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 March 31, 2021

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 April 15, 2021, there were 28,522,190 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 March 31, 2021	As of December 31, 2020
Assets	(unaudited)	
Investments:		
Fixed maturity securities at fair value (amortized cost $2,385.4 at March 31, 2021 and $2,333.6 at December 31, 2020, net of CECL allowance of $0.2 at March 31, 2021 and $0.7 at December 31, 2020)	$ 2,485.4	$ 2,479.2
Equity securities at fair value (cost $124.8 at March 31, 2021 and $112.4 at December 31, 2020)	229.7	208.5
Equity securities at cost	6.7	6.7
Other invested assets (cost $42.3 at March 31, 2021 and $36.8 at December 31, 2020)	42.4	36.2
Short-term investments at fair value (amortized cost $1.0 at March 31, 2021 and $26.5 at December 31, 2020)	1.0	26.6
Total investments	2,765.2	2,757.2
Cash and cash equivalents	85.4	160.4
Restricted cash and cash equivalents	0.2	0.2
Accrued investment income	17.2	15.3
Premiums receivable (less CECL allowance of $12.2 at March 31, 2021 and $10.8 at December 31, 2020)	243.7	232.1
Reinsurance recoverable for:		
Paid losses	7.2	7.6
Unpaid losses (less CECL allowance of $0.4 at March 31, 2021 and $0.4 at December 31, 2020)	491.9	496.6
Deferred policy acquisition costs	44.1	43.2
Property and equipment, net	18.1	19.1
Operating lease right-of-use assets	16.4	17.4
Intangible assets, net	13.6	13.6
Goodwill	36.2	36.2
Contingent commission receivable—LPT Agreement	13.4	13.4
Cloud computing arrangements	49.7	50.2
Other assets	61.7	60.1
Total assets	$ 3,864.0	$ 3,922.6
Liabilities and stockholders' equity		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	$ 2,034.1	$ 2,069.4
Unearned premiums	313.8	299.1
Commissions and premium taxes payable	38.3	43.0
Accounts payable and accrued expenses	23.3	22.9
Deferred reinsurance gain—LPT Agreement	123.3	125.4
FHLB advances	15.0	20.0
Deferred income tax liability	7.4	15.5
Operating lease liability	19.1	19.9
Non-cancellable obligations	24.2	24.1
Other liabilities	78.9	70.5
Total liabilities	$ 2,677.4	$ 2,709.8
Commitments and contingencies		

Employers Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(in millions, except share data)

	As of March 31, 2021	As of December 31, 2020
Stockholders' equity:	(unaudited)	
Common stock, $0.01 par value; 150,000,000 shares authorized; 57,625,808 and 57,413,806 shares issued and 28,478,254 and 28,564,798 shares outstanding at March 31, 2021 and December 31, 2020, respectively	$ 0.6	$ 0.6
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued	—	—
Additional paid-in capital	407.9	404.3
Retained earnings	1,263.8	1,247.9
Accumulated other comprehensive income, net of tax	79.0	115.1
Treasury stock, at cost (29,147,554 shares at March 31, 2021 and 28,849,008 shares at December 31, 2020)	(564.7)	(555.1)
Total stockholders' equity	1,186.6	1,212.8
Total liabilities and stockholders' equity	$ 3,864.0	$ 3,922.6

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 March 31,	
	2021	**2020**
Revenues	(unaudited)	
Net premiums earned	$ 133.9	$ 167.9
Net investment income	18.4	19.9
Net realized and unrealized gains (losses) on investments	10.9	(61.1)
Other income	0.4	0.3
Total revenues	163.6	127.0
Expenses		
Losses and loss adjustment expenses	69.6	104.3
Commission expense	16.8	21.3
Underwriting and general and administrative expenses	46.6	46.7
Interest and financing expenses	0.1	—
Other expenses	2.9	—
Total expenses	136.0	172.3
Net income (loss) before income taxes	27.6	(45.3)
Income tax expense (benefit)	4.5	(10.4)
Net income (loss)	$ 23.1	$ (34.9)
Comprehensive income (loss)		
Unrealized AFS investment losses arising during the period (net of tax benefit of $9.4 and $7.6 for the three months ended March 31, 2021 and 2020, respectively)	$ (35.5)	$ (29.2)
Reclassification adjustment for realized AFS investment (gains) losses in net income (net of tax (expense) benefit of $0.2 and $(1.4) for the three months ended March 31, 2021 and 2020, respectively)	(0.6)	5.5
Other comprehensive loss, net of tax	(36.1)	(23.7)
Total comprehensive loss	$ (13.0)	$ (58.6)
Net realized and unrealized gains (losses) on investments		
Net realized and unrealized gains (losses) on investments before impairments	$ 10.9	$ (61.1)
Net realized and unrealized gains (losses) on investments	$ 10.9	$ (61.1)
Earnings (loss) per common share (Note 13):		
Basic	$ 0.81	$ (1.14)
Diluted	$ 0.80	$ (1.14)
Cash dividends declared per common share, RSUs and PSUs	$ 0.25	$ 0.25

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31, 2021 and 2020
(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, January 1, 2021	57,413,806	$ 0.6	$ 404.3	$ 1,247.9	$ 115.1	$ (555.1)	$ 1,212.8
Stock-based obligations	—	—	5.2	—	—	—	5.2
Stock options exercised	41,851	—	0.9	—	—	—	0.9
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	170,151	—	(2.5)	—	—	—	(2.5)
Acquisition of common stock	—	—	—		—	(9.6)	(9.6)
Dividends declared	—	—	—	(7.1)	—	—	(7.1)
Net income for the period	—	—	—	23.1	—	—	23.1
Change in net unrealized gains on investments, net of taxes of $9.6	—	—	—	—	(36.1)	—	(36.1)
Balance, March 31, 2021	57,625,808	$ 0.6	$ 407.9	$ 1,263.8	$ 79.0	$ (564.7)	$ 1,186.6
Balance, January 1, 2020	57,184,370	$ 0.6	$ 396.4	$ 1,158.8	$ 65.3	$ (455.3)	$ 1,165.8
Stock-based obligations	—	—	2.5	—	—	—	2.5
Stock options exercised	36,500	—	0.8	—	—	—	0.8
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	154,715	—	(2.7)	—	—	—	(2.7)
Acquisition of common stock	—	—	—		—	(42.5)	(42.5)
Dividends declared	—	—	—	(8.0)	—	—	(8.0)
Net loss for the period	—	—	—	(34.9)	—	—	(34.9)
Change in net unrealized gains on investments, net of taxes of $6.2	—	—	—	—	(23.7)	—	(23.7)
Balance, March 31, 2020	57,375,585	$ 0.6	$ 397.0	$ 1,115.9	$ 41.6	$ (497.8)	$ 1,057.3

See accompanying unaudited notes to the consolidated financial statements.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating activities	(unaudited)	
Net income (loss)	$ 23.1	$ (34.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1.9	2.1
Stock-based compensation	5.2	2.4
Amortization of cloud computing arrangements	3.1	1.6
Amortization of premium on investments, net	1.5	3.2
Allowance for expected credit losses	1.4	(0.3)
Deferred income tax expense	9.5	(13.6)
Net realized and unrealized (gains) losses on investments	(10.9)	61.1
Change in operating assets and liabilities:		
Premiums receivable	(13.0)	(5.8)
Reinsurance recoverable on paid and unpaid losses	5.1	5.2
Cloud computing arrangements	(2.6)	(4.5)
Operating lease right-of-use-assets	1.0	1.0
Current federal income taxes	(5.3)	3.0
Unpaid losses and loss adjustment expenses	(35.3)	(1.1)
Unearned premiums	14.7	16.7
Accounts payable, accrued expenses and other liabilities	3.1	(1.9)
Deferred reinsurance gain—LPT Agreement	(2.1)	(2.4)
Operating lease liabilities	(0.8)	(1.0)
Non-cancellable obligations	0.1	(1.7)
Other	(11.1)	(13.6)
Net cash (used by) provided by operating activities	(11.4)	15.5
Investing activities		
Purchases of fixed maturity securities	(243.6)	(228.3)
Purchases of equity securities	(19.3)	(89.3)
Purchases of short-term investments	—	(76.2)
Purchases of other invested assets	(5.6)	(2.7)
Proceeds from sale of fixed maturity securities	74.0	220.2
Proceeds from sale of equity securities	8.0	86.5
Proceeds from maturities and redemptions of fixed maturity securities	116.7	86.6
Proceeds from maturities of short-term investments	25.5	66.9
Net change in unsettled investment purchases and sales	5.6	(5.6)
Capital expenditures and other	(1.1)	(1.9)
Net cash (used by) provided by investing activities	(39.8)	56.2
Financing activities		
Acquisition of common stock	(10.0)	(42.5)
Cash transactions related to stock-based compensation	(1.7)	(1.9)
Dividends paid to stockholders	(7.1)	(8.0)
Repayment of FHLB advances	(5.0)	—
Proceeds from LOC	12.0	—
Repayments on LOC	(12.0)	—
Payments on capital leases	—	(0.1)
Net cash used in financing activities	(23.8)	(52.5)
Net (decrease) increase in cash, cash equivalents and restricted cash	(75.0)	19.2
Cash, cash equivalents and restricted cash at the beginning of the period	160.6	155.2
Cash, cash equivalents and restricted cash at the end of the period	$ 85.6	$ 174.4

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

	As of March 31, 2021	As of December 31, 2020
	(in millions)	
Cash and cash equivalents	$ 85.4	$ 160.4
Restricted cash and cash equivalents supporting reinsurance obligations	0.2	0.2
Total cash, cash equivalents and restricted cash	$ 85.6	$ 160.6

See accompanying unaudited notes to the consolidated financial statements.

