

Employers Holdings, Inc. Reports First Quarter 2017 Results

- First quarter net income, net income excluding the impact of the LPT and operating income of \$23.2 million, \$20.3 million and \$18.9 million, respectively.
- Annualized operating return on adjusted equity of 8.0%.
- First quarter combined ratio of 94.9% and combined ratio excluding the impact of the LPT of 96.6%, each an improvement year-over-year.
- First quarter net written premiums of \$196.1 million, an increase of \$7.4 million year-over-year.
- GAAP book value per share of \$26.88, book value per share of \$32.20 and adjusted book value per share of \$29.65, increased 3.3%, 2.3% and 1.7%, respectively, in the first quarter of 2017, including dividends declared.
- In-force payroll exposure increased 0.2% overall, year-over-year.
- In-force policies were flat overall, year-over-year.
- Net earned premiums increased 1.6% in the quarter, year-over-year.
- Net investment income increased \$1.0 million in the quarter, year-over-year.
- Board of Directors approved quarterly dividend per share of \$0.15.

Reno, Nevada-April 26, 2017-Employers Holdings, Inc. (“EHI” or the “Company”) (NYSE:EIG) today reported net income and net income excluding the impact of the LPT of \$23.2 million (\$0.70 per diluted share) and \$20.3 million (\$0.62 per diluted share), respectively, for the first quarter of 2017. Operating income was \$18.9 million (\$0.57 per diluted share) for the quarter ended March 31, 2017. The Company’s underwriting and other operating expense ratio and loss ratio before the LPT decreased in the quarter. The Company’s commission expense ratio increased slightly over the previous year’s first quarter.

Chief Executive Officer Douglas Dirks commented on the results:

“We are pleased with our first quarter 2017 results. Today we reported higher premiums, underwriting income and investment income for the first quarter compared with the comparable period last year. We achieved an annualized return on adjusted equity of 8%, consistent with last year's first quarter, as we grew stockholders’ equity and book value per share. We continue to drive strong new business growth and maintain high levels of retention for our in-force policies, despite competitive market conditions, while improving loss costs. Our claim trends continue to be positive in terms of declining frequency and we have been successful in closing claims on an accelerated basis.

“Given the strength of our balance sheet, the strong execution of our underwriting, claims and investment strategies and our active capital management, we believe that we are well positioned for the current market cycle.”

First Quarter 2017 Results

(All comparisons vs. first quarter 2016, unless noted otherwise).

Net income of \$23.2 million increased \$1.4 million. The increase in net income reflects increases in net investment income, realized gains, underwriting income, net earned premium, lower underwriting and other operating expenses and slightly higher income tax expense. Our effective tax rate of 21.4% was consistent with that of the first quarter of 2016.

Underwriting results

- The combined ratio before the impact of the LPT remained strong at 96.6%.
- The loss ratio before the LPT of 63.8% decreased 0.2 percentage points.
- The commission expense ratio of 12.3% increased 0.5 percentage points due to higher base commissions paid in the first quarter of 2017 and a true-up of agency incentive commissions that lowered our commissions during the first quarter of 2016.
- The underwriting and other expense ratio of 20.4% decreased 0.6 percentage points due to lower bad debt, premium taxes and assessments.

Gross written premiums of \$197.6 million increased \$6.9 million due to higher final audit premium and new business growth. The increase in final audit pickup can be attributed to higher payroll at final audit driven by increases in hours worked and the number of full-time employees.

In-force premium in states outside California grew 0.8% while in-force premium in California decreased by 1.5%. Policy count outside of California grew 5.3% while policy count in California declined 5.0%. Retention remained high and overall renewal premiums were flat in the first quarter year-over-year with increases in payroll exposure being offset by a 1.8% decrease in average rate.

Net investment income of \$18.8 million increased \$1.0 million relative to the first quarter of last year, driven by an increase in invested assets and a slight shift in asset mix. Net realized gains on investments were \$2.2 million in the first quarter compared with \$1.5 million in the first quarter of last year.

