UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2022

OR

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

Commission file number: 001-33245

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

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

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

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

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

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

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

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

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

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
			Emerging growth company ☐

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

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

As of July 22, 2022, there were 27,304,571 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	As of June 30, 2022	As of December 31, 2021
Assets	(unaudited)	
Investments:		
Fixed maturity securities at fair value (amortized cost $2,320.1 at June 30, 2022 and $2,266.3 at December 31, 2021, less CECL allowance of $10.0 at June 30, 2022 and $0.2 at December 31, 2021)	$ 2,190.3	$ 2,342.7
Equity securities at fair value (cost $213.5 at June 30, 2022 and $212.6 at December 31, 2021)	265.8	338.8
Equity securities at cost	5.3	5.6
Other invested assets (cost $41.5 at June 30, 2022 and $34.1 at December 31, 2021)	47.8	38.4
Short-term investments at fair value (amortized cost $3.2 at June 30, 2022 and $10.5 at December 31, 2021)	3.2	10.5
Total investments	2,512.4	2,736.0
Cash and cash equivalents	129.1	75.1
Restricted cash and cash equivalents	1.2	0.2
Accrued investment income	15.9	14.5
Premiums receivable (less CECL allowance of $9.7 at June 30, 2022 and $10.3 at December 31, 2021)	282.4	244.7
Reinsurance recoverable for:		
Paid losses	7.3	7.5
Unpaid losses (less CECL allowance of $0.6 at June 30, 2022 and $0.6 at December 31, 2021)	461.8	476.3
Deferred policy acquisition costs	48.4	43.7
Deferred income tax asset, net	50.0	—
Property and equipment, net	13.4	14.7
Operating lease right-of-use assets	12.9	14.2
Intangible assets, net	13.6	13.6
Goodwill	36.2	36.2
Contingent commission receivable—LPT Agreement	13.9	13.9
Cloud computing arrangements	36.5	43.9
Other assets	50.5	48.7
Total assets	$ 3,685.5	$ 3,783.2
Liabilities and stockholders' equity		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	$ 1,972.8	$ 1,981.2
Unearned premiums	338.8	304.7
Commissions and premium taxes payable	46.5	42.1
Accounts payable and accrued expenses	21.8	24.1
Deferred reinsurance gain—LPT Agreement	110.2	114.4
FHLB advances	126.0	—
Deferred income tax liability, net	—	7.7
Operating lease liability	15.0	16.6
Non-cancellable obligations	15.5	21.7
Other liabilities	61.4	57.6
Total liabilities	$ 2,708.0	$ 2,570.1
Commitments and contingencies		

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

	As of June 30, 2022		As of December 31, 2021	
Stockholders' equity:	(unaudited)			
Common stock, $0.01 par value; 150,000,000 shares authorized; 57,871,517 and 57,690,254 shares issued and 27,383,132 and 27,741,400 shares outstanding at June 30, 2022 and December 31, 2021, respectively	$	0.6	$	0.6
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued		—		—
Additional paid-in capital		411.8		410.7
Retained earnings		1,278.4		1,338.5
Accumulated other comprehensive (loss) income, net of tax		(94.7)		60.6
Treasury stock, at cost (30,488,385 shares at June 30, 2022 and 29,948,854 shares at December 31, 2021)		(618.6)		(597.3)
Total stockholders' equity		977.5		1,213.1
Total liabilities and stockholders' equity	$	3,685.5	$	3,783.2

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive (Loss) Income
(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenues	(unaudited)		(unaudited)	
Net premiums earned	$ 165.2	$ 137.0	$ 315.4	$ 270.9
Net investment income	20.0	18.2	39.1	36.6
Net realized and unrealized (losses) gains on investments	(50.1)	16.0	(67.4)	26.9
Other income	0.2	0.2	0.2	0.6
Total revenues	135.3	171.4	287.3	335.0
Expenses				
Losses and loss adjustment expenses	93.3	83.7	187.5	153.3
Commission expense	23.7	18.0	44.6	34.8
Underwriting and general and administrative expenses	39.4	37.0	78.6	83.6
Interest and financing expenses	0.3	0.2	0.4	0.3
Other expenses	—	0.1	—	3.0
Total expenses	156.7	139.0	311.1	275.0
Net (loss) income before income taxes	(21.4)	32.4	(23.8)	60.0
Income tax (benefit) expense	(5.8)	6.0	(6.0)	10.5
Net (loss) income	$ (15.6)	$ 26.4	$ (17.8)	$ 49.5
Comprehensive loss (income)				
Unrealized AFS investment (losses) gains arising during the period, net of tax benefit (expense) of $19.5 and $(2.7) for the three months ended June 30, 2022 and 2021, respectively, and $43.0 and $6.7 for the six months ended June 30, 2022 and 2021,respectively	$ (73.5)	$ 10.4	$ (161.9)	$ (25.1)
Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax (benefit) expense of $(1.7) and $0.4 for the three months ended June 30, 2022 and 2021, respectively and $(1.8) and $0.6 for the six months ended June 30, 2022 and 2021, respectively	6.4	(1.6)	6.6	(2.2)
Other comprehensive loss (income), net of tax	(67.1)	8.8	(155.3)	(27.3)
Total comprehensive loss (income)	$ (82.7)	$ 35.2	$ (173.1)	$ 22.2
Net realized and unrealized (losses) gains on investments				
Net realized and unrealized (losses) gains on investments before impairments	$ (50.1)	$ 16.0	$ (67.4)	$ 26.9
Net realized and unrealized (losses) gains on investments	$ (50.1)	$ 16.0	$ (67.4)	$ 26.9
Earnings (loss) per common share (Note 13):				
Basic	$ (0.56)	$ 0.93	$ (0.65)	$ 1.74
Diluted	$ (0.56)	$ 0.92	$ (0.65)	$ 1.71
Cash dividends declared per common share and eligible equity plan awards	$ 1.26	$ 0.25	$ 1.51	$ 0.50

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Three Months Ended June 30, 2022 and 2021
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net	Treasury Stock at Cost	Total Stockholders' Equity
	Shares Issued	Amount					
	(in millions, except share data)						
Balance, April 1, 2022	57,861,455	$ 0.6	$ 411.1	$ 1,329.2	$ (27.6)	$ (604.0)	$ 1,109.3
Stock-based obligations	—	—	0.7	—	—	—	0.7
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	10,062	—	—	—	—	—	—
Acquisition of common stock	—	—	—	—	—	(14.6)	(14.6)
Dividends declared	—	—	—	(35.2)	—	—	(35.2)
Net loss for the period	—	—	—	(15.6)	—	—	(15.6)
Change in net unrealized losses on AFS investments, net of taxes of $17.8	—	—	—	—	(67.1)	—	(67.1)
Balance, June 30, 2022	57,871,517	$ 0.6	$ 411.8	$ 1,278.4	$ (94.7)	$ (618.6)	$ 977.5
Balance, April 1, 2021	57,625,808	$ 0.6	$ 407.9	$ 1,263.8	$ 79.0	$ (564.7)	$ 1,186.6
Stock-based obligations	—	—	0.5	—	—	—	0.5
Stock options exercised	6,200	—	0.2	—	—	—	0.2
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	57,664	—	(1.2)	—	—	—	(1.2)
Acquisition of common stock	—	—	—	—	—	(10.4)	(10.4)
Dividends declared	—	—	—	(7.1)	—	—	(7.1)
Net income for the period	—	—	—	26.4	—	—	26.4
Change in net unrealized gains on AFS investments, net of taxes of $(2.3)	—	—	—	—	8.8	—	8.8
Balance, June 30, 2021	57,689,672	$ 0.6	$ 407.4	$ 1,283.0	$ 87.8	$ (575.2)	$ 1,203.6

See accompanying unaudited notes to the consolidated financial statements.