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: (i) all claims under the covered policies have closed; (ii) the LPT Agreement is commuted or terminated, upon the mutual agreement of the parties; or (iii) 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, 2020 (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. 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 this 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.

Recently Adopted Accounting Standards

In October 2020, the FASB issued *ASU 2020-10, Codification Improvements*. This update ensures all disclosure guidance that requires or provides an option for an entity to provide notes to the financial statements is included in the Disclosure Section (Section 50) of the Codification. This update also provides codification where the original guidance was unclear. The Company adopted this standard and there was no impact to its consolidated financial condition or results of operations.

In October 2020, the FASB issued *ASU 2020-08*, *Codification Improvements to Subtopic 310-20, Receivable-Nonrefundable Fees and Other Costs*. The amendments in this update shortened the amortization period for certain purchased callable debt securities held at a premium by requiring that entities amortize the premium associated with those callable debt securities within the scope of paragraph 310-20-25-33 to the earliest call date. The amendments affect the guidance in *ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The Company adopted this standard and there was no impact to 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 clarifies existing guidance. The Company adopted this standard and there was no impact to its consolidated financial condition or 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:

	March 31, 2021		December 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in millions)			
Financial assets				
Total investments at fair value	$ 2,716.1	$ 2,716.1	$ 2,714.3	$ 2,714.3
Cash and cash equivalents	85.4	85.4	160.4	160.4
Restricted cash and cash equivalents	0.2	0.2	0.2	0.2

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 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 to the valuation methodology utilized by third party pricing services as of March 31, 2021 and December 31, 2020.

These methods of valuation only produce an estimate of fair value if there is objectively verifiable information to produce a valuation. If objectively verifiable information is not available, the Company would be required to produce 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.

	March 31, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in millions)					
Fixed maturity securities:						
U.S. Treasuries	$ —	$ 78.3	$ —	$ —	$ 78.3	$ —
U.S. Agencies	—	3.0	—	—	3.1	—
States and municipalities	—	442.3	—	—	482.7	—
Corporate securities	—	1,107.3	—	—	1,046.4	—
Residential mortgage-backed securities	—	431.9	—	—	461.0	—
Commercial mortgage-backed securities	—	98.0	—	—	102.4	—
Asset-backed securities	—	50.7	—	—	42.6	—
Collateralized loan obligations	—	84.3	—	—	83.6	—
Foreign government securities	—	12.3	—	—	8.2	—
Other securities	—	177.3	—	—	170.9	—
Total fixed maturity securities	$ —	$ 2,485.4	$ —	$ —	$ 2,479.2	$ —
Equity securities at fair value:						
Industrial and miscellaneous	$ 199.6	$ —	$ —	$ 179.1	$ —	$ —
Other	30.1	—	—	29.4	—	—
Total equity securities at fair value	$ 229.7	$ —	$ —	$ 208.5	$ —	$ —
Short-term investments	$ —	$ 1.0	$ —	$ 4.0	$ 22.6	$ —
Total investments at fair value	$ 229.7	$ 2,486.4	$ —	$ 212.5	$ 2,501.8	$ —

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. 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 March 31, 2021, the Company had unfunded commitments to these private equity limited partnerships totaling $57.9 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.

	March 31, 2021	December 31, 2020
	(in millions)	
Cash equivalents carried at NAV	$ 45.7	$ 58.7
Other invested assets carried at NAV	22.4	16.2

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 March 31, 2021				
Fixed maturity securities				
U.S. Treasuries	$ 75.7	$ 2.6	$ —	$ 78.3
U.S. Agencies	2.8	0.2	—	3.0
States and municipalities	415.3	27.2	(0.2)	442.3
Corporate securities	1,052.7	58.4	(3.8)	1,107.3
Residential mortgage-backed securities	422.6	12.6	(3.3)	431.9
Commercial mortgage-backed securities	93.1	5.1	(0.2)	98.0
Asset-backed securities	50.3	0.9	(0.5)	50.7
Collateralized loan obligations	84.5	—	(0.2)	84.3
Foreign government securities	12.7	—	(0.4)	12.3
Other securities	175.7	1.9	(0.3)	177.3
Total fixed maturity securities	$ 2,385.4	$ 108.9	$ (8.9)	$ 2,485.4
Short-term investments	1.0	—	—	1.0
Total AFS investments	$ 2,386.4	$ 108.9	$ (8.9)	$ 2,486.4
At December 31, 2020				
Fixed maturity securities				
U.S. Treasuries	$ 74.3	$ 4.0	$ —	$ 78.3
U.S. Agencies	2.8	0.3	—	3.1
States and municipalities	449.4	33.3	—	482.7
Corporate securities	963.5	83.2	(0.3)	1,046.4
Residential mortgage-backed securities	444.6	16.7	(0.3)	461.0
Commercial mortgage-backed securities	94.7	7.8	(0.1)	102.4
Asset-backed securities	42.0	0.9	(0.3)	42.6
Collateralized loan obligations	84.4	—	(0.8)	83.6
Foreign government securities	8.0	0.2	—	8.2
Other securities	169.9	1.5	(0.5)	170.9
Total fixed maturity securities	$ 2,333.6	$ 147.9	$ (2.3)	$ 2,479.2
Short-term investments	26.5	0.1	—	26.6
Total AFS investments	$ 2,360.1	$ 148.0	$ (2.3)	$ 2,505.8

The cost and estimated fair value of the Company's equity securities recorded at fair value at March 31, 2021 and December 31, 2020 were as follows:

	Cost	Estimated Fair Value
	(in millions)	
At March 31, 2021		
Equity securities at fair value		
Industrial and miscellaneous	$ 109.0	$ 199.6
Other	15.8	30.1
Total equity securities at fair value	$ 124.8	$ 229.7

At December 31, 2020		
Equity securities at fair value		
Industrial and miscellaneous	$ 94.1	$ 179.1
Other	18.3	29.4
Total equity securities at fair value	$ 112.4	$ 208.5

The Company had Other invested assets totaling $42.4 million and $36.2 million at March 31, 2021 and December 31, 2020, respectively. These investments consisted of: (i) private equity limited partnerships that totaled $22.4 million and $16.2 million (initial cost of $22.3 million and $16.8 million) at March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021, 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	$ 129.9	$ 131.7
Due after one year through five years	682.2	719.9
Due after five years through ten years	814.6	858.3
Due after ten years	108.2	110.6
Mortgage and asset-backed securities	650.5	664.9
Total	$ 2,385.4	$ 2,485.4

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 March 31, 2021 and December 31, 2020.

	March 31, 2021			December 31, 2020		
	Estimated Fair Value	Gross Unrealized Losses	Number of Issues	Estimated Fair Value	Gross Unrealized Losses	Number of Issues
	(dollars in millions)					
Less than 12 months:						
Fixed maturity securities						
States and municipalities	$ 12.9	$ (0.2)	9	$ —	$ —	—
Corporate securities	165.8	(3.8)	111	9.7	(0.3)	10
Residential mortgage-backed securities	144.6	(3.3)	34	47.4	(0.3)	13
Commercial mortgage-backed securities	5.0	(0.2)	5	5.5	(0.1)	6
Asset-backed securities	21.4	(0.5)	9	7.8	(0.3)	6
Collateralized loan obligations	18.4	(0.1)	6	74.6	(0.8)	18
Foreign government securities	12.3	(0.4)	2	—	—	—
Other securities	37.9	(0.2)	125	60.4	(0.5)	146
Total fixed maturity securities	418.3	(8.7)	301	205.4	(2.3)	199
Total less than 12 months	$ 418.3	$ (8.7)	301	$ 205.4	$ (2.3)	199
12 months or greater:						
Fixed maturity securities						
Collateralized loan obligations	$ 38.6	$ (0.1)	7	$ —	$ —	—
Other securities	7.9	(0.1)	31	—	—	—
Total fixed maturity securities	46.5	(0.2)	38	—	—	—
Total 12 months or greater	$ 46.5	$ (0.2)	38	$ —	$ —	—

As of March 31, 2021 and December 31, 2020, the Company had an allowance for current expected credit losses (CECL) on AFS debt securities of $0.2 million and $0.7 million, respectively (See Note 5). Those fixed maturity securities whose total fair value was less than amortized cost at March 31, 2021 and December 31, 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 and losses on investments and the change in unrealized gains and losses 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	Changes in Fair Value Reflected in Earnings	Changes in Fair Value Reflected in AOCI, before tax
	(in millions)					
Three Months Ended March 31, 2021						
Fixed maturity securities	$ 0.7	$ (0.4)	$ 0.5	$ (45.6)	$ 0.8	$ (45.6)
Equity securities	0.9	(0.3)	—	8.8	9.4	—
Other invested assets	—	—	—	0.7	0.7	—
Short-term investments	—	—	—	(0.1)	—	(0.1)
Total investments	$ 1.6	$ (0.7)	$ 0.5	$ (36.2)	$ 10.9	$ (45.7)
Three Months Ended March 31, 2020						
Fixed maturity securities	$ 4.1	$ (0.3)	$ (10.7)	$ (29.9)	$ (6.9)	$ (29.9)
Equity securities	22.7	(7.3)	—	(69.2)	(53.8)	—
Other invested assets	—	—	—	(0.4)	(0.4)	—
Total investments	$ 26.8	$ (7.6)	$ (10.7)	$ (99.5)	$ (61.1)	$ (29.9)

Proceeds from the sales of fixed maturity securities were $74.0 million for the three months ended March 31, 2021, compared to $220.2 million for the three months ended March 31, 2020.

