EMPLOYERS
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news release
For Immediate Release

July 29, 2015

Employers Holdings, Inc. Reports Second Quarter 2015 Earnings and Declares Third Quarter 2015 Dividend

- **GAAP net income of $0.90 per diluted share; down $0.52**
  - **Net income before the LPT of $0.54 per diluted share; up $0.08**
  - **Operating income of $0.51 per diluted share; up $0.24**
- **Combined ratio before the LPT of 98.8%; improved 7.2 percentage points driven by a lower current accident year loss provision rate**
- **Net written premiums of $188.3 million; down 1.3% due to rate/underwriting actions in Southern California**
- **Net rate up 0.7% overall and 10.1% in California**
- **In-force payroll exposure down 1.7% overall and 13.7% in California**
- **Operating return on equity of 8.2%; up 3.5 percentage points**

Reno, Nevada-July 29, 2015-Employers Holdings, Inc. ("EHI" or the "Company") (NYSE:EIG) today reported net income of $29.2 million, or $0.90 per diluted share, for the quarter ended June 30, 2015 compared to $45.6 million, or $1.42 per diluted share, in the prior year quarter, and net income before the impact of the Loss Portfolio Transfer ("LPT") was $17.6 million, or $0.54 per diluted share, in the current quarter compared to $14.6 million, or $0.46 per diluted share, in the prior year quarter. Operating income in the current quarter was $16.5 million, or $0.51 per diluted share, compared to $8.7 million, or $0.27 per diluted share, in the prior year quarter. A reconciliation of non-GAAP to GAAP metrics is included in the financial tables accompanying this release.

Key Highlights[1]

(in millions, except per share amounts and percentages)	**Three Months Ended June 30,**			**Six Months Ended June 30,**		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Net written premiums	$ 188.3	$ 190.8	(1)%	$ 360.2	$ 374.1	(4)%
Total revenues	$ 190.9	$ 200.3	(5)%	$ 368.1	$ 388.8	(5)%
Operating income	$ 16.5	$ 8.7	90 %	$ 26.6	$ 13.2	102 %
Operating income per diluted share	*$ 0.51*	*$ 0.27*	*89 %*	*$ 0.82*	*$ 0.41*	*100 %*
Net income before the impact of the LPT	$ 17.6	$ 14.6	21 %	$ 28.4	$ 21.1	35 %
Net income before the impact of the LPT per diluted share	*$ 0.54*	*$ 0.46*	*17 %*	*$ 0.87*	*$ 0.66*	*32 %*
Diluted weighted average shares outstanding	32,507,496	32,030,954	1 %	32,483,230	32,030,194	1 %
Combined ratio before the impact of the LPT	98.8%	106.0%	(7.2) pts	100.2%	106.8%	(6.6) pts
Operating return on equity	8.2%	4.7%	3.5 pts	6.6%	3.6%	3.0 pts

				Change from	
	June 30, 2015	**December 31, 2014**	**June 30, 2014**	**December 31, 2014**	**June 30, 2014**
Book value per share[2]	$ 28.39	$ 28.38	$ 27.58	—%	3%
Adjusted book value per share	$ 25.60	$ 24.99	$ 24.13	2%	6%

(1) See Glossary of Financial Measures and Reconciliation of Non-GAAP Financial Measures to GAAP for additional definitions and calculations.

(2) Book value per share is stockholders' equity including the Deferred Gain divided by the number of common shares outstanding.

The Company's second quarter 2015 results were impacted by: (1) favorable development in the estimated reserves ceded under the LPT Agreement resulting in a $6.4 million cumulative adjustment to the deferred gain, which reduced losses and LAE by the same amount; (2) an increase in the contingent commission receivable under the LPT Agreement resulting in a $2.4 million cumulative adjustment, which reduced our losses and LAE by the same amount; and (3) a reallocation of $19.4 million of reserves from non-taxable periods prior to January 1, 2000, which reduced our tax expense by $2.5 million for the three and six months ended June 30, 2015 and reduced our effective tax rate by 4.9 percentage points for the six months ended June 30, 2015. Collectively, these items increased net income by $11.3 million during the second quarter of 2015. Results of operations in the second quarter of 2014 were impacted by adjustments related to the LPT and a reallocation of reserves from non-taxable to taxable years which increased net income by $29.6 million.

