0.4)	(1.3)	(1.4)
LPT reserve adjustment	—	—	—	(1.8)
LPT contingent commission adjustments	—	—	—	(0.2)
<b>Net income before impact of the LPT Agreement <sup>(3)</sup></b>	<b>28.6</b>	<b>30.5</b>	<b>48.4</b>	<b>114.9</b>
Net realized and unrealized (gains) losses on investments	(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases	0.7	—	0.7	—
Income tax expense (benefit) related to items excluded from Net income	3.9	0.5	(0.6)	7.0
<b>Adjusted net income</b>	<b>\$ 14.1</b>	<b>\$ 28.4</b>	<b>\$ 50.8</b>	<b>\$ 88.6</b>

(1) Includes unrealized gains (losses) on equity securities of \$3.7 million and \$(10.3) million for the three months ended September 30, 2020 and 2019, respectively, and \$(23.2) million and \$17.7 million for the nine months ended September 30, 2020 and 2019, respectively.

(2) AFS = Available for Sale securities.

(3) See Page 13 regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Three Months Ended September 30, 2020</b>				
Gross premiums written	\$ 131.2	\$ 0.1	\$ —	\$ 131.3
Net premiums written	129.5	0.1	—	129.6
Net premiums earned	<b>A</b> 144.4	—	—	144.4
Net investment income	17.5	0.8	0.2	18.5
Net realized and unrealized gains (losses) on investments	19.2	(0.1)	—	19.1
Other income (loss)	(0.1)	—	—	(0.1)
Total revenues	<u>181.0</u>	<u>0.7</u>	<u>0.2</u>	<u>181.9</u>
Losses and LAE incurred	<b>B</b> (79.5)	(0.1)	2.5	(77.1)
Commission expense	<b>C</b> (19.4)	—	—	(19.4)
Underwriting and general and administrative expenses	<b>D</b> (38.6)	(3.8)	(4.0)	(46.4)
Other expenses	(0.7)	—	—	(0.7)
Total expenses	<u>(138.2)</u>	<u>(3.9)</u>	<u>(1.5)</u>	<u>(143.6)</u>
<b>Net income (loss) before income taxes</b>	<b>\$ 42.8</b>	<b>\$ (3.2)</b>	<b>\$ (1.3)</b>	<b>\$ 38.3</b>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> 6.9	(3.9)		
Loss and LAE expense ratio:				
Current year	65.3 %	n/m		
Prior years	(10.2)	—		
Loss and LAE ratio	55.1	n/m		
Commission expense ratio	13.4	n/m		
Underwriting expense ratio	26.7	n/m		
<b>Combined ratio</b>	<u>95.2 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Three Months Ended September 30, 2019</b>				
Gross premiums written	\$ 166.4	\$ 0.1	\$ —	\$ 166.5
Net premiums written	165.1	0.1	—	165.2
Net premiums earned	<b>A</b> 175.8	—	—	175.8
Net investment income	21.4	0.2	0.7	22.3
Net realized and unrealized gains (losses) on investments	2.6	0.1	(0.1)	2.6
Other income	0.3	—	—	0.3
<b>Total revenues</b>	<u>200.1</u>	<u>0.3</u>	<u>0.6</u>	<u>201.0</u>
Losses and LAE incurred	<b>B</b> (95.2)	—	2.3	(92.9)
Commission expense	<b>C</b> (21.9)	—	—	(21.9)
Underwriting and general and administrative expenses	<b>D</b> (36.2)	(4.1)	(5.0)	(45.3)
<b>Total expenses</b>	<u>(153.3)</u>	<u>(4.1)</u>	<u>(2.7)</u>	<u>(160.1)</u>
<b>Net income (loss) before income taxes</b>	<u>\$ 46.8</u>	<u>\$ (3.8)</u>	<u>\$ (2.1)</u>	<u>\$ 40.9</u>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> \$ 22.5	\$ (4.1)		
Loss and LAE expense ratio:				
Current year	65.6 %	n/m		
Prior years	(11.4)	—		
<b>Loss and LAE ratio</b>	<u>54.2</u>	<u>n/m</u>		
<b>Commission expense ratio</b>	<u>12.5</u>	<u>n/m</u>		
<b>Underwriting expense ratio</b>	<u>20.6</u>	<u>n/m</u>		
<b>Combined ratio</b>	<u>87.3 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Nine Months Ended September 30, 2020</b>				
Gross premiums written	\$ 456.1	\$ 0.1	\$ —	\$ 456.2
Net premiums written	451.9	0.1	—	452.0
Net premiums earned	<b>A</b> 463.7	0.1	—	463.8
Net investment income	54.9	2.5	0.9	58.3
Net realized and unrealized gains (losses) on investments	0.1	(0.5)	(1.9)	(2.3)
Other income	0.5	—	—	0.5
Total revenues	519.2	2.1	(1.0)	520.3
Losses and LAE incurred	<b>B</b> (261.8)	(0.1)	7.4	(254.5)
Commission expense	<b>C</b> (59.9)	—	—	(59.9)
Underwriting and general and administrative expenses	<b>D</b> (116.2)	(11.9)	(9.8)	(137.9)
Other expenses	(0.7)	—	—	(0.7)
Total expenses	(438.6)	(12.0)	(2.4)	(453.0)
<b>Net income (loss) before income taxes</b>	<b>\$ 80.6</b>	<b>\$ (9.9)</b>	<b>\$ (3.4)</b>	<b>\$ 67.3</b>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> 25.8	(11.9)		
Loss and LAE expense ratio:				
Current year	65.5 %	n/m		
Prior years	(9.0)	—		
Loss and LAE ratio	56.5	n/m		
Commission expense ratio	12.9	n/m		
Underwriting expense ratio	25.1	n/m		
<b>Combined ratio</b>	<b>94.5 %</b>	<b>n/m</b>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Nine Months Ended September 30, 2019</b>				
Gross premiums written	\$ 553.0	\$ 0.1	\$ —	\$ 553.1
Net premiums written	549.0	0.1	—	549.1
Net premiums earned	<b>A</b> 526.1	—	—	526.1
Net investment income	62.3	0.2	3.0	65.5
Net realized and unrealized gains on investments	30.3	0.1	2.9	33.3
Other income	0.6	—	—	0.6
<b>Total revenues</b>	<b>619.3</b>	<b>0.3</b>	<b>5.9</b>	<b>625.5</b>
Losses and LAE incurred	<b>B</b> (278.7)	—	10.5	(268.2)
Commission expense	<b>C</b> (67.7)	—	—	(67.7)
Underwriting and general and administrative expenses	<b>D</b> (111.4)	(11.7)	(13.5)	(136.6)
Interest and financing expenses	(0.6)	—	—	(0.6)
<b>Total expenses</b>	<b>(458.4)</b>	<b>(11.7)</b>	<b>(3.0)</b>	<b>(473.1)</b>
<b>Net income (loss) before income taxes</b>	<b>\$ 160.9</b>	<b>\$ (11.4)</b>	<b>\$ 2.9</b>	<b>\$ 152.4</b>
<b>Underwriting income (loss)</b>	<b>A+B+C+D \$ 68.3</b>	<b>\$ (11.7)</b>		
<b>Loss and LAE expense ratio:</b>				
Current year	65.5 %	n/m		
Prior years	(12.5)	—		
Loss and LAE ratio	53.0	n/m		
Commission expense ratio	12.9	n/m		
Underwriting expense ratio	21.2	n/m		
<b>Combined ratio</b>	<b>87.1 %</b>	<b>n/m</b>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Return on Equity (unaudited)**  
**\$ in millions**