Net investment income was as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in millions)	
Fixed maturity securities	$ 18.2	$ 19.3
Equity securities	0.9	1.3
Other invested assets	0.2	0.6
Short-term investments	0.2	0.1
Cash equivalents and restricted cash	—	0.2
Gross investment income	19.5	21.5
Investment expenses	(1.1)	(1.6)
Net investment income	$ 18.4	$ 19.9

The Company is required by various state laws and regulations to support, through securities on deposit or otherwise, its outstanding loss reserves in 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 March 31, 2021 and December 31, 2020, securities having a fair value of $925.6 million and $768.7 million, respectively, were on deposit. Additionally, standby letters of credit from the FHLB were in place in lieu of $130.0 million and $275.0 million of securities on deposit as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 was $3.1 million and $3.2 million, respectively.

5. Current Expected Credit Losses

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, as a result of the COVID-19 pandemic, unemployment and the temporary and permanent closures of small businesses have increased as of March 31, 2021, and the Company expects this trend to continue until such time that businesses can operate at a more normalized rate. Based on our past experience with generally similar conditions, the Company will continually assess 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 underwriting and general and administrative expenses.

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

	Three Months Ended March 31,	
	2021	2020
	(in millions)	
Beginning balance of the allowance for expected credit losses on premiums receivable	$ 10.8	$ 4.6
Current period provision for expected credit losses	3.3	4.1
Write-offs charged against the allowance	(0.1)	(4.8)
Recoveries collected	(1.8)	—
Ending balance of the allowance for expected credit losses on premiums receivable	$ 12.2	$ 3.9

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 underwriting and general and administrative expenses.

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

	Three Months Ended March 31,	
	2021	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 March 31, 2021, the Company established an aggregate allowance for credit losses in the amount of $0.2 million. For the Company’s investments in fixed-income 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 present value of cash flows expected to be collected to its amortized cost basis. The expected present value of cash flows are calculated using scenario based credit loss models derived from the discounted cash flows under the Comprehensive Capital Analysis Review (CCAR) framework, which is adopted by the Federal Reserve.

As of March 31, 2021, 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 $17.2 million at March 31, 2021 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 March 31,	
	2021	2020
	(in millions)	
Beginning balance of the allowance for expected credit losses on AFS securities	$ 0.7	$ —
Current period provision for expected credit losses	—	10.7
Reductions in allowance from disposals	(0.2)	—
Recoveries of amounts previously written off	(0.3)	—
Ending balance of the allowance for expected credit losses on AFS securities	$ 0.2	$ 10.7

6. Property and Equipment

Property and equipment consists of the following:

	As of March 31 2021	As of December 31, 2020
	(in millions)	
Furniture and equipment	$ 3.4	$ 3.4
Leasehold improvements	5.5	5.5
Computers and software	50.9	53.3
Automobiles	0.9	0.8
Property and equipment, gross	60.7	63.0
Accumulated depreciation	(42.6)	(43.9)
Property and equipment, net	$ 18.1	$ 19.1

Depreciation expenses related to property and equipment for the three months ended March 31, 2021 were $1.9 million, and $8.2 million for the year ended December 31, 2020. Internally developed software costs of $0.5 million were capitalized during the three months ended March 31, 2021, and $3.2 million in internally developed software costs were capitalized during the year ended December 31, 2020.

Cloud Computing Arrangements

The Company’s capitalized costs associated with cloud computing arrangements totaled $49.7 million and $50.2 million, which were comprised of service contract fees and implementation costs associated with hosting arrangements on the Company’s Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020, respectively. Total amortization for hosting arrangements was $3.1 million for the three months ended March 31, 2021, and $9.0 million for the year ended December 31, 2020.

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. As of March 31, 2021, the Company's operating leases have remaining terms of 1 year to 8 years, with options to extend up to 9 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 March 31,	
	2021	**2020**
	(in millions)	
Operating lease expense	$ 1.1	$ 1.3
Finance lease expense	—	0.1
Total lease expense	$ 1.1	$ 1.4

As of March 31, 2021, the weighted average remaining lease term for operating leases was 5.9 years and for finance leases was 3.6 years. The weighted average discount rate was 2.2% and 3.7% for operating and finance leases, respectively.

Maturities of lease liabilities were as follows:

	As of March 31, 2021	
	Operating Leases	**Finance Leases**
	(in millions)	
2021	$ 3.1	$ 0.1
2022	3.2	0.1
2023	3.2	0.2
2024	3.2	0.1
2025	3.0	0.1
Thereafter	4.7	—
Total lease payments	20.4	0.6
Less: imputed interest	(1.3)	—
Total	$ 19.1	$ 0.6

Supplemental balance sheet information related to leases was as follows:

	As of March 31, 2021	**As of December 31, 2020**
	(in millions)	
Operating leases:		
Operating lease right-of-use asset	$ 16.4	$ 17.4
Operating lease liability	19.1	19.9
Finance leases:		
Property and equipment, gross	0.9	0.8
Accumulated depreciation	(0.3)	(0.4)
Property and equipment, net	0.6	0.4
Other liabilities	$ 0.6	$ 0.4

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31,	
	2021	2020
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 1.1	$ 1.3
Financing cash flows used for finance leases	—	0.1

7. Income Taxes

The Company's effective tax rate was 16.3% for the three months ended March 31, 2021, compared to 23.0% for the corresponding period of 2020. The effective rates during each of the periods presented included income tax benefits associated with tax-advantaged investment income, LPT adjustments, and deferred gain amortization.

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 March 31,	
	2021	2020
	(in millions)	
Unpaid losses and LAE at beginning of period	$ 2,069.4	$ 2,192.8
Less reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	497.0	532.5
Net unpaid losses and LAE at beginning of period	1,572.4	1,660.3
Losses and LAE, net of reinsurance, incurred during the period related to:		
Current period	85.6	110.2
Prior periods	(13.9)	(3.5)
Total net losses and LAE incurred during the period	71.7	106.7
Paid losses and LAE, net of reinsurance, related to:		
Current period	4.7	6.9
Prior periods	97.6	95.4
Total net paid losses and LAE during the period	102.3	102.3
Ending unpaid losses and LAE, net of reinsurance	1,541.8	1,664.7
Reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	492.3	527.0
Unpaid losses and LAE at end of period	$ 2,034.1	$ 2,191.7

Total net losses and LAE included in the above table exclude amortization of the deferred reinsurance gain—LPT Agreement, which totaled $2.1 million and $2.4 million for the three months ended March 31, 2021 and 2020, respectively (See Note 9).

The change in incurred losses and LAE attributable to prior periods for the three months ended March 31, 2021 included $13.4 million of net favorable development on the Company's voluntary risk business, and $0.5 million of favorable development on the Company's assigned risk business. The change in incurred losses and LAE attributable to prior periods for the three months ended March 31, 2020 included $3.0 million of net favorable development on the Company's voluntary risk business, and $0.5 million of favorable development on the Company's assigned risk business. The favorable prior accident year loss development on voluntary business during the three months ended March 31, 2021 was the result of observed favorable paid loss cost trends, primarily for accident years 2017 and prior. The favorable prior accident year loss development on voluntary business during the three months ended March 31, 2020 was the result of observed favorable loss cost trends, primarily for accident years 2010 and prior.

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 $2.1 million and $2.4 million of the Deferred Gain for the three months ended March 31, 2021 and 2020, respectively. The remaining Deferred Gain was $123.3 million and $125.4 million as of March 31, 2021 and December 31, 2020, respectively. The estimated remaining liabilities subject to the LPT Agreement were $348.5 million and $353.5 million as of March 31, 2021 and December 31, 2020, respectively. Losses and LAE paid with respect to the LPT Agreement totaled $823.9 million and $818.9 million from inception through March 31, 2021 and December 31, 2020, respectively.

10. FHLB Advances, Notes Payable and Other Financing Arrangements

On December 15, 2020, the Company entered into a Credit Agreement (the Credit Agreement) with a syndicate of financial institutions. The Credit Agreement provides for a $75.0 million three-year revolving credit facility and is guaranteed by certain of the Company’s wholly owned subsidiaries (Employers Group, Inc. and Cerity Group, Inc.). Borrowings under the Credit Agreement may be used for working capital and general corporate purposes of the Company and its subsidiaries. Pursuant to the Credit Agreement, the Company also has an option to request an increase of the credit available under the facility up to a maximum facility amount of $125.0 million, subject to the consent of lenders and the satisfaction of certain conditions.

The interest rates applicable to loans under the Credit Agreement are generally based on a base rate plus a specified margin, ranging from 0.25% to 1.25%, or the Eurodollar rate (which will convert to an alternative reference rate once LIBOR is discontinued), plus a specified margin, ranging from 1.25% to 2.25%. In addition, the Company will pay a fee on each lender’s commitment, ranging from 0.20% to 0.50%, irrespective of usage. The applicable margin and the amount of such commitment fee vary based upon the financial strength rating of the Company’s insurance subsidiaries as most recently announced by A.M. Best or the Company’s debt to total capitalization ratio if such financial strength rating is not available. Interest paid during the three months ended March 31, 2021 totaled less than $0.1 million.

The Credit Agreement contains covenants that require the Company and its consolidated subsidiaries to maintain: (i) a minimum consolidated net worth of no less than 70% of the Company’s stockholders’ equity as of September 30, 2020, plus 50% of the Company’s aggregate net income thereafter; and (ii) a debt to total capitalization ratio of no more than 35%, in each case as determined in accordance with the Credit Agreement. At March 31, 2021, the Company was in compliance with all debt covenants.

The Company incurred $0.7 million in debt issuance costs, which are being amortized over the three-year life of the facility in Interest and Financing expenses. The annual commitment and administrative fee on the unused portion of the facility is 0.30%, for a maximum of $225,000, and an annual agency fee of $25,000. Advances can be repaid at any time without prepayment penalties or additional fees. The Company borrowed and subsequently repaid $12.0 million under the credit facility during the three months ended March 31, 2021. As of March 31, 2021, the Company had no outstanding borrowings on the credit facility.