President and Chief Executive Officer Douglas Dirks commented on the results: "We are pleased with the strong financial results we delivered in the second quarter, as well as the progress we are making with respect to our key strategic initiatives. Importantly, we achieved profitable underwriting as our combined ratio before the LPT of 98.8% improved 7.2 percentage points compared to the second quarter of 2014. We increased our operating income per diluted share 89% and our operating return on equity for the quarter was 8.2%, an increase of 3.5 percentage points over the prior year's quarter. Our adjusted book value per share increased 2.4% since December 31, 2014. These strong results were largely driven by the continued success of the underwriting and pricing initiatives that we implemented last year."

"In the first half of the year, we continued to move off poorly performing business, particularly in Southern California. The net written premium decline that we experienced in the first quarter flattened in the second quarter to just one percent year-over-year as we grew in-force premium by 5% in states outside of California, despite some evidence of flattening rates and increasing competitive pressures. Our net rate was up just under one percent overall, and over 10% in California, as our payroll exposure decreased. Net rate again outpaced loss trends and we lowered our current accident year loss provision rate to 66.5%; a level that we believe is adequate given rate and loss trends."

Dirks continued: "Our growth plans remain focused on attractive customer classes in and outside of California. We will continue our focus on improving operating margins through disciplined risk selection and pricing, and targeting specific customer classes and geographic locations. In addition, we are making solid progress in assessing and implementing technology to enhance customer service while improving functionality for our policyholders. In the second quarter, we launched our 'policyholder portal,' where our insureds can manage their EMPLOYERS policies in one place, including making payments, viewing payment history, reporting workplace injuries, reviewing claims, obtaining claims reports/loss runs and more. We are very pleased with the positive trends we've established in the first half of the year and with the improvements we've made for all of our stakeholders."

Third Quarter Dividend

The Board of Directors declared a third quarter 2015 dividend of six cents per share. The dividend is payable on August 26, 2015 to stockholders of record as of August 12, 2015.

Conference Call and Web Cast; Form 10-Q; Supplemental Information

The Company will host a conference call on Thursday, July 30, 2015, at 8:30 a.m. Pacific Daylight Time. The conference call will be available via a live web cast on the Company's web site at *www.employers.com*. An archived version will be available several hours after the call. The conference call replay number is (888) 286-8010 with a pass code of 80479926. International callers may dial (617) 801-6888.

EHI expects to file its Form 10-Q for the quarter ended June 30, 2015, with the Securities and Exchange Commission ("SEC") on or about Thursday, July 30, 2015. The Form 10-Q will be available without charge through the EDGAR system at the SEC's web site and will also be posted on the Company's website, *www.employers.com*, through the "Investors" link.

The Company provides a list of portfolio securities in the Calendar of Events, "Investors" section of its website at *www.employers.com*. The Company also provides investor presentations on its website.

Forward-Looking Statements

In this press release, the Company and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations, and projections regarding the Company's future operations, the adequacy of accident year loss provision rates, focus on risk selection and pricing, targeting of customer classes and geographic locations, and progress in assessing and implementing technology initiatives. Certain of these statements may constitute "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and are often identified by words such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "target," "project," "intend," "believe," "estimate," "predict," "potential," "*pro forma*," "seek," "likely," or "continue," or other comparable terminology and their negatives. EHI and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in EHI's future performance. Factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements include, among other things, those discussed or identified from time to time in EHI's public filings with the SEC, including the risks detailed in the Company's Quarterly Reports on Form 10-Q and the

Company's Annual Reports on Form 10-K. Except as required by applicable securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The SEC filings for EHI can be accessed through the "Investors" link on the Company's website, *www.employers.com*, or through the SEC's EDGAR Database at *www.sec.gov* (EHI EDGAR CIK No. 0001379041).