Employers Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Six Months Ended June 30, 2022 and 2021
(Unaudited)

	Common Stock												
	Shares Issued		Amount		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive (Loss) Income, Net		Treasury Stock at Cost		Total Stockholders' Equity
	(in millions, except share data)												
Balance, January 1, 2022	57,690,254	$	0.6	$	410.7	$	1,338.5	$	60.6	$	(597.3)	$	1,213.1
Stock-based obligations	—		—		2.3		—		—		—		2.3
Stock options exercised	41,665		—		1.1		—		—		—		1.1
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	139,598		—		(2.3)		—		—		—		(2.3)
Acquisition of common stock	—		—		—		—		—		(21.3)		(21.3)
Dividends declared	—		—		—		(42.3)		—		—		(42.3)
Net loss for the period	—		—		—		(17.8)		—		—		(17.8)
Change in net unrealized losses on AFS investments, net of taxes of $41.2	—		—		—		—		(155.3)		—		(155.3)
Balance, June 30, 2022	57,871,517	$	0.6	$	411.8	$	1,278.4	$	(94.7)	$	(618.6)	$	977.5
Balance, January 1, 2021	57,413,806	$	0.6	$	404.3	$	1,247.9	$	115.1	$	(555.1)	$	1,212.8
Stock-based obligations	—		—		5.7		—		—		—		5.7
Stock options exercised	48,051		—		1.1		—		—		—		1.1
Vesting of RSUs and PSUs, net of shares withheld to satisfy tax withholdings	227,815		—		(3.7)		—		—		—		(3.7)
Acquisition of common stock	—		—		—				—		(20.1)		(20.1)
Dividends declared	—		—		—		(14.3)		—		—		(14.3)
Net income for the period	—		—		—		49.5		—		—		49.5
Change in net unrealized gains on AFS investments, net of taxes of $7.3	—		—		—		—		(27.3)		—		(27.3)
Balance, June 30, 2021	57,689,672	$	0.6	$	407.4	$	1,283.0	$	87.8	$	(575.2)	$	1,203.6

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

	Six Months Ended June 30,	
	2022	2021
	(unaudited)	
Operating activities		
Net (loss) income	$ (17.8)	$ 49.5
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2.9	3.8
Stock-based compensation	2.3	5.7
Amortization of cloud computing arrangements	7.9	6.2
Amortization of premium on investments, net	1.7	4.1
Allowance for expected credit losses	(0.6)	1.0
Deferred income tax (benefit) expense	(16.5)	1.5
Net realized and unrealized losses (gains) on investments	67.4	(26.9)
Change in operating assets and liabilities:		
Premiums receivable	(37.1)	(20.0)
Reinsurance recoverable on paid and unpaid losses	14.7	14.2
Cloud computing arrangements	(0.5)	(5.0)
Operating lease right-of-use-assets	1.3	1.6
Current federal income taxes	1.5	(7.8)
Unpaid losses and loss adjustment expenses	(8.4)	(61.8)
Unearned premiums	34.1	16.6
Accounts payable, accrued expenses and other liabilities	1.1	2.6
Deferred reinsurance gain—LPT Agreement	(4.2)	(4.1)
Operating lease liabilities	(1.6)	(1.5)
Non-cancellable obligations	(6.2)	(0.3)
Other	(4.1)	(4.1)
Net cash provided by (used in) operating activities	37.9	(24.7)
Investing activities		
Purchases of fixed maturity securities	(349.9)	(338.3)
Purchases of equity securities	(90.6)	(109.7)
Purchases of short-term investments	(9.6)	(2.0)
Purchases of other invested assets	(7.4)	(9.0)
Proceeds from sale of fixed maturity securities	200.1	158.2
Proceeds from sale of equity securities	103.0	84.9
Proceeds from maturities and redemptions of fixed maturity securities	95.5	205.3
Proceeds from maturities of short-term investments	16.8	28.3
Net change in unsettled investment purchases and sales	(0.7)	13.8
Capital expenditures and other	(1.5)	(1.4)
Net cash (used in) provided by investing activities	(44.3)	30.1
Financing activities		
Acquisition of common stock	(21.3)	(20.5)
Cash transactions related to stock-based compensation	(1.2)	(2.7)
Dividends paid to stockholders	(42.1)	(14.9)
Proceeds from FHLB advances	126.0	—
Repayments on FHLB advances	—	(20.0)
Proceeds from line of credit advances	10.0	27.0
Repayments on line of credit advances	(10.0)	(27.0)
Payments on finance leases	—	(0.1)
Net cash provided by (used in) financing activities	61.4	(58.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	55.0	(52.8)
Cash, cash equivalents and restricted cash at the beginning of the period	75.3	160.6
Cash, cash equivalents and restricted cash at the end of the period	$ 130.3	$ 107.8

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

	As of June 30, 2022	As of December 31, 2021
	(in millions)	
Cash and cash equivalents	$ 129.1	$ 75.1
Restricted cash and cash equivalents supporting reinsurance obligations	1.2	0.2
Total cash, cash equivalents and restricted cash	$ 130.3	$ 75.3

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, 2021 (Annual Report).

The Company operates through two reportable segments: *Employers* and *Cerity*. Each of the segments represents a separate and distinct distribution channel 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 these channels. 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 at any time, but early adoption is only available through December 31, 2022 when this ASU becomes effective. The Company has and will continue to evaluate 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

None.

3. Valuation of Financial Instruments

Financial Instruments Carried at Fair Value

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

	June 30, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in millions)			
Financial assets				
Total investments at fair value	$ 2,459.3	$ 2,459.3	$ 2,692.0	$ 2,692.0
Cash and cash equivalents	129.1	129.1	75.1	75.1
Restricted cash and cash equivalents	1.2	1.2	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 June 30, 2022 and December 31, 2021.

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.

As of June 30, 2022, the Company held $17.1 million of fixed maturity securities at fair value that were designated Level 3. These private placement securities, which were acquired during the second quarter of 2022, were designated as Level 3 securities due to the limited amount of observable market information available.

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

	June 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in millions)					
Fixed maturity securities:						
U.S. Treasuries	$ —	$ 60.8	$ —	$ —	$ 65.7	$ —
U.S. Agencies	—	2.2	—	—	2.4	—
States and municipalities	—	353.9	—	—	436.1	—
Corporate securities	—	928.2	17.1	—	1,080.3	—
Residential mortgage-backed securities	—	341.4	—	—	321.8	—
Commercial mortgage-backed securities	—	62.7	—	—	92.3	—
Asset-backed securities	—	64.4	—	—	68.5	—
Collateralized loan obligations	—	203.1	—	—	85.4	—
Foreign government securities	—	10.5	—	—	12.5	—
Other securities	—	146.0	—	—	177.7	—
Total fixed maturity securities	$ —	$ 2,173.2	$ 17.1	$ —	$ 2,342.7	$ —
Equity securities at fair value:						
Industrial and miscellaneous	$ 221.7	$ —	$ —	$ 283.1	$ —	$ —
Other	44.1	—	—	55.7	—	—
Total equity securities at fair value	$ 265.8	$ —	$ —	$ 338.8	$ —	$ —
Short-term investments	$ 1.0	$ 2.2	$ —	$ —	$ 10.5	$ —
Total investments at fair value	$ 266.8	$ 2,175.4	$ 17.1	$ 338.8	$ 2,353.2	$ —

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.

Financial Instruments Carried at Net Asset Value

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 net asset value (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 fund terms of 3 to 12 years, subject to two or three one-year extensions at the general partner's discretion. The Company will receive distributions of proceeds from dividends and interest from fund investments, as well as from the disposition of a fund investment, or portion thereof. The Company expects these distributions from time-to-time during the full course of the fund term. As of June 30, 2022, the Company had unfunded commitments to these private equity limited partnerships totaling $68.6 million.

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

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

	June 30, 2022	December 31, 2021
	(in millions)	
Cash equivalents carried at NAV	$ 39.5	$ 29.5
Other invested assets carried at NAV	47.8	38.4

The following table provides a reconciliation of the beginning and ending balances that are measured using Level 3 inputs for the six months ended June 30, 2022.