Other financing arrangements are comprised of the following:

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 from the effects 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, 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 Company repaid $15.0 million on November 4, 2020 and $5.0 million on March 31, 2021. The remaining advances of $15.0 million are required to be repaid to the FHLB by May 11, 2021.

FHLB membership also allows the Company’s insurance subsidiaries access to standby letters of credit (Letter of Credit Agreements). On January 26, 2021, the Company chose to amend its existing Letter of Credit Agreements among the FHLB, ECIC and EAC to decrease their respective letter of credit amounts. The current Letter of Credit Agreements, as amended, are in the amounts of $50.0 million for EAC, $70.0 million for ECIC, and $10.0 million for EPIC. The amended Letter of Credit Agreements will expire on March 31, 2022, 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 March 31, 2021 and December 31, 2020, letters of credit totaling $130.0 million and $275.0 million, respectively, were issued in lieu of securities on deposit with the State of California under these Letter of Credit Agreements.

As of March 31, 2021 and December 31, 2020, investment securities having a fair value of $355.8 million and $385.6 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:

	March 31, 2021	December 31, 2020
	(in millions)	
Net unrealized gains on investments, before taxes	$ 100.0	$ 145.7
Deferred tax expense on net unrealized gains	(21.0)	(30.6)
Total accumulated other comprehensive income	$ 79.0	$ 115.1

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 2021			
RSUs(1)	66,560	$ 37.54	$ 2.5
PSUs(2)	77,320	37.54	2.9

(1) The RSUs awarded in March 2021 were awarded to certain employees of the Company and vest 25% on March 15, 2022, 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 2021 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.

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

Stock options exercised totaled 41,851 for the three months ended March 31, 2021, 36,500 for the three months ended March 31, 2020, and 40,800 for the year ended December 31, 2020.

As of March 31, 2021, the Company had 71,365 options, 230,267 RSUs, and 244,951 PSUs (based on target number awarded) outstanding.

13. Earnings Per Common Share

Basic earnings per share is computed by dividing net income by the weighted average number of common 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 common shares assumed issued under the "treasury stock method," which reflects the potential dilution that would occur if outstanding RSUs and PSUs vested and stock options were to be exercised.

RSUs and PSUs are entitled 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 March 31,	
	2021	2020
	(in millions, except share data)	
Net income (loss)	$ 23.1	$ (34.9)
Weighted average number of shares outstanding—basic	28,516,731	30,697,496
Effect of dilutive securities:		
PSUs	344,615	331,806
Stock options	34,530	64,539
RSUs	72,463	62,308
Dilutive potential shares	451,608	458,653
Weighted average number of shares outstanding—diluted	28,968,339	31,156,149

14. Segment Reporting

In 2019, the Company 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). 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 represents the 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 represents the 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.

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 March 31, 2021				
Gross premiums written	$ 148.0	$ 0.3	$ —	$ 148.3
Net premiums written	146.6	0.3	—	146.9
Net premiums earned	133.9	—	—	133.9
Net investment income	17.6	0.7	0.1	18.4
Net realized and unrealized gains on investments	10.8	0.1	—	10.9
Other income	0.4	—	—	0.4
Total revenues	162.7	0.8	0.1	163.6
Losses and loss adjustment expenses	71.7	—	(2.1)	69.6
Commission expense	16.8	—	—	16.8
Underwriting and general and administrative expenses	37.3	3.7	5.6	46.6
Interest and financing expenses	—	—	0.1	0.1
Other expenses	2.9	—	—	2.9
Total expenses	128.7	3.7	3.6	136.0
Net income (loss) before income taxes	$ 34.0	$ (2.9)	$ (3.5)	$ 27.6
Three Months Ended March 31, 2020				
Gross premiums written	$ 184.7	$ —	$ —	$ 184.7
Net premiums written	183.4	—	—	183.4
Net premiums earned	167.9	—	—	167.9
Net investment income	18.6	0.8	0.5	19.9
Net realized and unrealized losses on investments	(57.3)	(1.7)	(2.1)	(61.1)
Other income	0.3	—	—	0.3
Total revenues	129.5	(0.9)	(1.6)	127.0
Losses and loss adjustment expenses	106.7	—	(2.4)	104.3
Commission expense	21.3	—	—	21.3
Underwriting and general and administrative expenses	39.2	3.8	3.7	46.7
Total expenses	167.2	3.8	1.3	172.3
Net loss before income taxes	$ (37.7)	$ (4.7)	$ (2.9)	$ (45.3)

Entity-Wide Disclosures

The Company operates solely within the U.S. and does not have revenue from transactions with a single policyholder 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:

State	March 31, 2021		December 31, 2020		March 31, 2020		December 31, 2019	
	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	$ 251.4	39,264	$ 262.0	39,610	$ 309.5	42,794	$ 329.8	43,079
Florida	38.6	7,303	37.9	6,898	37.3	6,110	36.3	5,822
New York	25.6	6,724	26.7	6,657	31.3	6,302	31.7	5,679
Other (43 states and D.C.)	237.7	51,481	251.3	50,341	264.5	46,223	266.8	44,104
Total	$ 553.3	104,772	$ 577.9	103,506	$ 642.6	101,429	$ 664.6	98,684

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, including the effects of the COVID-19 pandemic, 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 United States, with a concentration in California, where 45% of our in-force premiums are 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 to develop and implement 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 rate decrease of 6.1% for the three months ended March 31, 2021, versus the rate level in effect on such business a year earlier.

Coronavirus Disease (COVID-19) Considerations

The COVID-19 pandemic has caused a reduction in business activity, widespread unemployment, supply chain interruptions, and overall economic and financial market instability. All states, including California, where we generated 45% of our in-force premiums as of March 31, 2021, have 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.

Notwithstanding the COVID-19 pandemic, we have experienced strong new business opportunities. Many businesses have begun to reopen and restrictions have been modified or lifted; thus we have experienced year-over-year increases in new business submissions and new policies written in nearly all of the states in which we operate, with the notable exception of California. Despite the increases in new non-California business policies that we experienced in first quarter of 2021, our new business premium has fallen, driven primarily by declines in average policy size.

While our new business premium production did not meet our expectations in January and February, we are encouraged by the rebound we experienced in March and are experiencing thus far in April. We closed the quarter with a record number of policies in-force, which demonstrates that our policyholders are enduring the pandemic and small businesses are shopping for workers compensation coverage. As widespread vaccination occurs and the labor market improves, we are optimistic that rising payrolls will serve to increase premium. In support of this anticipated recovery, we have continued to pursue and advance the significant investments we have made in delivering a superior customer experience for our independent and digital agents.

Overall, our retention rate has remained strong throughout the first quarter of 2021.

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 collected from policyholders 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 reduced our final audit premium accruals by approximately $2.7 million for the three months ended March 31, 2021 to reflect our estimate of the exposure adjustments on our in-force policies we anticipate returning to our policyholders from the impact of the economic contraction.

Despite government mandates and legislative changes related to the COVID-19 pandemic, including the presumption of COVID-19 compensability for all or certain occupational groups in many states, we experienced a decline in the frequency and severity of compensable indemnity claims in the first quarter of 2021. This decline was experienced in nearly all states, including California.

Overall, we recorded lower losses and LAE per dollar of premium earned in the 2021 accident year than in the 2020 accident year.

Results of Operations

Our results of operations are as follows:

	Three Months Ended March 31,	
	2021	2020
	(in millions)	
Gross premiums written	$ 148.3	$ 184.7
Net premiums written	$ 146.9	$ 183.4
Net premiums earned	$ 133.9	$ 167.9
Net investment income	18.4	19.9
Net realized and unrealized gains (losses) on investments	10.9	(61.1)
Other income	0.4	0.3
Total revenues	163.6	127.0
Losses and LAE	69.6	104.3
Commission expense	16.8	21.3
Underwriting and general and administrative expenses	46.6	46.7
Interest and financing expenses	0.1	—
Other expenses	2.9	—
Total expenses	136.0	172.3
Income tax expense (benefit)	4.5	(10.4)
Net income (loss)	$ 23.1	$ (34.9)

Overview

Our net income (loss) was $23.1 million and $(34.9) million for the three months ended March 31, 2021 and 2020, respectively. The key factors that affected our financial performance during the three months ended March 31, 2021, compared to the same period of 2020 included:

- Net premiums earned decreased 20.3%;
- Losses and LAE decreased 33.3%;
- Net investment income decreased 7.5%; and
- Net realized and unrealized gains (losses) on investments were $10.9 million and $(61.1) million, respectively.

Summary of Consolidated Financial Results

Gross Premiums Written

Gross premiums written were $148.3 million and $184.7 million for the three months ended March 31, 2021 and 2020, respectively. The year-over-year decrease was 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 7.5% three months ended March 31, 2021, compared to the same period of 2020. The decrease was primarily due to lower interest rates year-over-year impacting bond yields. The average pre-tax book yield on invested assets decreased to 3.0% as of March 31, 2021, down from 3.2% as of March 31, 2020. Average invested assets, including cash and cash equivalents, 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 $10.9 million and $(61.1) million for the three months ended March 31, 2021 and 2020, respectively. The net realized and unrealized gains on investments for the three months ended March 31, 2021 and 2020 included $10.1 and $(54.2) million of net realized and unrealized gains (losses) on equity securities and other investments, respectively, and $0.8 million and $(6.9) million of net realized gains (losses) on fixed maturity securities, respectively.