Contact:

Media: Ty Vukelich, (775) 327-2677, tvukelich@employers.com.

Analysts: Vicki Erickson Mills, (775) 327-2794, vericksonmills@employers.com.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

(in thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues	(unaudited)		(unaudited)	
Gross premiums written	$ 190,600	$ 193,700	$ 364,600	$ 379,700
Net premiums written	$ 188,300	$ 190,800	$ 360,200	$ 374,100
Net premiums earned	$ 170,600	$ 172,600	$ 329,600	$ 339,900
Net investment income	18,400	18,300	35,300	36,300
Net realized gains on investments	1,900	9,200	3,100	12,400
Other income	—	200	100	200
Total revenues	190,900	200,300	368,100	388,800
Expenses				
Losses and loss adjustment expenses	101,500	98,500	207,700	220,800
Commission expense	22,900	20,400	41,600	40,400
Underwriting and other operating expenses	32,500	33,100	66,000	66,400
Interest expense	700	700	1,400	1,500
Total expenses	157,600	152,700	316,700	329,100
Net income before income taxes	33,300	47,600	51,400	59,700
Income tax expense	4,100	2,000	8,200	3,300
Net income	$ 29,200	$ 45,600	$ 43,200	$ 56,400
Comprehensive income				
Unrealized (losses) gains during the period (net of tax (benefit) expense of $(13,300) and $8,600 for the three months ended June 30, 2015 and 2014, respectively, and $(8,300) and $14,100 for the six months ended June 30, 2015 and 2014, respectively)	$ (24,600)	$ 16,100	$ (15,400)	$ 26,300
Reclassification adjustment for realized gains in net income (net of taxes of $700 and $3,200 for the three months ended June 30, 2015 and 2014, respectively, and $1,100 and $4,300 for the six months ended June 30, 2015 and 2014, respectively)	(1,200)	(6,000)	(2,000)	(8,100)
Other comprehensive (loss) income, net of tax	(25,800)	10,100	(17,400)	18,200
Total comprehensive income	$ 3,400	$ 55,700	$ 25,800	$ 74,600

Employers Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except share data)	As of June 30, 2015	As of December 31, 2014
	(unaudited)	
Assets		
Available for sale:		
Fixed maturity securities at fair value (amortized cost $2,211,200 at June 30, 2015 and $2,186,100 at December 31, 2014)	$ 2,281,800	$ 2,275,700
Equity securities at fair value (cost $150,300 at June 30, 2015 and $97,800 at December 31, 2014)	217,300	172,700
Short-term investments at fair value (amortized cost $18,500 at June 30, 2015)	18,500	—
Total investments	2,517,600	2,448,400
Cash and cash equivalents	64,900	103,600
Restricted cash and cash equivalents	6,600	10,800
Accrued investment income	20,600	20,500
Premiums receivable (less bad debt allowance of $10,300 at June 30, 2015 and $7,900 at December 31, 2014)	314,600	295,800
Reinsurance recoverable for:		
Paid losses	7,500	10,700
Unpaid losses	640,900	669,500
Deferred policy acquisition costs	48,100	44,600
Deferred income taxes, net	55,400	49,700
Property and equipment, net	23,200	21,000
Intangible assets, net	8,800	9,000
Goodwill	36,200	36,200
Contingent commission receivable—LPT Agreement	29,200	26,400
Other assets	37,800	23,500
Total assets	$ 3,811,400	$ 3,769,700
Liabilities and stockholders' equity		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	$ 2,354,500	$ 2,369,700
Unearned premiums	341,400	310,800
Total claims and policy liabilities	2,695,900	2,680,500
Commissions and premium taxes payable	48,800	46,300
Accounts payable and accrued expenses	16,400	20,400
Deferred reinsurance gain—LPT Agreement	195,100	207,000
Notes payable	92,000	92,000
Other liabilities	48,700	36,700
Total liabilities	3,096,900	3,082,900
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 150,000,000 shares authorized; 55,409,748 and 54,866,802 shares issued and 32,036,774 and 31,493,828 shares outstanding at June 30, 2015 and December 31, 2014, respectively	600	600
Additional paid-in capital	352,300	346,600
Retained earnings	634,700	595,300
Accumulated other comprehensive income, net	89,500	106,900
Treasury stock, at cost (23,372,974 shares at June 30, 2015 and December 31, 2014)	(362,600)	(362,600)
Total stockholders' equity	714,500	686,800
Total liabilities and stockholders' equity	$ 3,811,400	$ 3,769,700