		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2020	2019	2020	2019
<b>Net income</b>	<b>A</b>	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Impact of the LPT Agreement		(2.5)	(2.3)	(7.4)	(10.5)
Net realized and unrealized (gains) losses on investments		(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases		0.7	—	0.7	—
Income tax expense (benefit) related to items excluded from Net income		3.9	0.5	(0.6)	7.0
<b>Adjusted net income <sup>(1)</sup></b>	<b>B</b>	14.1	28.4	50.8	88.6
Stockholders' equity - end of period		\$ 1,167.4	\$ 1,160.4	\$ 1,167.4	\$ 1,160.4
Stockholders' equity - beginning of period		1,144.0	1,121.5	1,165.8	1,018.2
<b>Average stockholders' equity</b>	<b>C</b>	1,155.7	1,141.0	1,166.6	1,089.3
Stockholders' equity - end of period		\$ 1,167.4	\$ 1,160.4	\$ 1,167.4	\$ 1,160.4
Deferred Gain - end of period		129.7	139.4	129.7	139.4
Accumulated other comprehensive income - end of period		(141.4)	(86.2)	(141.4)	(86.2)
Income taxes related to accumulated other comprehensive income - end of period		29.7	18.1	29.7	18.1
Adjusted stockholders' equity - end of period		1,185.4	1,231.7	1,185.4	1,231.7
Adjusted stockholders' equity - beginning of period		1,171.2	1,209.9	1,237.6	1,181.5
<b>Average adjusted stockholders' equity <sup>(1)</sup></b>	<b>D</b>	1,178.3	1,220.8	1,211.5	1,206.6
Return on stockholders' equity	<b>A / C</b>	2.7 %	2.9 %	4.8 %	11.5 %
<b>Annualized return on stockholders' equity</b>		10.8	11.5	6.4	15.3
Adjusted return on stockholders' equity <sup>(1)</sup>	<b>B / D</b>	1.2 %	2.3 %	4.2 %	7.3 %
<b>Annualized adjusted return on stockholders' equity <sup>(1)</sup></b>		4.8	9.3	5.6	9.8