The net investment gains and losses on our equity securities during the three ended March 31, 2021 and 2020 were largely consistent with the performance of U.S. equity markets. Our net losses on fixed maturity securities during the three months ended March 31, 2020 were largely the result of widening credit spreads between the yield on the fixed maturities we held versus that of U.S. Treasuries, despite decreases in market interest rates during the period. The net investment gains on our fixed maturity securities for the three months ended March 31, 2021 increased by a $0.5 million related to the change in allowance for expected credit losses and for the three months ended March 31, 2020 the net investment gains on our fixed maturity securities was reduced by $10.7 million for the allowance for expected credit losses, respectively.

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

Other Income

Other income consists of net gains and losses 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 current accident year loss estimate considered year-over-year decreases in indemnity claims frequency and severity. Total claims costs have also been reduced by cost savings associated with increased claims settlement activity that occurred during the first quarter of 2021. We believe our current accident year loss estimate is adequate; however, ultimate losses will not be known with any certainty for many years. 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 credit facility fees and interest, letter of credit fees, finance lease interest, and other financing fees.

Other Expenses

During the three months ended March 31, 2021, we recorded $2.9 million of employee severance costs resulting from a first quarter 2021 reduction-in-force. This action was taken to better align our expenses with our current revenues.

Income Tax Expense

Income tax expense (benefit) was $4.5 million and $(10.4) million for the three months ended March 31, 2021 and 2020, respectively, representing effective tax rates of 16.3% and 23.0% for the same periods, respectively. The effective rates during each of the periods presented included income tax benefits associated with tax-advantaged investment income, LPT adjustments, and deferred gain amortization.

Summary of Financial Results by Segment

EMPLOYERS

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

	Three Months Ended March 31,	
	2021	**2020**
	(dollars in millions)	
Gross premiums written	$ 148.0	$ 184.7
Net premiums written	$ 146.6	$ 183.4
Net premiums earned	$ 133.9	$ 167.9
Net investment income	17.6	18.6
Net realized and unrealized gains (loss) on investments	10.8	(57.3)
Other income	0.4	0.3
Total revenues	162.7	129.5
Losses and LAE	71.7	106.7
Commission expense	16.8	21.3
Underwriting expenses	37.3	39.2
Other expenses	2.9	—
Total expenses	128.7	167.2
Net income (loss) before income taxes	$ 34.0	$ (37.7)
Underwriting income	$ 8.1	$ 0.7
Combined ratio	93.9 %	99.5 %

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

Gross Premiums Written

Gross premiums written were $148.0 million and $184.7 million for the three months ended March 31, 2021 and 2020, respectively. The year-over-year decrease was primarily driven by the impacts of the COVID-19 pandemic, including declines in payrolls for many of our insureds, upon which our premiums are based, particularly in our restaurant and hospitality classes. We reduced our final audit accruals by approximately $2.7 million for the three months ended March 31, 2021 to reflect our estimate of the exposure adjustments on our in-force policies we anticipate returning to our policyholders from the impact of the economic contraction. As many businesses have begun to reopen, we have experienced year-over-year increases in new business submissions and new policies written in nearly all of the states in which we operate, with the notable exception of California. Despite the increases in new non-California business policies that we have experienced in recent periods, our new business premium has fallen, driven primarily by declines in average policy size. Additionally, non-renewals of certain unprofitable accounts and year-over-year decreases in average rates in many of the states in which we do business further impacted our gross premiums written.

Net premiums written were $146.6 million and $183.4 million for the three ended March 31, 2021 and 2020, respectively. Reinsurance premiums ceded were $1.4 million and $1.3 million for the three months ended March 31, 2021 and 2020, respectively.

Net Premiums Earned

Net premiums earned were $133.9 million and $167.9 million for the three months ended March 31, 2021 and 2020, respectively.

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 45% of our premiums were generated, and for all other states, excluding California:

	As of March 31, 2021					
	Year-to-Date Change			Year-Over-Year Change		
	Overall	California	All Other States	Overall	California	All Other States
In-force premiums	(4.3)%	(4.1)%	(4.5)%	(14.0)%	(18.8)%	(9.5)%
In-force policy count	1.0	(1.0)	2.2	2.9	(8.4)	11.2
Average in-force policy size	(5.2)	(3.1)	(6.6)	(16.4)	(11.4)	(18.6)
In-force payroll exposure	(1.8)	(0.4)	(2.4)	(2.3)	(7.1)	0.3

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:

	March 31, 2021		December 31, 2020		March 31, 2020		December 31, 2019	
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	$ 251.2	39,199	$ 262.0	39,610	$ 309.5	42,794	$ 329.8	43,079
Florida	38.5	7,255	37.9	6,898	37.3	6,110	36.3	5,822
New York	25.5	6,681	26.7	6,657	31.3	6,302	31.7	5,679
Other (43 states and D.C.)	237.5	51,155	251.1	50,124	264.5	46,134	266.7	44,019
Total	$ 552.7	104,290	$ 577.7	103,289	$ 642.6	101,340	$ 664.5	98,599

Alternative distribution channels generated $147.6 million and $161.4 million, or 26.7% and 25.1%, of our in-force premiums as of March 31, 2021 and 2020, 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 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

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

	Three Months Ended March 31,	
	2021	2020
Loss and LAE ratio	53.5 %	63.5 %
Commission expense ratio	12.5	12.7
Underwriting expense ratio	27.9	23.3
Combined Ratio	93.9 %	99.5 %

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 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 on a 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 loss ratio.

	Three Months Ended March 31,	
	2021	2020
	(dollars in millions)	
Losses and LAE	$ 71.7	$ 106.7
Prior accident year favorable development, net	13.9	3.5
Current accident year losses and LAE	$ 85.6	$ 110.2
Current accident year loss and LAE ratio	63.9 %	65.6 %

The decrease in our losses and LAE during the three months ended March 31, 2021 compared to the same period of 2020 was primarily due to lower earned premiums and increased favorable prior year loss development. Favorable prior accident year loss development totaled $13.9 million during the three months ended March 31, 2021, which included $13.4 million of net favorable development on our voluntary business and $0.5 million of favorable development on our assigned risk business, respectively. Favorable development for the three months ended March 31, 2020 totaled $3.5 million, which included $3.0 million of net favorable development on our voluntary business and $0.5 million of favorable development on our assigned risk business, respectively. Favorable prior accident year loss development on our voluntary business during the three months ended March 31, 2021 was the result of observed favorable paid loss cost trends related primarily to accident years 2017 and prior. Favorable prior accident year loss development on our voluntary business during the three months ended March 31, 2020 was the result of observed favorable loss cost trends, primarily for accident years 2010 and prior. In addition to the observed trends for accident years 2010 and prior, favorable loss cost trends for the more recent accident years observed over the past several quarters continued into the first quarter of 2020; however, we believe that the economic conditions resulting from the COVID-19 pandemic introduced an increased risk of cumulative trauma claims and latent claim reporting, particularly for the more recent prior accident years. As a result, during the three months ended March 31, 2020, we limited the recognition of favorable development for accident years subsequent to 2010, which were not impacted by the last recession.

Our current accident year loss and LAE ratio was 63.9% and 65.6% for the three months ended March 31, 2021 and 2020, respectively. The decrease in our current accident year ratio during the three months ended March 31, 2021 was primarily due to a decline in indemnity claim frequency and severity. Our current accident year loss and LAE ratio continues to reflect the impact of our 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 markets.

Commission Expense Ratio. The commission expense ratio was 12.5% and 12.7% for the three months ended March 31, 2021 and 2020, respectively. Our commission expenses were $16.8 million and $21.3 million for the three months ended March 31, 2021 and 2020, respectively. Our commission expense ratio decreased 0.2 percentage points, or 1.6% for the three months ended March 31, 2021, compared to the same period of 2020, primarily the result of a lower concentration of alternative distribution channels, which is subject to a higher commission rate.

Underwriting Expenses Ratio. The underwriting expense ratio was 27.9% and 23.3% for the three months ended March 31, 2021 and 2020, respectively. Our underwriting expenses were $37.3 million and $39.2 million for the three months ended March 31, 2021 and 2020, respectively. Our underwriting and other operating expenses ratio increased 4.6 percentage points, or 19.7%, for the three months ended March 31, 2021, compared to the same period of 2020, primarily driven by year-over-year decreases in net premiums earned. During the three months ended March 31, 2021, bad debt expenses decreased $1.3 million and professional fees decreased $1.1 million, partially offset by an increase in depreciation and amortization expenses of $1.0 million, each compared to the same period of 2020.

Underwriting Income

Underwriting income for our Employers segment was $8.1 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively. 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, Interest and Financing Expenses and Other 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 March 31,	
	2021	**2020**
	(in millions)	
Gross premiums written	$ 0.3	$ —
Net premiums written	$ 0.3	$ —
Net premiums earned	$ —	$ —
Net investment income	0.7	0.8
Net realized and unrealized gains (losses) on investments	0.1	(1.7)
Total revenues	0.8	(0.9)
Underwriting expenses	3.7	3.8
Total expenses	3.7	3.8
Net loss before income taxes	$ (2.9)	$ (4.7)
Underwriting loss	$ (3.7)	$ (3.8)
Combined ratio	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 $0.3 million and less than $0.1 million for the three ended March 31, 2021 and 2020, respectively.

Net Premiums Earned

Net premiums earned were less than $0.1 million for each of the three months ended March 31, 2021 and 2020.

Underwriting Expenses

Underwriting expenses for our Cerity segment were $3.7 million and $3.8 million for the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021, our compensation-related expenses decreased $0.5 million, partially offset by an increase in marketing expenses of $0.4 million, each compared to the same period of 2020.