	Level 3 Securities
	(in millions)
Beginning balance, January 1, 2022	$ —
Purchases	18.0
Unrealized losses included in comprehensive (loss) income	(0.9)
Ending balance, June 30, 2022	$ 17.1

4. Investments

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

	Amortized Cost	Allowance for Current Expected Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
			(in millions)		
At June 30, 2022					
Fixed maturity securities					
U.S. Treasuries	$ 63.1	$ —	$ 0.2	$ (2.5)	$ 60.8
U.S. Agencies	2.3	—	—	(0.1)	2.2
States and municipalities	354.8	(0.1)	3.4	(4.2)	353.9
Corporate securities	1,017.7	(5.9)	3.3	(69.8)	945.3
Residential mortgage-backed securities	369.4	—	0.5	(28.5)	341.4
Commercial mortgage-backed securities	66.2	—	—	(3.5)	62.7
Asset-backed securities	69.8	—	—	(5.4)	64.4
Collateralized loan obligations	209.8	—	—	(6.7)	203.1
Foreign government securities	13.0	—	—	(2.5)	10.5
Other securities(1)	154.0	(4.0)	0.3	(4.3)	146.0
Total fixed maturity securities	$ 2,320.1	$ (10.0)	$ 7.7	$ (127.5)	$ 2,190.3
Short-term investments	3.2	—	—	—	3.2
Total AFS investments	$ 2,323.3	$ (10.0)	$ 7.7	$ (127.5)	$ 2,193.5

At December 31, 2021					
Fixed maturity securities					
U.S. Treasuries	$ 64.3	$ —	$ 1.6	$ (0.2)	$ 65.7
U.S. Agencies	2.2	—	0.2	—	2.4
States and municipalities	413.8	—	22.4	(0.1)	436.1
Corporate securities	1,035.3	(0.2)	47.0	(1.8)	1,080.3
Residential mortgage-backed securities	319.0	—	7.0	(4.2)	321.8
Commercial mortgage-backed securities	87.9	—	4.5	(0.1)	92.3
Asset-backed securities	68.6	—	0.4	(0.5)	68.5
Collateralized loan obligations	85.5	—	—	(0.1)	85.4
Foreign government securities	12.7	—	—	(0.2)	12.5
Other securities[(1)]	177.0	—	1.2	(0.5)	177.7
Total fixed maturity securities	$ 2,266.3	$ (0.2)	$ 84.3	$ (7.7)	$ 2,342.7
Short-term investments	10.5	—	—	—	10.5
Total AFS investments	$ 2,276.8	$ (0.2)	$ 84.3	$ (7.7)	$ 2,353.2

(1) Other securities within fixed maturity securities consist of bank loans, which are classified as AFS and reported at fair value.

The cost and estimated fair value of the Company's equity securities recorded at fair value at June 30, 2022 and December 31, 2021 were as follows:

	Cost	Estimated Fair Value
	(in millions)	
At June 30, 2022		
Equity securities at fair value		
Industrial and miscellaneous	$ 174.7	$ 221.7
Other	38.8	44.1
Total equity securities at fair value	$ 213.5	$ 265.8
At December 31, 2021		
Equity securities at fair value		
Industrial and miscellaneous	$ 170.5	$ 283.1
Other	42.1	55.7
Total equity securities at fair value	$ 212.6	$ 338.8

The Company had Other invested assets totaling $47.8 million and $38.4 million (initial cost of $41.5 million and $34.1 million) at June 30, 2022 and December 31, 2021, respectively, consisting of private equity limited partnerships, which are carried at NAV based on information provided by the general partner. 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 (Loss) Income.

The amortized cost and estimated fair value of the Company's fixed maturity securities at June 30, 2022, 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	$ 78.6	$ 78.6
Due after one year through five years	767.0	752.4
Due after five years through ten years	654.1	604.2
Due after ten years	95.2	83.5
Mortgage and asset-backed securities	715.2	671.6
Total	$ 2,310.1	$ 2,190.3

The following is a summary of AFS investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or greater as of June 30, 2022 and December 31, 2021.

	June 30, 2022			December 31, 2021		
	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						
U.S. Treasuries	$ 57.8	$ (2.5)	13	$ 12.8	$ (0.2)	4
U.S. Agencies	2.2	(0.1)	1	—	—	—
States and municipalities	111.6	(4.2)	41	7.7	(0.1)	4
Corporate securities	820.8	(67.2)	390	113.0	(1.8)	87
Residential mortgage-backed securities	220.1	(14.6)	178	146.3	(3.9)	65
Commercial mortgage-backed securities	61.1	(3.3)	25	—	—	—
Asset-backed securities	54.5	(4.6)	28	50.1	(0.5)	14
Collateralized loan obligations	175.6	(5.6)	32	24.4	(0.1)	10
Foreign government securities	3.6	(1.1)	1	12.5	(0.2)	2
Other securities	110.8	(3.1)	278	66.3	(0.4)	176
Total fixed maturity securities	1,618.1	(106.3)	987	433.1	(7.2)	362
Total less than 12 months	$ 1,618.1	$ (106.3)	987	$ 433.1	$ (7.2)	362
12 months or greater:						
Fixed maturity securities						
Corporate securities	$ 14.2	$ (2.6)	18	$ —	$ —	—
Residential mortgage-backed securities	76.6	(13.9)	32	4.9	(0.3)	3
Commercial mortgage-backed securities	1.6	(0.2)	1	2.4	(0.1)	2
Asset-backed securities	6.8	(0.8)	4	—	—	—
Collateralized loan obligations	20.5	(1.1)	6	—	—	—
Foreign government securities	6.9	(1.4)	2	—	—	—
Other securities	29.1	(1.2)	88	8.0	(0.1)	29
Total fixed maturity securities	155.7	(21.2)	151	15.3	(0.5)	34
Total 12 months or greater	$ 155.7	$ (21.2)	151	$ 15.3	$ (0.5)	34

As of June 30, 2022 and December 31, 2021, the Company had an allowance for current expected credit losses (CECL) on AFS debt securities of $10.0 million and $0.2 million, respectively (See Note 5). Those fixed maturity securities whose total fair value was less than amortized cost at June 30, 2022 and December 31, 2021, 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 and other invested assets) 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 (Increase) Decrease in CECL Allowance	Change in Net Unrealized Gains (Losses)	Changes in Fair Value Reflected in Earnings	Changes in Fair Value Reflected in AOCI, before tax
	(in millions)					
Three Months Ended June 30, 2022						
Fixed maturity securities	0.5	$ (0.8)	$ (7.8)	$ (84.9)	$ (8.1)	$ (84.9)
Equity securities	1.0	(6.9)	—	(38.0)	(43.9)	—
Other invested assets	—	—	—	1.9	1.9	—
Total investments	$ 1.5	$ (7.7)	$ (7.8)	$ (121.0)	$ (50.1)	$ (84.9)
Six Months Ended June 30, 2022						
Fixed maturity securities	$ 2.4	$ (1.0)	$ (9.8)	$ (196.5)	$ (8.4)	$ (196.5)
Equity securities	21.7	(8.9)	—	(73.8)	(61.0)	—
Other invested assets	—	—	—	2.0	2.0	—
Total investments	$ 24.1	$ (9.9)	$ (9.8)	$ (268.3)	$ (67.4)	$ (196.5)
Three Months Ended June 30, 2021						
Fixed maturity securities	$ 2.2	$ (0.3)	$ 0.1	$ 11.1	$ 2.0	$ 11.1
Equity securities	17.5	(1.6)	—	(1.8)	14.1	—
Other invested assets	—	—	—	(0.1)	(0.1)	—
Total investments	$ 19.7	$ (1.9)	$ 0.1	$ 9.2	$ 16.0	$ 11.1
Six Months Ended June 30, 2021						
Fixed maturity securities	$ 2.9	$ (0.7)	$ 0.6	$ (34.5)	$ 2.8	$ (34.5)
Equity securities	18.4	(1.9)	—	7.0	23.5	—
Other invested assets	—	—	—	0.6	0.6	—
Short-term investments	—	—	—	(0.1)	—	(0.1)
Total investments	$ 21.3	$ (2.6)	$ 0.6	$ (27.0)	$ 26.9	$ (34.6)

Proceeds from the sales of fixed maturity securities were $108.0 million and $200.1 million for the three and six months ended June 30, 2022, respectively, compared to $84.2 million and $158.2 million for the three and six months ended June 30, 2021, respectively.