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
(in thousands)	2015	2014
Operating activities	(unaudited)	
Net income	$ 43,200	$ 56,400
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,600	3,500
Stock-based compensation	2,700	3,500
Amortization of premium on investments, net	6,100	5,100
Deferred income tax expense	3,700	300
Net realized gains on investments	(3,100)	(12,400)
Excess tax benefits from stock-based compensation	(700)	(1,200)
Other	2,500	—
Change in operating assets and liabilities:		
Premiums receivable	(21,200)	(43,000)
Reinsurance recoverable for paid and unpaid losses	31,800	43,200
Federal income taxes	—	3,300
Unpaid losses and loss adjustment expenses	(15,200)	24,300
Unearned premiums	30,600	35,700
Accounts payable, accrued expenses and other liabilities	8,000	9,000
Deferred reinsurance gain—LPT Agreement	(11,900)	(26,000)
Contingent commission receivable—LPT Agreement	(2,800)	(9,300)
Other	(14,900)	(14,300)
Net cash provided by operating activities	62,400	78,100
Investing activities		
Purchase of fixed maturity securities	(256,600)	(215,900)
Purchase of equity securities	(65,700)	(14,200)
Proceeds from sale of fixed maturity securities	50,700	38,000
Proceeds from sale of equity securities	16,300	21,300
Proceeds from maturities and redemptions of investments	156,300	100,700
Capital expenditures	(5,600)	(2,400)
Change in restricted cash and cash equivalents	4,200	(1,900)
Net cash used in investing activities	(100,400)	(74,400)
Financing activities		
Cash transactions related to stock-based compensation	2,500	1,400
Dividends paid to stockholders	(3,900)	(3,800)
Excess tax benefits from stock-based compensation	700	1,200
Net cash used in financing activities	(700)	(1,200)
Net (decrease) increase in cash and cash equivalents	(38,700)	2,500
Cash and cash equivalents at the beginning of the period	103,600	34,500
Cash and cash equivalents at the end of the period	$ 64,900	$ 37,000

Glossary of Financial Measures and Reconciliation of Non-GAAP Financial Measures to GAAP

The Company uses the following measures to evaluate its financial performance for the periods presented. Certain measures are considered non-GAAP financial measures under applicable SEC rules and include or exclude certain items not ordinarily included or excluded in the most comparable GAAP financial measures.

These non-GAAP financial measures exclude impacts related to the LPT Agreement deferred reinsurance gain. The 1999 LPT Agreement was a non-recurring transaction that does not result in ongoing cash benefits and, consequently, the Company believes these non-GAAP measures are useful in providing stockholders and management a meaningful understanding of the Company's operating performance. Some of these measures also exclude net realized gains, net of taxes, and/or accumulated other comprehensive income, net of taxes, and amortization of intangibles, net of taxes. Management believes these are important indicators of how well the Company creates value for its stockholders through its operating activities and capital management. These measures, as defined, are helpful to management in identifying trends in the Company's performance because the items excluded have limited significance in current and ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends.