Underwriting Loss

Underwriting losses for our Cerity segment were $3.7 million and $3.8 million for the three months ended each March 31, 2021 and 2020, respectively. 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 loss before income taxes are set forth in the following table:

	Three Months Ended March 31,	
	2021	2020
	(in millions)	
Net investment income	0.1	0.5
Net realized and unrealized losses on investments	—	(2.1)
Total revenues	0.1	(1.6)
Losses and LAE - LPT	(2.1)	(2.4)
General and administrative expenses	5.6	3.7
Interest and financing expenses	0.1	—
Total expenses	3.6	1.3
Net loss before income taxes	$ (3.5)	$ (2.9)

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 March 31,	
	2021	2020
	(in millions)	
Amortization of the Deferred Gain related to losses	$ 1.7	$ 2.0
Amortization of the Deferred Gain related to contingent commission	0.4	0.4
Total impact of the LPT	$ 2.1	$ 2.4

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 $5.6 million and $3.7 million for three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021, our Corporate and Other compensation-related expenses increased $2.3 million in connection with the April 1, 2021 retirement of Douglas D. Dirks, our former President and Chief Executive Officer. This increase in expenses reflected: (i) an acceleration of certain of his outstanding share-based awards pursuant to the retirement provisions of such awards; and (ii) additional vesting of certain of his outstanding share-based awards, as approved by the Board of Directors during the first quarter of 2021.

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, and Interest and Financing Expenses see "—Results of Operations —Summary of Consolidated Financial Results".

Liquidity and Capital Resources

COVID-19 Considerations

The impacts of the COVID-19 pandemic on the U.S. economy, our current 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, or forego repurchases of our common stock; (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, 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 twelve months. During the first quarter of 2021, EICN made a $12.5 million cash dividend payment to its parent company. As a result of that payment, EICN cannot pay any dividends for the remainder of 2021 without prior regulatory approval.

Total cash and investments at the holding company were $18.6 million at March 31, 2021, consisting of $7.5 million of cash and cash equivalents, $10.7 million of fixed maturity securities, and $0.4 million of equity securities.

On December 15, 2020, EHI entered into a Credit Agreement (the Credit Agreement) with a syndicate of financial institutions. The Credit Agreement provides EHI with a $75.0 million three-year revolving credit facility. Borrowings under the Credit Agreement may be used for working capital and general corporate purposes. Pursuant to the Credit Agreement, EHI has the option to request an increase of the credit available under the facility, up to a maximum facility amount of $125.0 million, subject to the consent of lenders and the satisfaction of certain conditions. EHI borrowed and subsequently repaid $12.0 million under the Credit Agreement during the three months ended March 31, 2021. EHI had no outstanding advances under the Credit Agreement at March 31, 2021.

The interest rates applicable to loans under the Credit Agreement are generally based on a base rate plus a specified margin, ranging from 0.25% to 1.25%, or the Eurodollar rate (which will convert to an alternative reference rate once LIBOR is discontinued) plus a specified margin, ranging from 1.25% to 2.25%. Total interest paid during the three months ended March 31, 2021 was less than $0.1 million.

The Credit Agreement contains covenants that require us to maintain: (i) a minimum consolidated net worth of no less than 70% of our stockholders' equity as of September 30, 2020, plus 50% of our aggregate net income thereafter; and (ii) a debt to total capitalization ratio of no more than 35%, in each case as determined in accordance with the Credit Agreement. At March 31, 2021, we were in compliance with all debt covenants.

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 for our operating subsidiaries are payments of losses and LAE, commission expenses, underwriting and general and administrative expenses, ceded reinsurance, repayments of FHLB advances, investment purchases and dividends paid to their parent.

Total cash and investments held by our operating subsidiaries was $2,832.2 million at March 31, 2021, consisting of $78.1 million of cash and cash equivalents, $2,474.7 million of fixed maturity securities, $236.0 million of equity securities, $42.4 million of other invested assets, and $1.0 million of short-term investments. Sources of immediate and unencumbered liquidity at our operating subsidiaries as of March 31, 2021 consisted of $77.9 million of cash and cash equivalents, $229.3 million of publicly traded equity securities whose proceeds are available within three business days, $874.9 million of highly liquid fixed maturity securities whose proceeds are available within three business days, and $1.0 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 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 $10.0 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. Our insurance subsidiaries repaid $15.0 million on November 4, 2020 and $5.0 million on March 31, 2021. The remaining advances of $15.0 million are required to be repaid to the FHLB by May 11, 2021.

FHLB membership also allows our insurance subsidiaries access to standby Letter of Credit Agreements. On January 26, 2021, we chose to amend our existing Letter of Credit Agreements among the FHLB, ECIC and EAC to decrease their respective credit amounts. The current Letter of Credit Agreements, as amended, are in the amounts of $50.0 million for EAC, $70.0 million for ECIC, and $10.0 million for EPIC. The amended Letter of Credit Agreements will expire on March 31, 2022. 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. 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. Securities having a fair value of $925.6 million and $768.7 million were on deposit at March 31, 2021 and December 31, 2020, respectively. These laws and regulations govern both the amount and types of investment securities that are eligible for deposit. Additionally, standby letters of credit from the FHLB have been issued in lieu of $130.0 million and $275.0 million of securities on deposit at March 31, 2021 and December 31, 2020, 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 $3.1 million and $3.2 million at March 31, 2021 and December 31, 2020, 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 three months ended:

	March 31,	
	2021	**2020**
	(in millions)	
Cash, cash equivalents, and restricted cash (used in) provided by:		
Operating activities	$ (11.4)	$ 15.5
Investing activities	(39.8)	56.2
Financing activities	(23.8)	(52.5)
(Decrease) increase in cash, cash equivalents, and restricted cash	$ (75.0)	$ 19.2

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

Operating Activities

Net cash used in operating activities for the three months ended March 31, 2021 included net premiums received of $135.7 million and investment income received of $18.0 million. These operating cash inflows were offset by net claims payments of $101.9 million, underwriting and general and administrative expenses paid of $44.1 million, and commissions paid of $19.0 million.

Net cash provided by operating activities for the three months ended March 31, 2020 included net premiums received of $178.7 million and investment income received of $22.7 million. These operating cash inflows were partially offset by net claims payments of $102.6 million, underwriting and general and administrative expenses paid of $62.6 million, and commissions paid of $23.1 million.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2021 was primarily related to the investment of premiums received and reinvestment of funds from investment sales, maturities, redemptions, and interest income. These investing cash outflows were partially offset by investment sales, maturities and redemptions whose proceeds were used to fund claims payments, underwriting and general and administrative expenses, stockholder dividend payments, and common stock repurchases.

Net cash provided by investing activities for the three months ended March 31, 2020 was primarily related to sales, maturities, and redemptions of investments whose proceeds were used to fund claims payments, underwriting and general and administrative expenses, stockholder dividend payments, and common stock repurchases, partially offset by the investment of premiums received and reinvestment of funds from investment sales, maturities, redemptions, and interest income.

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2021 was primarily related to common stock repurchases, stockholder dividend payments, and repayments of FHLB advances. During the three months ended March 31, 2021, we borrowed and subsequently repaid $12.0 million under the Credit Agreement.

Net cash used in financing activities for the three months ended March 31, 2020 was primarily related to common stock repurchases and stockholder dividend payments.

Dividends

We paid $7.1 million and $8.0 million in dividends to our stockholders for the three months ended March 31, 2021 and 2020, respectively. The declaration and payment of future dividends to common stockholders will be at the discretion of our Board of Directors and will depend upon many factors including our financial position, capital requirements of our operating subsidiaries, legal and regulatory requirements, and any other factors our Board of Directors deem relevant. On April 21, 2021, the Board of Directors declared a $0.25 dividend per share, payable May 19, 2021, to stockholders of record on May 5, 2021.

Share Repurchases

We repurchased 298,546 shares of our common stock for $9.6 million during the three months ended March 31, 2021. Future repurchases of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial position, capital requirements of our operating subsidiaries, general business and social economic conditions, legal, tax, regulatory, and/or contractual restrictions, and any other factors our Board of Directors deems relevant.

Capital Resources

As of March 31, 2021, the capital resources available to us consisted of $1,186.6 million of stockholders' equity and the $123.3 million Deferred Gain.

Contractual Obligations and Commitments

The following table identifies our contractual obligations and commitments as of March 31, 2021.

	Payment Due By Period				
	Total	**Less Than 1-Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
			(in millions)		
Operating leases	$ 20.4	$ 4.0	$ 9.6	$ 4.7	$ 2.1
Non-cancellable contracts	24.2	5.2	9.0	9.2	0.8
FHLB advances	15.0	15.0	—	—	—
Finance leases	0.6	0.1	0.4	0.1	—
Unpaid losses and LAE reserves (1)(2)	2,034.1	308.8	388.8	237.4	1,099.1
Unfunded investment commitments	57.9	57.9	—	—	—
Total contractual obligations	$ 2,152.2	$ 391.0	$ 407.8	$ 251.4	$ 1,102.0

(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	$ (492.3)	$ (32.0)	$ (56.1)	$ (50.3)	$ (353.9)

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 March 31, 2021, the total cost and amortized cost of our investments recorded at fair value was $2,511.2 million and its fair value was $2,716.1 million. These investments provide a steady source of income, which may fluctuate with changes in interest rates and our current investment strategies.

As of March 31, 2021, our investment portfolio consisted of 90% fixed maturity securities. We strive to limit the 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 3.8 at March 31, 2021. 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 March 31, 2021, with 47.9% 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 publicly traded equity securities by diversifying our holdings across several industry sectors. These equity securities had a fair value of $229.7 million at March 31, 2021, which represented 9% 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 2% of our investment portfolio as of March 31, 2021 and include private equity limited partnerships and convertible preferred shares of real estate investment trusts. Our investments in private equity limited partnerships totaled $22.4 million at March 31, 2021 and are generally not redeemable by the investees and cannot be sold without prior 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 March 31, 2021, we had unfunded commitments to these private equity limited partnerships totaling $57.9 million. Our investments in convertible preferred shares of real estate investment trusts totaled $20.0 million at March 31, 2021 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, the average ending book yield, and the average ending tax equivalent yield (each based on the book value of each category of invested assets) as of March 31, 2021.