Net investment income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Fixed maturity securities	$ 17.9	$ 17.9	$ 36.6	$ 35.8
Equity securities	2.9	1.5	4.5	2.7
Other invested assets	0.5	0.3	0.9	0.5
Short-term investments	—	—	—	0.2
Cash equivalents and restricted cash	0.1	—	0.1	—
Gross investment income	21.4	19.7	42.1	39.2
Investment expenses	(1.4)	(1.5)	(3.0)	(2.6)
Net investment income	$ 20.0	$ 18.2	$ 39.1	$ 36.6

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 June 30, 2022 and December 31, 2021, securities having a fair value of $798.8 million and $861.4 million, respectively, were on deposit. Additionally, standby letters of credit from the FHLB were in place in lieu of $70.0 million of securities on deposit as of June 30, 2022 and December 31, 2021 (See Note 10).

Certain reinsurance contracts require the Company’s funds to be held in trust for the benefit of the ceding reinsurer to secure the outstanding liabilities assumed by the Company. The fair value of fixed maturity securities and restricted cash and cash equivalents held in trust for the benefit of ceding reinsurers at June 30, 2022 and December 31, 2021 was $2.8 million and $3.1 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 and future market conditions provide the basis for the estimation along with similar risk characteristics and the Company's business strategy, which have not changed significantly over time. The Company will continually assess the historical payment patterns and aging schedule to reflect the differences in our current conditions and future forecasted changes, including any impact from the COVID-19 pandemic and related economic instability, including recent inflationary pressures. Changes in the allowance for CECL are recorded through underwriting and general and administrative expenses.

The table below shows the changes in CECL on premiums receivable.

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in millions)			
Beginning balance of CECL on premiums receivable	$ 10.0	$ 12.2	$ 10.3	$ 10.8
Current period provision for CECL	1.9	1.9	4.2	5.2
Write-offs charged against CECL	—	(0.1)	—	(0.2)
Recoveries collected	(2.2)	(2.4)	(4.8)	(4.2)
Ending balance of CECL on premiums receivable	$ 9.7	$ 11.6	$ 9.7	$ 11.6

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 allowance for CECL 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 CECL are recorded through underwriting and general and administrative expenses.

The table below shows the changes in CECL on reinsurance recoverables.

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in millions)			
Beginning balance of CECL on reinsurance recoverables	$ 0.6	$ 0.4	$ 0.6	$ 0.4
Current period provision for CECL	—	0.2	—	0.2
Ending balance of CECL on reinsurance recoverables	$ 0.6	$ 0.6	$ 0.6	$ 0.6

Investments

The Company assesses all AFS debt securities in an unrealized loss position for CECL. 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 CECL is recognized in Accumulated other comprehensive (loss) income on the Company's Consolidated Balance Sheets. Changes in CECL are recorded through realized capital losses.

As of June 30, 2022, the Company established an aggregate allowance for CECL in the amount of $10.0 million. For the Company's investments in fixed-income debt securities, the allowance for CECL 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 June 30, 2022, 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 $15.9 million at June 30, 2022 and is excluded from the estimate of CECL based on historically timely payments.

The table below shows the changes in the allowance for CECL on available-for-sale securities.

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in millions)			
Beginning balance of CECL on AFS securities	$ 2.2	$ 0.2	$ 0.2	$ 0.7
Current period provision for CECL	7.8	—	9.9	—
Reductions in allowance from disposals	—	—	—	(0.2)
Recoveries of amounts previously written off	—	(0.1)	(0.1)	(0.4)
Ending balance of CECL on AFS securities	$ 10.0	$ 0.1	$ 10.0	$ 0.1

6. Property and Equipment

Property and equipment consists of the following:

	As of June 30, 2022	As of December 31, 2021
	(in millions)	
Furniture and equipment	$ 3.4	$ 3.3
Leasehold improvements	5.0	5.0
Computers and software	46.5	46.8
Automobiles	0.8	0.8
Property and equipment, gross	55.7	55.9
Accumulated depreciation	(42.3)	(41.2)
Property and equipment, net	$ 13.4	$ 14.7

Depreciation expenses related to property and equipment for the three and six months ended June 30, 2022 were $1.4 million and $2.9 million, respectively, and $7.4 million for the year ended December 31, 2021. Internally developed software costs of $0.3 million and $0.8 million were capitalized during the three and six months ended June 30, 2022, respectively, and $2.3 million in internally developed software costs were capitalized during the year ended December 31, 2021.

Cloud Computing Arrangements

The Company's capitalized costs associated with cloud computing arrangements totaled $36.5 million and $43.9 million, which were comprised of service contract fees and implementation costs associated with hosting arrangements as of June 30, 2022 and December 31, 2021, respectively. Total amortization for hosting arrangements were $3.9 million and $7.9 million for the three and six months ended June 30, 2022, respectively, and $14.2 million for the year ended December 31, 2021.

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 June 30, 2022, the Company's operating leases have remaining terms of 1 year to 6 years, with options to extend up to 10 years with no termination provision. The Company's finance leases have an option to terminate after 1 year.

Components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Operating lease expense	$ 0.8	$ 0.9	$ 1.7	$ 2.1
Finance lease expense	—	—	—	0.1
Total lease expense	$ 0.8	$ 0.9	$ 1.7	$ 2.2

As of June 30, 2022, the weighted average remaining lease term for operating leases was 5.0 years and for finance leases was 3.3 years. The weighted average discount rate was 2.7% and 7.7% for operating and finance leases, respectively.

Maturities of lease liabilities were as follows:

	As of June 30, 2022	
	Operating Leases	Finance Leases
	(in millions)	
2022	$ 1.6	$ 0.1
2023	3.3	0.2
2024	3.2	0.2
2025	3.1	0.1
2026	2.8	—
Thereafter	1.8	—
Total lease payments	15.8	0.6
Less: imputed interest	(0.8)	—
Total	$ 15.0	$ 0.6

Supplemental balance sheet information related to leases was as follows:

	As of June 30, 2022	As of December 31, 2021
	(in millions)	
Operating leases:		
Operating lease right-of-use asset	$ 12.9	$ 14.2
Operating lease liability	15.0	16.6
Finance leases:		
Property and equipment, gross	0.8	0.8
Accumulated depreciation	(0.2)	(0.3)
Property and equipment, net	0.6	0.5
Other liabilities	$ 0.6	$ 0.5

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30,	
	2022	2021
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 0.8	$ 1.9
Financing cash flows used for finance leases	—	0.1

7. Income Taxes

Income tax (benefit) expense was $(5.8) million and $(6.0) million for the three and six months ended June 30, 2022, compared to $6.0 million and $10.5 million for the corresponding periods of 2021. The Company’s effective tax rate was 27.1% and 25.2% for the three and six months ended June 30, 2022, respectively, compared to 18.5% and 17.5% for the corresponding periods of 2021. The effective rates during each of the periods presented included income tax benefits and exclusions 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Unpaid losses and LAE at beginning of period	$ 1,981.9	$ 2,034.1	$ 1,981.2	$ 2,069.4
Less reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	471.7	492.3	476.9	497.0
Net unpaid losses and LAE at beginning of period	1,510.2	1,541.8	1,504.3	1,572.4
Losses and LAE, net of reinsurance, incurred during the period related to:				
Current period	105.4	87.3	201.7	172.9
Prior periods	(10.0)	(1.6)	(10.0)	(15.5)
Total net losses and LAE incurred during the period	95.4	85.7	191.7	157.4
Paid losses and LAE, net of reinsurance, related to:				
Current period	18.5	15.9	23.1	20.6
Prior periods	76.7	87.5	162.5	185.1
Total net paid losses and LAE during the period	95.2	103.4	185.6	205.7
Ending unpaid losses and LAE, net of reinsurance	1,510.4	1,524.1	1,510.4	1,524.1
Reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	462.4	483.5	462.4	483.5
Unpaid losses and LAE at end of period	$ 1,972.8	$ 2,007.6	$ 1,972.8	$ 2,007.6

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 $2.0 million for the three months ended June 30, 2022 and 2021, respectively, and $4.2 million and $4.1 million for the six months ended June 30, 2022 and 2021, respectively, (See Note 9).