The Company strongly urges stockholders and other interested persons not to rely on any single financial measure to evaluate its business. The non-GAAP measures are not a substitute for GAAP measures and investors should be careful when comparing the Company's non-GAAP financial measures to similarly titled measures used by other companies. Other companies may calculate these measures differently, and, therefore, these measures may not be comparable. Reconciliations of non-GAAP financial measures to their most directly comparable GAAP measures are provided in the following discussion.

Net Income before impact of the LPT Agreement is net income less (a) amortization of deferred reinsurance gain–LPT Agreement; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable–LPT Agreement.

Operating income is net income before the impact of the LPT excluding net realized gains on investments, net of taxes, and amortization of intangibles, net of taxes.

Reconciliation of Net Income to Net Income Before Impact of the LPT and Operating Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2015	2014	2015	2014
Net income	$ 29.2	$ 45.6	$ 43.2	$ 56.4
Less: Impact of the LPT Agreement	11.6	31.0	14.8	35.3
Net income before impact of the LPT	17.6	14.6	28.4	21.1
Less: Net realized gains on investments, net of taxes	1.2	6.0	2.0	8.1
Plus: Amortization of intangibles, net of taxes	0.1	0.1	0.2	0.2
Operating income	**$ 16.5**	**$ 8.7**	**$ 26.6**	**$ 13.2**

	Years Ended December 31,		
(in millions)	2014	2013	2012
Net income	$ 100.7	$ 63.8	$ 106.9
Less: Impact of the LPT Agreement	55.0	37.9	99.9
Net income before impact of the LPT	45.7	25.9	7.0
Less: Net realized gains on investments, net of taxes	10.6	6.2	3.3
Plus: Amortization of intangibles, net of taxes	0.5	0.6	0.8
Operating income	**$ 35.6**	**$ 20.3**	**$ 4.5**

Reconciliation of Net Income per Share to Operating Income per Share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average shares outstanding				
Basic	32,066,981	31,518,473	31,906,401	31,464,198
Diluted	32,507,496	32,030,954	32,483,230	32,030,194
Basic earnings per common share				
Net income	$ 0.91	$ 1.45	$ 1.35	$ 1.79
Impact of the LPT Agreement	0.36	0.99	0.46	1.12
Net income before the impact of the LPT	0.55	0.46	0.89	0.67
Net realized gains on investments, net of taxes	0.04	0.18	0.07	0.26
Amortization of intangibles, net of taxes	—	—	0.01	0.01
Operating income per basic share	**$ 0.51**	**$ 0.28**	**$ 0.83**	**$ 0.42**
Diluted earnings per common share				
Net income	$ 0.90	$ 1.42	$ 1.33	$ 1.76
Impact of the LPT Agreement	0.36	0.96	0.46	1.10
Net income before the impact of the LPT	0.54	0.46	0.87	0.66
Net realized gains on investments, net of taxes	0.03	0.19	0.06	0.26
Amortization of intangibles, net of taxes	—	—	0.01	0.01
Operating income per diluted share	**$ 0.51**	**$ 0.27**	**$ 0.82**	**$ 0.41**

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

Stockholders' Equity Including the Deferred Gain is stockholders' equity including the Deferred reinsurance gain–LPT Agreement.

Average Stockholders' Equity Including the Deferred Gain is (a) the sum of stockholders' equity including the deferred gain at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two.

Average stockholders' equity is (a) the sum of stockholders' equity at the beginning and end of each of the quarters for the period presented divided by (b) the number of quarters in the period presented times two.

Adjusted stockholders' equity is stockholders' equity including the Deferred Gain, less accumulated other comprehensive income, net.

Average adjusted stockholders' equity is the average of stockholders' equity including the deferred reinsurance gain-LPT Agreement, less accumulated other comprehensive income, net, for all quarters included in the calculation.

Book value per share is stockholders' equity including the Deferred Gain divided by the number of common shares outstanding.

Adjusted book value per share is adjusted stockholders' equity divided by the number of common shares outstanding.

GAAP book value per share is stockholders' equity divided by the number of common shares outstanding.