Recently Adopted Accounting Standard

In March 2016 the Financial Accounting Standards Board issued Accounting Standards Update Number 2016-09, Compensation - Stock Compensation (Topic 718) that impacted the net tax benefits on the Company's stock-based compensation. The Company elected to early adopt this standard in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to income tax expense and a corresponding increase to net income for the three months ended March 31, 2016.

Stockholders' Equity including the Deferred Gain, Second Quarter 2017 Dividend Declaration

Stockholders' equity plus Deferred reinsurance gain - LPT Agreement was \$1,039.4 million, an increase of 2.4% from year-end 2016, including an \$8.0 million increase in after-tax net unrealized investment gains.

The Board of Directors declared a second quarter 2017 dividend of \$0.15 per share. The dividend is payable on May 24, 2017 to stockholders of record as of May 10, 2017.

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

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

Reconciliation of Non-GAAP Financial Measures to GAAP

Within this earnings release we present various financial measures, some of which are a "non-GAAP financial measure" as defined in Regulation G pursuant to Section 401 of the Sarbanes - Oxley Act of 2002. A description of these non-GAAP financial measures, as well as a reconciliation of such non-GAAP measures to the Company's most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these non-GAAP measures are meaningful to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. These non-GAAP measures are not a substitute for GAAP measures and investors should be careful when comparing the Company's non-GAAP financial measures to similarly titled measures used by other companies. Other companies may calculate these measures differently, and, therefore, these measures may not be comparable.

The Company will host a conference call on Thursday, April 27, 2017, 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 (404) 537-3406 or (855) 859-2056 with a pass code of 98293259.

EHI expects to file its Form 10-Q for the quarter ended March 31, 2017, with the Securities and Exchange Commission ("SEC") on or about Thursday, April 27, 2017. 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 of, among other things, the Company's future performance, business growth, retention rates, loss costs and claim trends. 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).

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Additional information can be found at:

<http://www.employers.com>.

Employers Holdings, Inc.

First Quarter 2017

Financial Supplement

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

	Three Months Ended		% change
	March 31,		
	2017	2016*	
<i>Selected financial highlights:</i>			
Gross insurance premiums written	\$ 197.6	\$ 190.7	4 %
Net insurance premiums written	196.1	188.7	4 %
Net insurance premiums earned	175.3	172.6	2 %
Net investment income	18.8	17.8	6 %
Underwriting income	8.9	8.7	2 %
Net income before impact of the LPT ¹	20.3	18.7	9 %
Operating income ¹	18.9	17.8	6 %
Net income	23.2	21.8	6 %
Comprehensive income	31.2	41.6	(25)%
Total assets	3,833.6	3,796.8	1 %
Stockholders' equity	867.5	803.7	8 %
Stockholders' equity including deferred reinsurance gain ²	1,039.4	990.1	5 %
Adjusted stockholders' equity ²	956.9	886.7	8 %
Annualized operating return on adjusted stockholders' equity ³	8.0%	8.1 %	(1)%
<i>Amounts per share:</i>			
Cash dividends declared per share	\$ 0.15	\$ 0.09	67 %
Net income per diluted share ⁴	0.70	0.66	6 %
Net income before impact of the LPT per diluted share ⁴	0.62	0.57	9 %
Operating income per diluted share ⁴	0.57	0.54	6 %
GAAP book value per share ²	26.88	24.74	9 %
Book value per share ²	32.20	30.48	6 %
Adjusted book value per share ²	29.65	27.30	9 %
Combined ratio before impact of the LPT:⁵			
Loss and loss adjustment expense ratio:			
Current year	63.8%	64.1 %	
Prior year	—%	(0.1)%	
Loss and loss adjustment expense ratio	63.8%	64.0 %	
Commission expense ratio	12.3%	11.8 %	
Underwriting and other operating expense ratio	20.4%	21.0 %	
Combined ratio before impact of the LPT	96.6%	96.8 %	