The change in incurred losses and LAE attributable to prior periods for the three and six months ended June 30, 2022, included $9.6 million of net favorable loss reserve development on the Company's voluntary risk business and $0.4 million of net favorable loss reserve development on the Company's assigned risk business. The net favorable loss reserve development recognized during the 2022 periods presented related primarily to accident years 2017 and prior.

The change in incurred losses and LAE attributable to prior periods for the three and six months ended June 30, 2021, included $1.6 million and $15.0 million of net favorable loss reserve development on the Company’s voluntary risk business, respectively, and $0.5 million of favorable development on the Company’s assigned risk business for the six months ended June 30, 2021. The net favorable loss reserve development recognized during each of the 2021 periods presented was related primarily to accident years 2017 and prior, partially offset by $8.0 million of unfavorable development relating to two catastrophic non-COVID claims that occurred in accident year 2020.

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 (loss) income. Any adjustments to the Deferred Gain are recorded in losses and LAE incurred in the accompanying consolidated statements of comprehensive (loss) income.

The Company amortized $2.1 million and $2.0 million of the Deferred Gain for the three months ended June 30, 2022 and 2021, respectively, and $4.2 million and $4.1 million for the six months ended June 30, 2022 and 2021, respectively. The remaining Deferred Gain was $110.2 million and $114.4 million as of June 30, 2022 and December 31, 2021, respectively. The estimated remaining liabilities subject to the LPT Agreement were $318.5 million and $328.7 million as of June 30, 2022 and December 31, 2021, respectively. Losses and LAE paid with respect to the LPT Agreement totaled $849.0 million and $838.8 million from inception through June 30, 2022 and December 31, 2021, 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 and fees incurred pursuant to the Credit Agreement during the three and six months ended June 30, 2022 totaled $0.1 million and $0.2 million, respectively.

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 June 30, 2022, the Company was in compliance with all debt covenants.

The Company incurred $0.7 million in debt issuance costs in connection with the Credit Agreement, 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 $10.0 million under the credit facility during the six months ended June 30, 2022. As of June 30, 2022, 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.

As of June 30, 2022, the Company's insurance subsidiaries had received advances of $126.0 million under the FHLB Standard Credit Program as part of its leveraged investment strategy. The proceeds from these advances were used to purchase an equivalent amount of high-quality collateralized loan obligation securities. The annual interest rate on these advances is adjusted daily per the Secure Overnight Funding Rate (SOFR). As of June 30, 2022, the Company's weighted average annual interest rate on these advances was 0.90%. Interest paid during each of the three and six months ended June 30, 2022 was $0.2 million. These advances can be repaid at any time without penalty and are collateralized by eligible investment securities.

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 FHLB Advance Program. These 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 of its advances on November 4, 2020, $5.0 million on March 31, 2021, and the remaining $15.0 million on May 4, 2021. As of June 30, 2022, the Company had no outstanding advances under the FHLB Advance Program.

FHLB membership also allows the Company’s insurance subsidiaries access to standby letters of credit (Letter of Credit Agreements). On January 26, 2021, EPIC chose to amend its existing Letter of Credit Agreement to decrease its credit amount to $10.0 million. On August 13, 2021, EAC and ECIC chose to amend their existing Letter of Credit Agreements to decrease their respective credit amounts to $25.0 million and $35.0 million. The amended Letter of Credit Agreements will expire on March 31, 2023, 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 both June 30, 2022 and December 31, 2021, letters of credit totaling $70.0 million, were issued in lieu of securities on deposit with the State of California under these Letter of Credit Agreements.

As of June 30, 2022 and December 31, 2021, investment securities having a fair value of $245.6 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 (Loss) Income

Accumulated other comprehensive (loss) income is comprised of unrealized gains and losses on investments classified as AFS, net of deferred taxes. The following table summarizes the components of accumulated other comprehensive (loss) income:

	June 30, 2022	December 31, 2021
	(in millions)	
Net unrealized (losses) gains on investments, before taxes	$ (119.8)	$ 76.7
Deferred tax benefit (expense) on net unrealized gains and losses	25.1	(16.1)
Total accumulated other comprehensive (loss) income	$ (94.7)	$ 60.6

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 2022			
RSUs(1)	23,296	$ 38.16	$ 0.9
RSUs(1)	63,120	40.54	2.6
PSUs(2)	73,120	40.54	3.0
May 2022			
RSUs(3)	18,559	$ 41.12	$ 0.8

(1) The RSUs awarded in March 2022 were awarded to certain employees of the Company and vest 25% on March 15, 2023, 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 2022 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 250% of the target awards. The value shown in the table represents the aggregate number of PSUs awarded at the target level.

(3) The RSUs awarded in May 2022 were awarded to non-employee directors of the Company and vest in full on May 26, 2023.

Employees who were awarded RSUs and PSUs are entitled to receive dividend equivalents for eligible awards, payable in cash, when and if, 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 fail to become payable and are forfeited.

Stock options exercised totaled 41,665 for the six months ended June 30, 2022, 48,051 for the six months ended June 30, 2021, and 48,051 for the year ended December 31, 2021.

As of June 30, 2022, the Company had 23,500 stock options, 244,483 RSUs, and 179,833 PSUs (based on target number awarded) outstanding.

13. Earnings (Loss) Per Common Share

Basic earnings (loss) per share is computed by dividing net income (loss) 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.

Outstanding RSUs and PSUs awarded to employees are entitled to receive dividend equivalents when and if, the underlying award vests or becomes payable. Therefore, these awards are not considered participating securities for the purposes of determining earnings per share.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions, except share data)			
Net (loss) income	$ (15.6)	$ 26.4	$ (17.8)	$ 49.5
Weighted average number of shares outstanding—basic	27,650,277	28,478,788	27,585,447	28,497,654
Effect of dilutive securities:				
PSUs	96,907	242,861	150,468	293,738
Stock options	7,569	26,819	15,223	30,675
RSUs	28,168	60,873	37,949	66,668
Dilutive potential shares	132,644	330,553	203,640	391,081
Weighted average number of shares outstanding—diluted	27,782,921	28,809,341	27,789,087	28,888,735

14. Segment Reporting

The Company has determined that it has two reportable segments: Employers and Cerity. Each of these segments represents a separate and distinct distribution channel 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 (loss) before income taxes by reportable segment.

	Employers	Cerity	Corporate and Other	Total
	(in millions)			
Three Months Ended June 30, 2022				
Gross premiums written	$ 178.5	$ 0.9	$ —	$ 179.4
Net premiums written	177.2	0.9	—	178.1
Net premiums earned	164.6	0.6	—	165.2
Net investment income	18.7	0.8	0.5	20.0
Net realized and unrealized losses on investments	(42.8)	(0.9)	(6.4)	(50.1)
Other income	0.2	—	—	0.2
Total revenues	140.7	0.5	(5.9)	135.3
Losses and loss adjustment expenses	95.1	0.3	(2.1)	93.3
Commission expense	23.7	—	—	23.7
Underwriting and general and administrative expenses	33.3	3.3	2.8	39.4
Interest and financing expenses	0.2	—	0.1	0.3
Total expenses	152.3	3.6	0.8	156.7
Net loss before income taxes	$ (11.6)	$ (3.1)	$ (6.7)	$ (21.4)
Three Months Ended June 30, 2021				
Gross premiums written	$ 146.8	$ 0.3	$ —	$ 147.1
Net premiums written	145.7	0.3	—	146.0
Net premiums earned	136.8	0.2	—	137.0
Net investment income	17.4	0.7	0.1	18.2
Net realized and unrealized gains on investments	15.8	0.2	—	16.0
Other income	0.2	—	—	0.2
Total revenues	170.2	1.1	0.1	171.4
Losses and loss adjustment expenses	85.6	0.1	(2.0)	83.7
Commission expense	18.0	—	—	18.0
Underwriting and general and administrative expenses	31.5	2.6	2.9	37.0
Interest and financing expenses	—	—	0.2	0.2
Other expenses	0.1	—	—	0.1
Total expenses	135.2	2.7	1.1	139.0
Net income (loss) before income taxes	$ 35.0	$ (1.6)	$ (1.0)	$ 32.4