(1) See Page 13 for information regarding our use of Non-GAAP Financial Measures.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Unpaid losses and LAE at beginning of period	\$ 2,170.7	\$ 2,161.8	\$ 2,192.8	\$ 2,207.9
Reinsurance recoverable on unpaid losses and LAE	523.6	484.2	532.5	504.4
Net unpaid losses and LAE at beginning of period	1,647.1	1,677.6	1,660.3	1,703.5
Losses and LAE incurred:				
Current year losses	94.4	115.4	303.8	344.8
Prior year losses on voluntary business	(15.0)	(20.0)	(41.5)	(66.0)
Prior year losses on involuntary business	0.2	(0.2)	(0.4)	(0.1)
Total losses incurred	79.6	95.2	261.9	278.7
Losses and LAE paid:				
Current year losses	26.7	32.9	50.7	63.5
Prior year losses	72.3	69.7	243.8	248.5
Total paid losses	99.0	102.6	294.5	312.0
Net unpaid losses and LAE at end of period	1,627.7	1,670.2	1,627.7	1,670.2
Reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	513.7	527.1	513.7	527.1
Unpaid losses and LAE at end of period	\$ 2,141.4	\$ 2,197.3	\$ 2,141.4	\$ 2,197.3

Total losses and LAE shown in the above table exclude amortization of the Deferred Gain, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments which totaled \$2.5 million and \$2.3 million for the three months ended September 30, 2020 and 2019, respectively and \$7.4 million and \$10.5 million for the nine months ended September 30, 2020 and 2019, respectively.

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

	September 30, 2020				December 31, 2019	
	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value	%	Fair Value	%
<b>Investment Positions:</b>						
Fixed maturity securities	\$ 2,301.6	\$ 141.0	\$ 2,442.6	83 %	\$ 2,485.9	85 %
Equity securities	117.5	77.9	195.4	7	263.4	9
Short-term investments	45.4	0.4	45.8	2	—	—
Other invested assets	33.0	(0.2)	32.8	1	29.1	1
Cash and cash equivalents	237.3	—	237.3	8	154.9	5
Restricted cash and cash equivalents	0.3	—	0.3	—	0.3	—
Total investments and cash	\$ 2,735.1	\$ 219.1	\$ 2,954.2	100 %	\$ 2,933.6	100 %
<b>Breakout of Fixed Maturity Securities:</b>						
U.S. Treasuries and agencies	\$ 81.0	\$ 5.0	\$ 86.0	4 %	\$ 88.5	4 %
States and municipalities	445.2	33.5	478.7	20	484.5	19
Corporate securities	949.6	80.3	1,029.9	42	1,079.0	43
Mortgage-backed securities	544.8	25.2	570.0	23	591.0	24
Asset-backed securities	32.9	0.1	33.0	1	61.2	2
Collateralized loan obligations	84.4	(1.5)	82.9	3	—	—
Bank loans	163.7	(1.6)	162.1	7	181.7	7
Total fixed maturity securities	\$ 2,301.6	\$ 141.0	\$ 2,442.6	100 %	\$ 2,485.9	100 %
Weighted average book yield			3.0%		3.3%	
Average credit quality (S&P)			A+		A+	
Duration			3.0		3.3	

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

		<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<b>Numerators:</b>					
<b>Stockholders' equity</b>	<b>A</b>	\$ 1,167.4	\$ 1,144.0	\$ 1,165.8	\$ 1,160.4
Plus: Deferred Gain		129.7	132.2	137.1	139.4
<b>Stockholders' equity including the Deferred Gain <sup>(1)</sup></b>	<b>B</b>	1,297.1	1,276.2	1,302.9	1,299.8
Accumulated other comprehensive income		(141.4)	(132.9)	(82.6)	(86.2)
Income taxes related to accumulated other comprehensive gains		29.7	27.9	17.3	18.1
<b>Adjusted stockholders' equity <sup>(1)</sup></b>	<b>C</b>	<u>\$ 1,185.4</u>	<u>\$ 1,171.2</u>	<u>\$ 1,237.6</u>	<u>\$ 1,231.7</u>
<b>Denominator (shares outstanding)</b>	<b>D</b>	29,069,753	29,382,894	31,355,378	31,814,678
Book value per share <sup>(1)</sup>	<b>A / D</b>	\$ 40.16	\$ 38.93	\$ 37.18	\$ 36.47
Book value per share including the Deferred Gain <sup>(1)</sup>	<b>B / D</b>	44.62	43.43	41.55	40.86
Adjusted book value per share <sup>(1)</sup>	<b>C / D</b>	40.78	39.86	39.47	38.71
<b>YTD Change in: <sup>(2)</sup></b>					
Book value per share		10.0 %			19.5 %
Book value per share including the Deferred Gain		9.2			16.5
Adjusted book value per share		5.2			9.2