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

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

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

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

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

*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

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

	March 31, 2017	December 31, 2016
ASSETS		
Investments, cash and cash equivalents	\$ 2,673.2	\$ 2,623.4
Accrued investment income	20.1	20.6
Premiums receivable, net	323.8	304.7
Reinsurance recoverable on paid and unpaid losses	581.0	588.7
Deferred policy acquisition costs	48.1	44.3
Deferred income taxes, net	52.1	59.4
Contingent commission receivable—LPT Agreement	31.1	31.1
Other assets	104.2	101.2
Total assets	<u>\$ 3,833.6</u>	<u>\$ 3,773.4</u>
LIABILITIES		
Unpaid losses and LAE	\$ 2,298.2	\$ 2,301.0
Unearned premiums	330.8	310.3
Commissions and premium taxes payable	49.3	48.8
Deferred reinsurance gain—LPT Agreement	171.9	174.9
Notes payable	32.0	32.0
Other liabilities	83.9	65.8
Total liabilities	<u>\$ 2,966.1</u>	<u>\$ 2,932.8</u>
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 373.3	\$ 372.6
Retained earnings	795.4	777.2
Accumulated other comprehensive income, net	82.5	74.5
Treasury stock, at cost	(383.7)	(383.7)
Total stockholders' equity	<u>867.5</u>	<u>840.6</u>
Total liabilities and stockholders' equity	<u>\$ 3,833.6</u>	<u>\$ 3,773.4</u>
Stockholders' equity including deferred reinsurance gain ¹	\$ 1,039.4	\$ 1,015.5
Adjusted stockholders' equity ¹	956.9	941.0
GAAP Book Value per Share ¹	\$ 26.88	\$ 26.16
Book value per share ¹	32.20	31.61
Adjusted Book Value per Share ¹	29.65	29.29

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

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

	Three Months Ended	
	March 31,	
	2017	2016*
Underwriting revenues:		
Gross premiums written	\$ 197.6	\$ 190.7
Premiums ceded	(1.5)	(2.0)
Net premiums written	196.1	188.7
Net premiums earned	175.3	172.6
Underwriting expenses:		
Losses and LAE incurred	(109.0)	(107.3)
Commission expense	(21.5)	(20.3)
Underwriting and other operating expenses	(35.9)	(36.3)
Underwriting income	8.9	8.7
Net investment income	18.8	17.8
Other income	—	0.1
Interest expense	(0.4)	(0.4)
Net realized gains on investments	2.2	1.5
Income tax expense	(6.3)	(5.9)
Net income	23.2	21.8
Net unrealized gains on investments arising during the period, net of tax	9.4	20.8
Reclassification adj. for realized gains in net income, net of tax	(1.4)	(1.0)
Comprehensive income	\$ 31.2	\$ 41.6
<i>Add (subtract)</i>		
Amortization of deferred reinsurance gain - losses	\$ (2.4)	\$ (2.6)
Amortization of deferred reinsurance gain - contingent commission	(0.5)	(0.5)
LPT reserve adjustment	—	—
LPT contingent commission adjustments	—	—
Net income before impact of the LPT Agreement ¹	\$ 20.3	\$ 18.7
<i>Add (subtract)</i>		
Impact of the LPT Agreement	\$ (2.9)	\$ (3.1)
Net realized losses (gains) on investments, net of tax	(1.4)	(1.0)
Amortization of intangibles, net of tax	—	0.1
Operating income ¹	\$ 18.9	\$ 17.8

¹ See Page 10 regarding our use of Non-GAAP Financial Measures.