	Employers	Cerity	Corporate and Other	Total
		(in millions)		
Six Months Ended June 30, 2022				
Gross premiums written	$ 349.7	$ 2.1	$ —	$ 351.8
Net premiums written	346.4	2.1	—	348.5
Net premiums earned	314.2	1.2	—	315.4
Net investment income	36.3	1.6	1.2	39.1
Net realized and unrealized gains (losses) on investments	(58.4)	(1.3)	(7.7)	(67.4)
Other income	0.2	—	—	0.2
Total revenues	292.3	1.5	(6.5)	287.3
Losses and loss adjustment expenses	191.0	0.7	(4.2)	187.5
Commission expense	44.6	—	—	44.6
Underwriting and general and administrative expenses	66.1	6.5	6.0	78.6
Interest and financing expenses	0.2	—	0.2	0.4
Other expenses	—	—	—	—
Total expenses	301.9	7.2	2.0	311.1
Net loss before income taxes	$ (9.6)	$ (5.7)	$ (8.5)	$ (23.8)
Six Months Ended June 30, 2021				
Gross premiums written	$ 294.8	$ 0.6	$ —	$ 295.4
Net premiums written	292.3	0.6	—	292.9
Net premiums earned	270.7	0.2	—	270.9
Net investment income	35.1	1.4	0.1	36.6
Net realized and unrealized gains (losses) on investments	26.6	0.3	—	26.9
Other income	0.6	—	—	0.6
Total revenues	333.0	1.9	0.1	335.0
Losses and loss adjustment expenses	157.3	0.1	(4.1)	153.3
Commission expense	34.8	—	—	34.8
Underwriting and general and administrative expenses	68.8	6.4	8.4	83.6
Interest and financing expenses	—	—	0.3	0.3
Other expenses	3.0	—	—	3.0
Total expenses	263.9	6.5	4.6	275.0
Net income (loss) before income taxes	$ 69.1	$ (4.6)	$ (4.5)	$ 60.0

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. In-force premiums represent the estimated annual premium on all policies that are active and in-force on such date. More specifically, in-force premiums include policy endorsements but exclude estimated final audit premiums. Our company focuses on in-force premium because it represents premium that is available for renewal in the future. The following table shows the Company's in-force premiums and number of policies in-force for each of our largest states and all other states combined for the periods presented:

State	June 30, 2022			December 31, 2021			June 30, 2021			December 31, 2020		
	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	$	266.5	42,337	$	258.4	40,704	$	251.9	39,656	$	262.0	39,610
Florida		43.1	8,582		41.1	7,989		39.1	7,633		37.9	6,898
New York		26.3	7,555		24.5	7,307		25.2	7,033		26.7	6,657
Other (43 states and D.C.)		254.9	58,782		247.4	55,350		242.9	52,992		251.3	50,341
Total in-force	**$**	**590.8**	**117,256**	**$**	**571.4**	**111,350**	**$**	**559.1**	**107,314**	**$**	**577.9**	**103,506**
Estimated audit premium		21.3	—		21.9	—		22.4	—		(3.1)	—
Total in-force, including estimated audit premium	$	612.1	117,256	$	593.3	111,350	$	581.5	107,314	$	574.8	103,506

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, economic or market conditions, including the evolving nature of the COVID-19 pandemic, current levels of inflation, labor market expectations, catastrophic events or geo-political conditions, legislative or regulatory actions or court decisions taken in response to the COVID-19 pandemic or otherwise, 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 primarily 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, and developing important alternative distribution channels. We believe that developing and implementing new technologies and capabilities 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 further development of digital insurance solutions, including direct-to-customer workers’ compensation coverage. We also 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 industry groups; and utilizing a multi-company pricing platform and territory-specific pricing.

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.

The effects of the COVID-19 pandemic have continued to cause disruptions in business activity due to supply chain interruptions, challenges with the labor market, inflationary pressures, and overall general economic instability. All states, including California, where we generated 45% of our in-force premiums as of June 30, 2022, have experienced adverse economic impacts from the lingering uncertainties of the COVID-19 pandemic. Certain classes of business that we insure, especially those related to the restaurant and hospitality industries, continue to be affected by these challenges.

Nonetheless, we closed another quarter with a record number of policies in-force, which demonstrates that small businesses have endured the pandemic. Our year-over-year new and renewal business premiums have increased, in addition to audit premium increases, which are driving our premium growth. As labor market shortages improve, we expect that rising payrolls will continue to bring further improvement to our top line. Our strong balance sheet and operational flexibility have allowed us to successfully navigate through the ongoing impacts of the COVID-19 pandemic, and we have continued to pursue and advance the significant investments that we have made in delivering a superior customer experience for our independent and digital agents.

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 and are made periodically through mid-term endorsements and/or premium audits. We increased our final audit premium accruals by an additional $5.5 million during the three months ended June 30, 2022, as our payroll exposure increased with the labor market strengthening.

We continue to experience overall declines in the on-leveled frequency and severity of compensable indemnity claims versus those generally experienced before the COVID-19 pandemic. However, despite the emergence of vaccinations and businesses operating at more normalized rates, the continued impact of the COVID-19 pandemic, including any increases in infection rates, new variants and renewed governmental actions to combat the COVID-19 pandemic, cannot be estimated at this time.

Recent increases in market interest rates have negatively impacted the fair value of our fixed maturity investments through the first six months of 2022. In addition, economic and market disruptions caused by the COVID-19 pandemic, inflationary pressures, and geo-political conditions have negatively impacted the fair value of our equity securities during that period. The negative impacts to our investment portfolio experienced thus far in 2022 have consisted primarily of unrealized investment losses.

While we have no international operations, the geo-political uncertainties with the ongoing Russia and Ukraine conflict have indirectly impacted the value of our investment portfolio. Contributing factors include supply chain disruptions, inflationary pressures and interest rate and general market volatility.

Results of Operations

Our results of operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Gross premiums written	$ 179.4	$ 147.1	$ 351.8	$ 295.4
Net premiums written	$ 178.1	$ 146.0	$ 348.5	$ 292.9
Net premiums earned	$ 165.2	$ 137.0	$ 315.4	$ 270.9
Net investment income	20.0	18.2	39.1	36.6
Net realized and unrealized (losses) gains on investments	(50.1)	16.0	(67.4)	26.9
Other income	0.2	0.2	0.2	0.6
Total revenues	135.3	171.4	287.3	335.0
Losses and LAE	93.3	83.7	187.5	153.3
Commission expense	23.7	18.0	44.6	34.8
Underwriting and general and administrative expenses	39.4	37.0	78.6	83.6
Interest and financing expenses	0.3	0.2	0.4	0.3
Other expenses	—	0.1	—	3.0
Total expenses	156.7	139.0	311.1	275.0
Income tax (benefit) expense	(5.8)	6.0	(6.0)	10.5
Net (loss) income	$ (15.6)	$ 26.4	$ (17.8)	$ 49.5

Overview

Our net loss was $15.6 million and $17.8 million for the three and six months ended June 30, 2022, respectively, compared to net income of $26.4 million and $49.5 million for the corresponding periods of 2021. The key factors that affected our financial performance during the three and six months ended June 30, 2022, compared to the same periods of 2021 included:

- Net premiums earned increased 20.6% and 16.4%, respectively;
- Losses and LAE increased 11.5% and 22.3%, respectively;
- Underwriting and general and administrative expenses increased 6.5% and decreased 6.0%, respectively;
- Underwriting income (loss) was $8.8 million and $4.7 million, compared to $(1.7) million and $(0.8) million respectively;
- Net investment income increased 9.9% and 6.8%, respectively; and
- Net realized and unrealized (losses) gains on investments were $(50.1) million and $(67.4) million compared to $16.0 million and $26.9 million, respectively.