Category	Estimated Fair Value	Percentage of Total	Book Yield	Tax Equivalent Yield (1)
	(in millions, except percentages)			
U.S. Treasuries	$ 78.3	2.9 %	2.1 %	2.1 %
U.S. Agencies	3.0	0.1	2.4	2.4
States and municipalities	442.3	16.3	2.9	2.9
Corporate securities	1,107.3	40.7	3.2	3.2
Residential mortgage-backed securities	431.9	15.9	2.3	2.3
Commercial mortgage-backed securities	98.0	3.6	3.1	3.1
Asset-backed securities	50.7	1.9	3.5	3.5
Collateralized loan obligations	84.3	3.1	1.9	1.9
Foreign government securities	12.3	0.5	2.8	2.8
Other securities	177.3	6.5	3.5	3.5
Equity securities	229.7	8.5	3.2	3.6
Short-term investments	1.0	—	5.8	5.8
Total investments at fair value	$ 2,716.1	100.0 %		
Weighted average yield			3.0 %	3.2 %

(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 March 31, 2021 by credit rating category, using the lower of the ratings assigned by Moody’s Investors Service or S&P.

Rating	Percentage of Total Estimated Fair Value
“AAA”	8.2 %
“AA”	39.7
“A”	28.4
“BBB”	15.4
Below Investment Grade	8.3
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 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.

In addition to recognizing realized gains and losses upon the disposition of an investment security, we also recognize realized gains or losses on AFS debt securities for changes in expected credit losses. As of March 31, 2021, we have a $0.2 million allowance for expected credit losses on AFS debt securities. During the three months ended March 31, 2021, we recognized a $0.5 million decrease in our allowance for expected credit losses on AFS debt securities due to price recoveries and reductions in the allowance from disposals. The remaining fixed maturity securities whose total fair value was less than amortized cost at March 31, 2021, were those in which we 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.

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 have increased the credit risk associated with certain of our investment holdings, reinsurance recoverables and premiums receivable. As of March 31, 2021, we have a $0.2 million allowance for expected credit losses on our fixed maturity portfolio. See Note 5 to the consolidated financial statements.

Interest Rate Risk

Investments

The fair value of our fixed maturity portfolio is exposed to interest rate risk, which is the risk of a change 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 3.8 at March 31, 2021. 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 March 31, 2021. The estimated changes in fair values on our fixed maturity securities and short-term investments, which had an aggregate value of $2,485.4 million as of March 31, 2021, 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	$	(284.6)	(12.2)%
200 basis point rise		(146.8)	(6.3)
100 basis point rise		(95.1)	(4.1)
50 basis point decline		46.2	2.0
100 basis point decline		91.6	3.9

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 March 31, 2021, the par value of our commercial and residential mortgage-backed securities holdings was $500.7 million, and the amortized cost was 103.0% 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 19.5% of total investments as of March 31, 2021. Agency-backed residential mortgage pass-throughs totaled $387.1 million, or 89.6%, of the residential mortgage-backed securities portion of the portfolio as of March 31, 2021.

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. Economic and market disruptions caused by the COVID-19 pandemic have resulted in 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 March 31, 2021:

(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	$ 124.8	$ 229.7	$ 183.8	$ (45.9)	$ 275.6	$ 45.9

Effects of Inflation

Inflation could significantly 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 indemnity and medical cost trends in determining the adequacy of our 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 increased uncertainty about the path of the U.S. 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

We have disclosed in our Annual Report the most significant risk factors that can impact year-to-year comparisons and that may affect the future performance of the Company's business. On a quarterly basis, we review these disclosures and update the risk factors, as appropriate. As of the date of this report, there have been no material changes to the risk factors contained in our Annual Report.

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 first quarter of 2021:

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)
January 1 - January 31	177,513	$ 32.62	177,513	$ 22.7
February 1 - February 28	120,000	31.56	120,000	18.9
March 1 - March 31	1,033	36.90	1,033	18.9
	298,546	$ 32.21	298,546	

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	Separation and Release Agreement dated March 8, 2021 between Employers Holdings, Inc. and Douglas D. Dirks		8-K	001-33245	10.1	March 8, 2021
*10.2	Offer of Employment Letter dated December 8, 2020 from Employers Holdings, Inc. to Christopher W. Laws		8-K	001-33245	10.1	April 5, 2021
*10.3	Separation and Release Agreement dated March 17, 2021 between Employers Holdings, Inc. and Stephen V. Festa	X				
10.4	Amendment No. 3 to Irrevocable Standby Letter of Credit No. 2018-10 between EPIC and FHLB, dated January 26, 2021	X				
10.5	Amendment No. 3 to Irrevocable Standby Letter of Credit No. 2018-08 between EAC and FHLB, dated January 26, 2021	X				
31.1	Certification of Katherine H. Antonello Pursuant to Section 302	X				
31.2	Certification of Michael S. Paquette Pursuant to Section 302	X				
32.1	Certification of Katherine H. Antonello 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: April 26, 2021	/s/ Michael S. Paquette
	Michael S. Paquette Executive Vice President and Chief Financial Officer Employers Holdings, Inc. (Principal Financial and Accounting Officer)

Exhibit 10.3

[Employers Letterhead]

SEPARATION AND RELEASE AGREEMENT

This Agreement made and entered into this 17th day of March, 2021, by and between Employers Holdings, Inc. (hereinafter referred to as the "Company" or "Employer") and Stephen V. Festa (hereinafter referred to as "Employee") (and individually referred to as the "Party," and collectively referred to as the "Parties").

WITNESSETH:

WHEREAS, Employee has been employed by the Company in the position of Executive Vice President, Chief Operating Officer; and

WHEREAS, Employee and the Company are parties to that certain employment agreement dated June 26, 2017, and effective January 1, 2018 (the "Employment Agreement"), which is incorporated herein by reference; and

WHEREAS, the Employee has notified the Company of his intention to retire; and

WHEREAS, the Company and Employee have mutually agreed that it is in the best interests of the Parties to terminate their employment relationship effective March 17, 2021 (the "Separation Date"); and

WHEREAS, the Company has agreed to treat Employee's retirement as a termination without Cause (as defined in the Employment Agreement) for purposes of the Employment Agreement, and also, for purposes of the annual bonus program and outstanding equity awards, as a termination without cause, as such terms or equivalent terms are defined in the applicable grant agreements or letter; and

WHEREAS, pursuant to the terms of the Employment Agreement, the Employee is voluntarily executing this separation and release agreement (this "Agreement") as a condition of receiving the severance and benefits described in Section 7(a)(i) and 7(a)(ii) of the Employment Agreement; and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions and demands that Employee may have against the Company and any of the Releasees as defined below, including, but not limited to, anything arising out of or in any way related to Employee's employment with or separation from the Company.

NOW, THEREFORE, in consideration of the terms, covenants and conditions hereafter set forth, the Parties hereto do now mutually agree as follows:

1. Employee's last day of employment is the Separation Date.
2. The Parties agree that provided the Company receives an executed original of this Agreement from Employee in accordance with the terms of Sections 24 and 26 of this Agreement Employee shall be entitled to the severance payments and/or benefits to which he would be entitled pursuant to Sections 7(a)(i) and 7(a)(ii) of the Employment Agreement (the "Severance"). Employee acknowledges and agrees that neither the Company nor its counsel has made any representations to Employee regarding the tax consequences of any amounts received by Employee pursuant to this Agreement. Employee agrees to pay any federal and/or state taxes

that are required to be paid by Employee with respect to the Severance beyond the amount of any withholding by the Company.

3. The Company agrees to pay Employee all regular wages, and all accrued and unpaid floating holiday and vacation pay, if any, and to reimburse Employee for all regular and customary work-related expenses, in each case, incurred up through the Separation Date, consistent with its normal practices, regardless of whether Employee has executed this Agreement.

4. The payments and benefits under this Agreement are intended to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended.

5. The Parties agree that this Agreement does not terminate any rights that Employee might have pursuant to any grant letter under the annual cash bonus program or any grant agreement issued to Employee pursuant to the terms of the Employers Holdings, Inc. Equity and Incentive Plan (each, a “Grant Agreement”). Employee expressly agrees that for the purpose of the above referenced Grant Agreement(s), Employee's termination will be considered an “involuntary termination”, an “involuntary termination without cause”, a “termination for any other reason” or a “termination of employment other than by reason of death, retirement or disability” as appropriate to the specific Grant Agreement.

6. Employee acknowledges that Employee is not entitled to any compensation other than the compensation expressly set forth in this Agreement, and that other than as set forth herein, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee through the Separation Date.

7. Subject to Section 2 above, Employee’s health benefits shall cease on the last day of the month in which the Separation Date occurs, subject to Employee’s right to continue Employee’s health insurance pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), or similar state law.

8. Pursuant to Section 7(c)(iii) of the Employment Agreement, Employee hereby reaffirms the covenants contained in the Employment Agreement as if such covenants were set forth herein, including, but not limited to, any and all non-competition, non-solicitation, confidential information, cooperation, anti-assignment and other provisions set forth in Sections 7(b) and (c), 10, 11 and 12 of the Employment Agreement, and (b) all such provisions shall be incorporated herein by reference.

9. Employee agrees that Employee will not disparage or discredit any of the Releasees, as defined herein in Section 13, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. The Company agrees that it will not disparage or discredit Employee and that it will respond to any inquiries about Employee’s employment history with the dates of employment and job title.