Reconciliation of Stockholders' Equity to Stockholders' Equity Including the Deferred Gain and Adjusted Stockholders' Equity

	As of June 30,		Years Ended December 31,		
(in millions, except share data)	2015	2014	2014	2013	2012
Stockholders' equity	$ 714.5	$ 645.3	$ 686.8	$ 568.7	$ 539.4
Deferred reinsurance gain–LPT Agreement	195.1	223.1	207.0	249.1	281.0
Stockholders' equity including the Deferred Gain	**909.6**	**868.4**	**893.8**	**817.8**	**820.4**
Less: Accumulated other comprehensive income, net	89.5	108.6	106.9	90.4	129.5
Adjusted stockholders' equity	**$ 820.1**	**$ 759.8**	**$ 786.9**	**$ 727.4**	**$ 690.9**
Common shares outstanding	32,036,774	31,482,500	31,493,828	31,299,930	30,771,479
Book value per share	**$ 28.39**	**$ 27.58**	**$ 28.38**	**$ 26.13**	**$ 26.66**
Adjusted book value per share	**25.60**	**24.13**	**24.99**	**23.24**	**22.45**
GAAP book value per share	**22.30**	**20.50**	**21.81**	**18.17**	**17.53**

Operating return on equity is the ratio of annualized operating income to adjusted average stockholders' equity for the periods presented.

Adjusted return on equity is the ratio of annualized net income before the LPT to average stockholders' equity including the Deferred Gain.

Return on equity is the ratio of annualized net income to average stockholders' equity for the periods presented.

Reconciliation of Operating Return on Equity and Adjusted Return on Equity to Return on Equity

	Three Months Ended June 30,		Six Months Ended June 30,		Years Ended December 31,	
(in millions, except for percentages)	2015	2014	2015	2014	2014	2013
Annualized operating income	$ 66.0	$ 34.8	$ 53.2	$ 26.4		
Operating income					$ 35.6	$ 20.3
Average adjusted stockholders' equity	809.2	747.2	803.5	743.6	757.2	709.2
Operating return on equity	**8.2%**	**4.7%**	**6.6%**	**3.6%**	**4.7%**	**2.9%**
Annualized net income before impact of the LPT	$ 70.4	$ 58.4	$ 56.8	$ 42.2		
Net income before impact of the LPT					$ 45.7	$ 25.9
Average stockholders' equity including the Deferred Gain	911.6	850.8	901.7	843.1	855.8	819.1
Adjusted return on equity	**7.7%**	**6.9%**	**6.3%**	**5.0%**	**5.3%**	**3.2%**
Annualized net income	$ 116.8	$ 182.4	$ 86.4	$ 112.8		
Net income					$ 100.7	$ 63.8
Average stockholders' equity	712.0	616.6	700.7	607.0	627.8	554.1
Return on equity	**16.4%**	**29.6%**	**12.3%**	**18.6%**	**16.0%**	**11.5%**

Calculation of Combined Ratio before the Impact of the LPT Agreement and Reconciliation to Current Accident Period Combined Ratio