Summary of Consolidated Financial Results

Gross Premiums Written

Gross premiums written were $179.4 million and $351.8 million for the three and six months ended June 30, 2022, respectively, compared to $147.1 million and $295.4 million for the corresponding periods of 2021. The year-over-year changes were primarily related to our Employers segment. See "—Summary of Financial Results by Segment —Employers".

Net Premiums Written

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

Net Premiums Earned

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

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

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

Net investment income increased 9.9% and 6.8% for the three and six months ended June 30, 2022, respectively, compared to the same periods of 2021. The increases were primarily due to higher bond yields.

Realized and 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 CECL 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 (losses) gains on investments on our Consolidated Statements of Comprehensive (Loss) Income.

Net realized and unrealized (losses) gains on investments were $(50.1) million and $(67.4) million for three and six months ended June 30, 2022, compared to $16.0 million and $26.9 million for the corresponding periods of 2021. The net realized and unrealized gains on investments for the three months ended June 30, 2022 and 2021 included $(42.0) million and $14.0 million of net realized and unrealized (losses) gains on equity securities and other investments, respectively, and $(8.1) million and $2.0 million of net realized (losses) gains on fixed maturity securities, respectively. The net realized and unrealized gains on investments for the six months ended June 30, 2022 and 2021 included $(59.0) million and $24.1 million of net realized and unrealized (losses) gains on equity securities and other investments, respectively, and $(8.4) million and $2.8 million of net realized (losses) gains on fixed maturity securities, respectively.

The net unrealized investment losses we experienced on our equity and fixed maturity securities during the three and six months ended June 30, 2022 were primarily the result of significant volatility in financial markets resulting from increasing inflationary concerns, rising market interest rates and recent world events. The net investment losses on our fixed maturity securities for the three and six months ended June 30, 2022 included $7.8 million and $9.8 million increase in our allowance for CECL.

The net unrealized investment gains on our equity securities during the three and six months ended June 30, 2021 were largely consistent with the performance of U.S. equity markets. The net investment gains on our fixed maturity securities for the three and six months ended June 30, 2021 increased by $0.1 million and $0.6 million, respectively, related to the change in CECL.

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. Beginning in 2022, installment fee revenue was allocated to net investment income.

Losses and LAE

Losses and LAE represents our largest expense item and includes claim payments made, amortization of the Deferred Gain, LPT Reserve Adjustments, LPT Contingent Commission Adjustments, 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 overall declines in the frequency of compensable indemnity claims versus those generally experienced before the COVID-19 pandemic while recognizing the impacts of the COVID-19 pandemic, including the potential for further expansions or permanent extensions of presumed compensability for COVID-19 in certain jurisdictions. Total claims costs have also been reduced by cost savings associated with increased claims settlement activity that has continued into the first half of 2022. We believe that 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 agency 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 fees and interest associated with the Credit Agreement and the FHLB Advances, FHLB Letter of Credit Agreement fees, finance lease interest, and other financing fees.

Other Expenses

During the three and six months ended June 30, 2021, we recorded charges of $0.1 million and $3.0 million, respectively, of employee severance costs resulting from a 2021 reduction-in-force. This action was taken to better align our expenses with our revenues.

Income Tax (Benefit) Expense

Income tax (benefit) expense was $(5.8) million and $(6.0) million for the three and six months ended June 30, 2022, compared to $6.0 million and $10.5 million for the corresponding periods of 2021. The effective tax rates were 27.1% and 25.2% for the three and six months ended June 30, 2022, compared to 18.5% and 17.5%for the corresponding periods of 2021. The effective rates during each of the periods presented included income tax benefits and exclusions 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 before income taxes are set forth in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
	(dollars in millions)			
Gross premiums written	$ 178.5	$ 146.8	$ 349.7	$ 294.8
Net premiums written	$ 177.2	$ 145.7	$ 346.4	$ 292.3
Net premiums earned	$ 164.6	$ 136.8	$ 314.2	$ 270.7
Net investment income	18.7	17.4	36.3	35.1
Net realized and unrealized (losses) gains on investments	(42.8)	15.8	(58.4)	26.6
Other income	0.2	0.2	0.2	0.6
Total revenues	140.7	170.2	292.3	333.0
Losses and LAE	95.1	85.6	191.0	157.3
Commission expense	23.7	18.0	44.6	34.8
Underwriting expenses	33.3	31.5	66.1	68.8
Interest and financing expenses	0.2	—	0.2	—
Other expenses	—	0.1	—	3.0
Total expenses	152.3	135.2	301.9	263.9
Net (loss) income before income taxes	$ (11.6)	$ 35.0	$ (9.6)	$ 69.1
Underwriting income	$ 12.5	$ 1.7	$ 12.5	$ 9.8
Combined ratio	92.4 %	98.8 %	96.0 %	96.4 %

<u>Underwriting Results</u>

Gross Premiums Written

Gross premiums written were $178.5 million and $349.7 million for the three and six months ended June 30, 2022, compared to $146.8 million and $294.8 million for the corresponding periods of 2021. The increases in both quarter-over-quarter and year-over-year were primarily driven by increases in new and renewal business premiums and final audit premiums. We have experienced year-over-year increases in new business submissions, quotes and binds in the majority of the states in which we operate. We also increased our final audit premium accruals by an additional $5.5 million during the three months ended June 30, 2022, as our payroll exposure increased with the labor market strengthening. In addition, our retention rate has remained strong throughout the first half of 2022.

Net premiums written were $177.2 million and $346.4 million for the three and six months ended June 30, 2022, compared to $145.7 million and $292.3 million for the corresponding periods of 2021. Reinsurance premiums ceded were $1.3 million and $3.3 million for the three and six months ended June 30, 2022, compared to $1.1 million and $2.5 million for the corresponding periods of 2021.

Net Premiums Earned

Net premiums earned were $164.6 million and $314.2 million for the three and six months ended June 30, 2022, compared to $136.8 million and $270.7 million for the corresponding periods of 2021.

In-force premiums represent the estimated annual premium on all policies that are active and in-force on such date. More specifically, in-force premiums include policy endorsements but exclude estimated final audit premiums. We focus on in-force premium because it represents premium that is available for renewal in the future. The following table shows Employers' in-force premiums and number of policies in-force for each of our largest states and all other states combined for the periods presented:

State	June 30, 2022		December 31, 2021		June 30, 2021		December 31, 2020	
	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	$ 265.8	42,047	$ 258.4	40,704	$ 251.7	39,553	$ 262.0	39,610
Florida	42.8	8,436	41.1	7,989	39.1	7,572	37.9	6,898
New York	26.0	7,367	24.5	7,307	25.1	6,959	26.7	6,657
Other (43 states and D.C.)	253.5	57,746	245.9	54,164	242.4	52,454	251.1	50,124
Total in-force	**$ 588.1**	**115,596**	**$ 569.9**	**110,164**	**$ 558.3**	**106,538**	**$ 577.7**	**103,289**
Estimated audit premium	21.3	—	21.9	—	22.4	—	(3.1)	—
Total in-force, including estimated audit premium	$ 609.4	115,596	$ 591.8	110,164	$ 580.7	106,538	$ 574.6	103,289

We continue to actively seek new partnerships and alliances to foster organic growth within our target classes of business. Alternative distribution channels generated $172.8 million and $152.6 million, or 29.4% and 27.3%, of our in-force premiums as of June 30, 2022 and 2021, respectively. We believe that the bundling of payroll-related products and services through these distribution channels 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.

Losses and LAE, Commission Expenses, and Underwriting Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Loss and LAE ratio	57.8 %	62.6 %	60.8 %	58.1 %
Commission expense ratio	14.4	13.2	14.2	12.9
Underwriting expense ratio	20.2	23.0	21.0	25.4
Combined Ratio	92.4 %	98.8 %	96.0 %	96.4 %

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(dollars in millions)			
Losses and LAE	$ 95.1	$ 85.6	$ 191.0	$ 157.3
Prior accident year favorable development, net	10.0	1.6	10.0	15.5
Current accident year losses and LAE	$ 105.1	$ 87.2	$ 201.0	$ 172.8
Current accident year loss and LAE ratio	63.9 %	63.7 %	64.0 %	63.8 %

The increase in our total losses and LAE during the three months ended June 30, 2022, as compared to the same period of 2021, was primarily due to higher earned premium and a higher current accident year estimate, partially offset by an increase in net favorable prior year loss reserve development. Favorable prior loss reserve development totaled $10.0 million and $1.6 million during the three months ended June 30, 2022 and 2021, respectively, which included $9.6 million and $1.6 million of net favorable development on our voluntary business, respectively, and $0.4 million and zero of net favorable development on our assigned risk business, respectively.