10. Employee understands that Employee is eligible for employment with Company (including, without limitation, all parents, affiliates, subsidiaries, and divisions) in the future, subject to the employment needs of the Company.

11. Employee represents that he has returned any and all equipment, software, data, property and information of any of the Company Affiliates, including documents and records or copies thereof relating in any way to any proprietary information of any of the Company Affiliates whether prepared by Employee or any other person or entity. In addition, Employee further

agrees that he will not retain any Company property or proprietary information of any of the Company Affiliates after the Separation Date.

12. Employee represents, by executing this Agreement, that Employee has not made, and will not make, any assignment of any claim, cause or right of action, or any right of any kind whatsoever, arising from or associated with the employment of Employee or the matters which are released by this Agreement.

13. Employee agrees to and does release the Company, including but not limited to the Company's predecessors, successors, assigns, parents, subsidiaries, or affiliates, any professional employer organization or co-employer, and the current or former officers, directors, agents, investors, shareholders, and employees of such entities (collectively, the "Releasees"), from any and all liability arising from or associated with Employee's employment relationship with Company and this Agreement up to and including the date of this Agreement. This release includes any and all claims or disputes Employee has or believes Employee may have arising under any federal, state, local or foreign statute or regulation, including, without limitation, those relating to unfair or discriminatory employment practices or wage and hour or wage collection laws, including but not limited to, the Age Discrimination in Employment Act of 1967 (ADEA), the Older Workers' Benefit Protection Act, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act of 1974, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Internal Revenue Code, the Family and Medical Leave Act, the Workers Adjustment and Retraining Act, federal and state whistleblower laws, and any federal or state law or local ordinance dealing with employment compensation, discrimination, retaliation or wrongful discharge (and any and all amendments to any and all of the foregoing laws or ordinances). This release also includes claims based on theories of contract or common law, including but not limited to breach of contract, wrongful discharge under any theory, constructive discharge, intentional or negligent infliction of emotional distress, negligent hiring, negligence, misrepresentation, invasion of privacy, defamation, interference with contract and/or prospective economic advantage. Employee understands that this list is not intended to be exhaustive but merely illustrative; provided, however, that nothing contained herein shall be construed as a waiver or release of (i) the Company's breach of its obligations under this Agreement; (ii) any vested benefits Employee has in the Company's 401(k) Plan as of the Separation Date; and (iii) any claim or cause of action that cannot legally be waived by private agreement, including without limitation any claim for workers' compensation benefits, unemployment benefits, or state or federal disability benefits.

14. If Employee is over the age of forty (40) on the Separation Date, this Agreement extends to all claims of whatsoever type or nature, including but not limited to any possible claim under the Federal Age Discrimination in Employment Act, 29 U.S.C. §§ 621-635 as amended by the Older Workers' Benefit Protection Act ("OWBPA") (Pub. Law 101-433, 104 Stat. 978), which, among other things, establishes minimum standards for validity of waivers of claims under the ADEA. With respect to this waiver of any ADEA claim, Employee states:

a. This waiver is knowing and voluntary;

b. This Agreement is clear and understandable, and Employee needs no further time to consider it;

c. Employee understands that this waiver applies only to rights or claims arising on or before the date Employee signs this waiver (set forth below);

d. Employee has been advised in writing to consult with an attorney before signing this waiver through the presentation of this Agreement and has either consulted with an attorney or has voluntarily elected not to seek the advice of any attorney;

e. Employee has been given a period of at least twenty-one (21) calendar days to consider this waiver, although Employee is free to sign it sooner; and

f. Employee understands that this waiver of any claim under the ADEA may be revoked by Employee at any time within a period of seven (7) calendar days after Employee's execution of this Agreement, and that Employee's waiver of any claim under the ADEA will not become effective or enforceable until such revocation period has passed. To revoke any claim under the ADEA, Employee must send a written notice announcing the revocation, certified mail, return receipt requested, to John Mutschink, EMPLOYERS, 10375 Professional Circle, Reno, Nevada 89521-4802 or via e mail to jmutschink@employers.com. The Parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.

15. Employee acknowledges that Employee has been advised to consult with legal counsel and that Employee is familiar with the principle that a general release does not extend to claims that the releaser does not know or suspect to exist in Employee's favor at the time of executing the release, which, if known by Employee, must have materially affected Employee's settlement with the releasee. Employee, being aware of said principle, agrees to expressly waive any rights Employee may have to any claim Employee does not know or suspect to exist in Employee's favor at the time of executing this Agreement, as well as under any other statute or common law principles of similar effect.

16. Nothing in this Agreement shall be construed to (a) prohibit Employee from filing a charge or complaint or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board, Securities and Exchange Commission, or any other federal, state or local agency (the "Government Agencies") charged with the enforcement of any laws, including providing documents or other information; or (b) prevent Employee from exercising Employee's rights under Section 7 of the National Labor Relations Act to engage in protected, concerted activity with other employees. Notwithstanding the foregoing, by signing this Agreement, Employee is waiving the right to recover any individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, lawsuit or other proceeding brought by Employee or on Employee's behalf by any third party, except for any right Employee may have to receive a payment from a government agency for information provided to the government agency. Notwithstanding the foregoing, Employee agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information to any parties other than the Government Agencies. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court

proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

17. This Agreement shall not in any way be construed as an admission that the Company has acted wrongfully with respect to Employee or any other person, or that Employee has any rights whatsoever against the Releasees, and the Company specifically disclaims any liability to, or wrongful acts against, Employee or any other person.

18. Employee agrees to indemnify and hold Company harmless from and against any and all losses, costs, damages or expenses, including, without limitation, attorneys' fees incurred arising out of any breach of this Agreement by Employee, or the fact that any representation made by Employee herein was false when made. In any action to enforce this Agreement, or its terms, unless such action is challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, the prevailing party shall be entitled to costs, including reasonable attorney's fees.

19. This is the entire Agreement between the Company and Employee and supersedes any and all prior or contemporaneous agreements, representations, negotiations, or assurances unless specifically incorporated herein.

20. All notices and other communications required or permitted under this Agreement (other than as set forth in Section 14(f)), shall be in writing and sent by registered first class mail, postage pre-paid, by facsimile, or sent by nationally recognized express courier service. Such notices and other communications shall be effective upon receipt at the following addresses, or such other addresses as a party shall notify to the other party:

If to the Company:	If to Employee:
Employers Holdings, Inc. Attn: General Counsel 10375 Professional Circle Reno, NV 89521 Fax: (775) 886-1818	To the address (or facsimile number, if any) on record with the Company

The parties shall have the right to change their addresses for future notices by way of written notice delivered pursuant to this Section.

21. Employee represents and agrees that Employee fully understands the right to discuss all aspects of this Agreement with an attorney and that Employee has carefully read and fully understands all of the provisions of this Agreement, and that Employee is voluntarily entering into this Agreement.

22. Employee represents and acknowledges that in executing this Agreement Employee does not rely and has not relied upon any representation or statement not set forth herein made by Company or by any of Company's agents, representatives, or attorneys with regard to the subject matter, basis or effect of this Agreement

23. If any provision of this Agreement is held to be invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect without being impaired or invalidated in any way.

24. If Employee is over the age of 40 on the Separation Date, this Agreement shall be null and void if not executed by Employee within twenty-one (21) days of the Separation Date. Each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will

become effective on the eighth (8th) day after Employee has signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the “Effective Date”). If Employee is under the age of 40 on the Separation Date, this Agreement shall be null and void if not executed by Employee within seven (7) days of the Separation Date. This Agreement will become effective on the date it has been signed by both Parties (the “Effective Date”).

25. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada.

26. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement. Employee agrees that his electronic signature on this Agreement and any other documents related to this Agreement or his employment has the same validity, enforceability, and admissibility of a handwritten signature, and consents to the electronic delivery of this Agreement and any documents related to this Agreement or his employment, to the extent permitted by applicable law. If a copy or counterpart of this Agreement is originally executed and such copy or counterpart is thereafter transmitted electronically by facsimile or similar device, such facsimile or equivalent document shall for all purposes be treated as if manually signed by the Party whose facsimile signature appears.

It is so agreed.

/s/ Douglas D. Dirks 3/18/21 s/s Stephen V. Festa 3/17/21
Douglas D. Dirks Date Stephen V. Festa Date
President and Chief Executive Officer
Employers Holdings, Inc.

Exhibit 10.4

FHLBank San Francisco

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

Amendment No. 3 to Irrevocable Letter of Credit No. 2018-10

January 26, 2021

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 Preferred Insurance Company, Reno, Nevada, the Federal Home Loan Bank of San Francisco hereby amends its Irrevocable Standby Letter of Credit No. 2018-10 (the "Letter of Credit"), dated March 9, 2018, by decreasing the Credit Amount (as defined in the Letter of Credit) from $125,000,000 to $10,000,000.

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 Title
/s/ John "JJ" Jaravata Associate Director

Exhibit 10.5

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

Amendment No. 3 to Irrevocable Letter of Credit No. 2018-08

January 26, 2021

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 Assurance Company, Reno, Nevada, the Federal Home Loan Bank of San Francisco hereby amends its Irrevocable Standby Letter of Credit No. 2018-08 (the “Letter of Credit”), dated March 9, 2018, by decreasing the Credit Amount (as defined in the Letter of Credit) from $80,000,000 to $50,000,000.

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 Title
/s/ John “JJ” Jaravata Associate Director

Exhibit 31.1

CERTIFICATIONS

I, Katherine H. Antonello, 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: April 26, 2021	/s/ Katherine H. Antonello
	Katherine H. Antonello 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: April 26, 2021

/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 March 31, 2021, 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: April 26, 2021

/s/ Katherine H. Antonello
Katherine H. Antonello
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 March 31, 2021, 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: April 26, 2021

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