*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

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

		Three Months Ended	
		March 31,	
		2017	2016*
Net income	A	\$ 23.2	\$ 21.8
<i>Add (subtract):</i>			
Impact of LPT Agreement		(2.9)	(3.1)
Net realized losses (gains) on investments, net of tax		(1.4)	(1.0)
Amortization of intangibles, net of tax		—	0.1
Operating income ¹	B	\$ 18.9	\$ 17.8
<hr/>			
Stockholders' equity - end of period		\$ 867.5	\$ 803.7
Stockholders' equity - beginning of period		840.6	760.8
Average stockholders' equity	C	\$ 854.1	\$ 782.3
<hr/>			
Stockholders' equity - end of period		\$ 867.5	\$ 803.7
<i>Add (subtract):</i>			
Deferred reinsurance gain		171.9	186.4
Accumulated other comprehensive income, net of tax		(82.5)	(103.4)
Adjusted stockholders' equity - end of period		956.9	886.7
Adjusted stockholders' equity - beginning of period		941.0	866.7
Average adjusted stockholders' equity ¹	D	\$ 949.0	\$ 876.7
<hr/>			
Return on stockholders' equity	A / C	2.7%	2.8%
Annualized return on stockholders' equity		10.9%	11.1%
<hr/>			
Operating return on adjusted stockholders' equity ¹	B / D	2.0%	2.0%
Annualized operating return on adjusted stockholders' equity ¹		8.0%	8.1%

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

*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

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

		Three Months Ended	
		March 31,	
		2017	2016
Net premiums earned	A	\$ 175.3	\$ 172.6
Losses and LAE incurred	B	109.0	107.3
Amortization of deferred reinsurance gain - losses		2.4	2.6
Amortization of deferred reinsurance gain - contingent commission		0.5	0.5
LPT reserve adjustment		—	—
LPT contingent commission adjustments		—	—
Losses and LAE before impact of the LPT ¹	C	\$ 111.9	\$ 110.4
Less: favorable prior year loss reserve development		—	(0.3)
Losses and LAE before impact of the LPT - current accident year	D	\$ 111.9	\$ 110.7
Commission expense	E	21.5	20.3
Underwriting and other operating expenses	F	35.9	36.3
GAAP combined ratio:			
Loss and LAE ratio	B/A	62.2%	62.2%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
GAAP combined ratio		94.9%	95.0%
Combined ratio before impact of the LPT: ¹			
Loss and LAE ratio before impact of the LPT	C/A	63.8%	64.0%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
Combined ratio before impact of the LPT		96.6%	96.8%
Combined ratio before impact of the LPT: current accident year ¹			
Loss and LAE ratio before impact of the LPT	D/A	63.8%	64.1%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
Combined ratio before impact of the LPT: current accident year		96.6%	96.9%

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

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

	Three Months Ended	
	March 31,	
	2017	2016
Unpaid losses and LAE at beginning of period	\$ 2,301.0	\$ 2,347.5
Reinsurance recoverable on unpaid losses and LAE	580.0	628.2
Net unpaid losses and LAE at beginning of period	1,721.0	1,719.3
Losses and LAE incurred:		
Current year losses	111.9	110.7
Prior year losses on voluntary business	—	—
Prior year losses on involuntary business	—	(0.3)
Total losses incurred	111.9	110.4
Losses and LAE paid:		
Current year losses	4.7	4.7
Prior year losses	102.9	104.5
Total paid losses	107.6	109.2
Net unpaid losses and LAE at end of period	1,725.3	1,720.5
Reinsurance recoverable on unpaid losses and LAE	572.9	621.4
Unpaid losses and LAE at end of period	\$ 2,298.2	\$ 2,341.9