(1) See Page 13 for information regarding our use of Non-GAAP Financial Measures.

(2) Reflects the change in book value per share after taking into account dividends declared of \$0.75 and \$0.66 for the nine months ended September 30, 2020 and 2019, respectively.

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

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2020	2019	2020	2019	
<b>Numerators:</b>					
<b>Net income</b>	<b>A</b>	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Impact of the LPT Agreement		(2.5)	(2.3)	(7.4)	(10.5)
<b>Net income before impact of the LPT <sup>(1)</sup></b>	<b>B</b>	28.6	30.5	48.4	114.9
Net realized and unrealized (gains) losses on investments		(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases		0.7	—	0.7	—
Income tax expense related to items excluded from Net income		3.9	0.5	(0.6)	7.0
<b>Adjusted net income <sup>(1)</sup></b>	<b>C</b>	\$ 14.1	\$ 28.4	\$ 50.8	\$ 88.6
<b>Denominators:</b>					
Average common shares outstanding (basic)	<b>D</b>	29,337,426	31,946,851	30,241,148	32,168,826
Average common shares outstanding (diluted)	<b>E</b>	29,568,406	32,318,017	30,532,910	32,587,455
<b>Earnings per share:</b>					
Basic	<b>A / D</b>	\$ 1.06	\$ 1.03	\$ 1.85	\$ 3.90
Diluted	<b>A / E</b>	1.05	1.01	1.83	3.85
<b>Earnings per share before impact of the LPT: <sup>(1)</sup></b>					
Basic	<b>B / D</b>	\$ 0.97	\$ 0.95	\$ 1.60	\$ 3.57
Diluted	<b>B / E</b>	0.97	0.94	1.59	3.53
<b>Adjusted earnings per share: <sup>(1)</sup></b>					
Basic	<b>C / D</b>	\$ 0.48	\$ 0.89	\$ 1.68	\$ 2.75
Diluted	<b>C / E</b>	0.48	0.88	1.66	2.72

(1) See Page 13 for information regarding our use of Non-GAAP Financial Measures.

## **Non-GAAP Financial Measures**

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

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

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

**Adjusted net income** (see Page 3 for calculations) is net income excluding the effects of the LPT Agreement, and net realized and unrealized gains and losses on investments (net of tax), and any miscellaneous non-recurring transactions (net of tax). Management believes that providing this non-GAAP measure is helpful to investors, analysts and other interested parties in identifying trends in the Company's operating performance because such items have limited significance to its ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends.

**Stockholders' equity including the Deferred Gain** (see Page 11 for calculations) is stockholders' equity including the Deferred Gain. Management believes that providing this non-GAAP measure is useful in providing investors, analysts and other interested parties a meaningful measure of the Company's total underwriting capital.

**Adjusted stockholders' equity** (see Page 11 for calculations) is stockholders' equity including the Deferred Gain, less accumulated other comprehensive income (net of tax). Management believes that providing this non-GAAP measure is useful to investors, analysts and other interested parties since it serves as the denominator to the Company's adjusted return on stockholders' equity metric.

**Return on stockholders' equity and Adjusted return on stockholders' equity** (see Page 8 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties.

**Book value per share, Book value per share including the Deferred Gain, and Adjusted book value per share** (see Page 11 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties.

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

## **Description of Reportable Segments**

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), resulting in changes to its reportable segments. 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 its 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; and
- 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 (pre-acquisition) business assumed and ceded by Cerity Insurance Company. These expenses are not considered to be part of a reportable segment and are not otherwise allocated to a reportable segment.

Prior to December 31, 2019, the Company operated under a single reportable segment and presented its Combined Ratio on that basis. In light of its change in reporting segments, the Company now presents a separate Combined Ratio for each of its reporting segments.

All periods prior to December 31, 2019 presented herein have been conformed to the current presentation.