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except for percentages)	**2015**	**2014**	**2015**	**2014**
	(unaudited)			
Net premiums earned	$ 170.6	$ 172.6	$ 329.6	$ 339.9
Losses and loss adjustment expenses	101.5	98.5	207.7	220.8
Loss & LAE ratio	59.5 %	57.1 %	63.0 %	65.0 %
Amortization of Deferred Gain related to losses	$ 2.3	$ 3.1	$ 4.8	$ 6.0
Amortization of Deferred Gain related to contingent commission	0.5	0.5	1.0	0.9
LPT Reserve Adjustment	6.4	20.1	6.4	20.8
LPT Contingent Commission Adjustment	2.4	7.3	2.6	7.6
Loss & LAE before impact of LPT	$ 113.1	$ 129.5	$ 222.5	$ 256.1
Impact of LPT	6.8 %	17.9 %	4.5 %	10.3 %
Loss & LAE ratio before impact of LPT	66.3 %	75.0 %	67.5 %	75.3 %
Commission expense	$ 22.9	$ 20.4	$ 41.6	$ 40.4
Commission expense ratio	13.4 %	11.8 %	12.6 %	11.9 %
Underwriting & other operating expenses	$ 32.5	$ 33.1	$ 66.0	$ 66.4
Underwriting & other operating expenses ratio	19.1 %	19.1 %	20.1 %	19.5 %
Total expenses	$ 156.9	$ 152.0	$ 315.3	$ 327.6
Combined ratio	92.0 %	88.0 %	95.7 %	96.4 %
Total expense before impact of the LPT	$ 168.5	$ 183.0	$ 330.1	$ 362.9
Combined ratio before the impact of the LPT	**98.8%**	**106.0%**	**100.2%**	**106.8%**
Reconciliations to Current Accident Period Combined Ratio:				
Losses & LAE before impact of LPT	$ 113.1	$ 129.5	$ 222.5	$ 256.1
Plus: Favorable (unfavorable) prior period reserve development	0.3	(1.5)	(1.4)	(3.3)
Accident period losses & LAE before impact of LPT	$ 113.4	$ 128.0	$ 221.1	$ 252.8
Losses & LAE ratio before impact of LPT	66.3 %	75.0 %	67.5 %	75.3 %
Plus: Favorable (unfavorable) prior period reserve development ratio	0.2	(0.8)	(0.4)	(0.9)
Accident period losses & LAE ratio before impact of LPT	66.5 %	74.2 %	67.1 %	74.4 %
Combined ratio before impact of the LPT	98.8 %	106.0 %	100.2 %	106.8 %
Plus: Favorable (unfavorable) prior period reserve development ratio	0.2	(0.8)	(0.4)	(0.9)
Accident period combined ratio before impact of LPT	**99.0%**	**105.2%**	**99.8%**	**105.9%**

Gross Premiums Written. Gross premiums written is the sum of both direct premiums written and assumed premiums written before the effect of ceded reinsurance. Direct premiums written represents the premiums on all policies the Company's insurance subsidiaries have issued during the year. Assumed premiums written represents the premiums that the insurance subsidiaries have received from an authorized state-mandated pool.

Net Premiums Written. Net premiums written is the sum of direct premiums written and assumed premiums written less ceded premiums written. Ceded premiums written is the portion of direct premiums written that are ceded to reinsurers under reinsurance contracts. The Company uses net premiums written, primarily in relation to gross premiums written, to measure the amount of business retained after cession to reinsurers.

Losses and LAE before impact of the LPT Agreement. Losses and LAE less (a) amortization of Deferred Gain; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable–LPT Agreement.

Losses and LAE Ratio. The losses and LAE ratio is a measure of underwriting profitability. Expressed as a percentage, it is the ratio of losses and LAE to net premiums earned.

Commission Expense Ratio. The commission expense ratio is the ratio (expressed as a percentage) of commission expense to net premiums earned.

Underwriting and Other Operating Expense Ratio. The underwriting and other operating expense ratio is the ratio (expressed as a percentage) of underwriting and other operating expense to net premiums earned.

Combined Ratio. The combined ratio represents a summary percentage of claims and expenses to net premiums earned. The combined ratio is the sum of the losses and LAE ratio, the commission expense ratio, and the underwriting and other operating expense ratio.

Combined Ratio before impacts of the LPT Agreement. Combined ratio before impacts of LPT is the GAAP combined ratio before (a) amortization of deferred reinsurance gain–LPT Agreement; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable–LPT Agreement.

Book value per share. Equity including Deferred Gain divided by number of shares outstanding.

Net rate. Net rate, defined as total premium in-force divided by total insured payroll exposure, is a function of a variety of factors, including rate changes, underwriting risk profiles and pricing, and changes in business mix related to economic and competitive pressures.