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

	March 31, 2017				December 31, 2016	
	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,350.6	\$ 44.7	\$ 2,395.3	90%	\$ 2,344.4	89%
Equity securities	117.6	82.2	199.8	7%	192.2	7%
Short-term investments	15.4	—	15.4	1%	16.0	1%
Cash and cash equivalents	58.6	—	58.6	2%	67.2	3%
Restricted cash and cash equivalents	4.1	—	4.1	—%	3.6	—%
Total investments and cash	\$ 2,546.3	\$ 126.9	\$ 2,673.2	100%	\$ 2,623.4	100%
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 144.7	\$ 4.0	\$ 148.7	6%	\$ 140.2	6%
States and Municipalities	794.2	23.3	817.5	34%	851.6	36%
Corporate Securities	969.1	16.6	985.7	41%	956.7	41%
Mortgage-Backed Securities	396.9	0.9	397.8	17%	353.5	15%
Asset-Backed Securities	45.7	(0.1)	45.6	2%	42.4	2%
Total fixed maturities	\$ 2,350.6	\$ 44.7	\$ 2,395.3	100%	\$ 2,344.4	100%
Weighted average book yield			3.1%		3.1%	
Weighted average tax equivalent yield			3.6%		3.6%	
Average credit quality (S&P)			AA-		AA-	
Duration			4.3 years		4.3 years	

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

		March 31, 2017	December 31, 2016	March 31, 2016	December 31, 2015
Numerators:					
Stockholders' equity	A	\$ 867.5	\$ 840.6	\$ 803.7	\$ 760.8
Plus: Deferred reinsurance gain		171.9	174.9	186.4	189.5
Stockholders' equity including deferred reinsurance gain¹	B	1,039.4	1,015.5	990.1	950.3
Less: Accumulated other comprehensive income, net of tax		82.5	74.5	103.4	83.6
Adjusted stockholders' equity¹	C	<u>\$ 956.9</u>	<u>\$ 941.0</u>	<u>\$ 886.7</u>	<u>\$ 866.7</u>
Denominator (shares outstanding)	D	32,276,213	32,128,922	32,483,983	32,216,480
GAAP book value per share ¹	A / D	\$ 26.88	\$ 26.16	\$ 24.74	\$ 23.62
Book value per share ¹	B / D	32.20	31.61	30.48	29.50
Adjusted book value per share ¹	C / D	29.65	29.29	27.30	26.90
Cash dividends declared per share		\$ 0.15	\$ 0.36	\$ 0.09	\$ 0.24
YTD Change in:²					
GAAP book value per share		3.3%		5.1%	
Book value per share		2.3%		3.6%	
Adjusted book value per share		1.7%		1.8%	

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

² Reflects the change in book value per share after taking into account dividends declared in the period.

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

		Three Months Ended	
		March 31,	
		2017	2016*
Numerators:			
Net income	A	\$ 23.2	\$ 21.8
<i>Add (subtract):</i>			
Impact of the LPT Agreement		(2.9)	(3.1)
Net income before impact of LPT ¹	B	\$ 20.3	\$ 18.7
Net realized losses (gains) on investments, net of tax		(1.4)	(1.0)
Amortization of intangibles, net of tax		—	0.1
Operating income ¹	C	\$ 18.9	\$ 17.8
Denominators:			
Average common shares outstanding (basic)	D	32,327,784	32,413,818
Average common shares outstanding (diluted)	E	32,965,367	32,955,232
Net income per share:			
Basic	A / D	\$ 0.72	\$ 0.67
Diluted	A / E	0.70	0.66
Net income before impact of the LPT per share: ¹			
Basic	B / D	\$ 0.63	\$ 0.58
Diluted	B / E	0.62	0.57
Operating income per share: ¹			
Basic	C / D	\$ 0.58	\$ 0.55
Diluted	C / E	0.57	0.54

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

*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

Glossary of Financial Measures

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

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

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

Operating income (see Page 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized gains (losses) on investments (net of tax) and amortization of intangible assets net of tax). Management believes that providing this non-GAAP measure is helpful to investors, analysts and other interested parties in identifying trends in the Company's operating performance because such items have limited significance to its ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends.

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

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

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

GAAP book value per share, Book value per share and Adjusted book value per share (see Page 8 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties.

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

Net rate (which is defined as total premium in-force divided by total insured payroll exposure) indicates the average increase or decrease in premiums charged from period-to-period and is a function of a variety of factors, including rate changes, underwriting risk profiles and pricing, and changes in business mix.