The increase in our total losses and LAE during the six months ended June 30, 2022, as compared to the same period of 2021, was primarily due to higher earned premium, a higher current accident year estimate and less net favorable development recognized during the current year. Favorable prior loss reserve development totaled $10.0 million and $15.5 million during the six months ended June 30, 2022 and 2021, respectively, which included $9.6 million and $15.0 million of net favorable development on our voluntary business, respectively, and $0.4 million and $0.5 million of net favorable development on our assigned risk business, respectively.

Favorable prior year loss development on our voluntary business during the three and six months ended June 30, 2022 was primarily related to observed favorable paid loss cost trends related primarily to accident years 2017 and prior. Favorable prior year loss development on our voluntary business during the three and six months ended June 30, 2021 was the result of observed favorable paid loss cost trends related primarily to accident years 2017 and prior, partially offset by $8.0 million of unfavorable development relating to two catastrophic non-COVID claims that occurred in accident year 2020.

Our current accident year loss and LAE ratio was 63.9% and 64.0% for the three and six months ended June 30, 2022, respectively, compared to 63.7% and 63.8% for the corresponding periods of 2021. The increase in our current accident year ratio during the three and six months ended June 30, 2022 was primarily due to a slight increase in our rate on voluntary business. Our current accident year loss and LAE ratio continues to reflect the impact of our key business initiatives: an emphasis on the accelerated settlement of open claims; diversifying our risk exposure across geographic markets; and leveraging data-driven strategies to target, underwrite, and price profitable classes of business across all of our markets.

Commission Expense Ratio. The commission expense ratio was 14.4% and 14.2% for the three and six months ended June 30, 2022, respectively, compared to 13.2% and 12.9% for the corresponding periods of 2021. Our commission expenses were $23.7 million and $44.6 million for the three and six months ended June 30, 2022, respectively, compared to $18.0 million and $34.8 million for the corresponding periods of 2021. Our commission expense ratios increased 1.2 and 1.3 percentage points, or 9.1% and 10.1% for the three and six months ended June 30, 2022, respectively, compared to the same periods of 2021. The increase for the three months ended June 30, 2022 related primarily to an increase in agency incentive commissions. The increase for the six months ended June 30, 2022 was primarily related to an increase in agency incentive commissions and reversal of commissions relating to non-compliant and uncollectible premium recorded in the first quarter of 2021 which lowered the ratio for the six months ended June 30, 2021.

Underwriting Expenses Ratio. The underwriting expense ratio was 20.2% and 21.0% for the three and six months ended June 30, 2022, respectively, compared to 23.0% and 25.4% for the corresponding period of 2021. The improvements in our underwriting expense ratio from period-to-period is largely the result of higher earned premiums coupled with active expense management.

Our underwriting expenses were $33.3 million and $66.1 million for the three and six months ended June 30, 2022, respectively, compared to $31.5 million and $68.8 million for the corresponding periods of 2021.

During the three months ended June 30, 2022, our premium tax and assessment expenses increased $1.8 million and our bad debt expenses increased $1.1 million, each compared to the same period of 2021. During the six months ended June 30, 2022, our compensation-related expenses decreased $2.4 million and our policyholder dividend expenses decreased $1.3 million, each compared to the same period of 2021. These decreases in our fixed underwriting expenses resulted from continued targeted expense reductions and employee reductions and departures that occurred in 2021.

Underwriting Income

Underwriting income for our Employers segment was $12.5 million for each of the three and six months ended June 30, 2022, compared to $1.7 million and $9.8 million for the corresponding periods of 2021. 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Gross premiums written	$ 0.9	$ 0.3	$ 2.1	$ 0.6
Net premiums written	$ 0.9	$ 0.3	$ 2.1	$ 0.6
Net premiums earned	$ 0.6	$ 0.2	$ 1.2	$ 0.2
Net investment income	0.8	0.7	1.6	1.4
Net realized and unrealized (losses) gains on investments	(0.9)	0.2	(1.3)	0.3
Total revenues	0.5	1.1	1.5	1.9
Losses and LAE	0.3	0.1	0.7	0.1
Underwriting expenses	3.3	2.6	6.5	6.4
Total expenses	3.6	2.7	7.2	6.5
Net loss before income taxes	$ (3.1)	$ (1.6)	$ (5.7)	$ (4.6)
Underwriting loss	$ (3.0)	$ (2.5)	$ (6.0)	$ (6.3)
Combined ratio	n/m	n/m	n/m	n/m

n/m - not meaningful

Underwriting Results

Gross Premiums Written and Net Premiums Written

Gross premiums written and net premiums written were $0.9 million and $2.1 million for the three and six months ended June 30, 2022, compared to $0.3 million and $0.6 million for the corresponding periods of 2021.

Net Premiums Earned

Net premiums earned were $0.6 million and $1.2 million for the three and six months ended June 30, 2022, compared to $0.2 million for each of the corresponding periods of 2021.

Underwriting Expenses

Underwriting expenses for our Cerity segment were $3.3 million and $6.5 million for the three and six months ended June 30, 2022, compared to $2.6 million and $6.4 million for the corresponding periods of 2021. During the three months ended June 30, 2022, our compensation-related expenses increased $0.6 million, compared to the corresponding period of 2021, due to employee departures that occurred in the second quarter of 2021. During the six months ended June 30, 2022, our compensation-related expenses increased $0.2 million, compared to the corresponding period of 2021.

Underwriting Loss

Underwriting losses for our Cerity segment were $3.0 million and $6.0 million for the three and six months ended June 30, 2022, compared to $2.5 million and $6.3 million for the corresponding periods of 2021. 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Net investment income	0.5	0.1	1.2	0.1
Net realized and unrealized losses on investments	(6.4)	—	(7.7)	—
Total (losses) revenues	(5.9)	0.1	(6.5)	0.1
Losses and LAE - LPT	(2.1)	(2.0)	(4.2)	(4.1)
General and administrative expenses	2.8	2.9	6.0	8.4
Interest and financing expenses	0.1	0.2	0.2	0.3
Total expenses	0.8	1.1	2.0	4.6
Net loss before income taxes	$ (6.7)	$ (1.0)	$ (8.5)	$ (4.5)

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 (Loss) Income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Amortization of the Deferred Gain related to losses	$ 1.7	$ 1.6	$ 3.4	$ 3.3
Amortization of the Deferred Gain related to contingent commission	0.4	0.4	0.8	0.8
Total impact of the LPT	$ 2.1	$ 2.0	$ 4.2	$ 4.1

General and Administrative Expenses

General and administrative expenses primarily consist of compensation related expenses, professional fees, and other corporate expenses at the holding company. General and administrative expenses were $2.8 million and $6.0 million for the three and six months ended June 30, 2022, respectively, compared to $2.9 million and $8.4 million for the corresponding periods of 2021.

During the three and six months ended June 30, 2022, compensation-related expenses decreased $0.2 million and $2.5 million, compared to the same periods of 2021. The decreases are related primarily to the acceleration of share-based awards in connection with the retirement of our prior Chief Executive Officer, which served to increase our compensation-related expenses during the six months ended June 30, 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

The COVID-19 pandemic disruption to the U.S. economy, our current operations and our investment portfolio have, at times, 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.

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 and distributions to their parent is based on reported capital, surplus, and dividends paid within the prior twelve months.

During the first quarter of 2022, ECIC made a $120.0 million return of capital payment to its parent company, who in turn distributed that amount to the holding company. As a result of that distribution, ECIC cannot pay dividends through February 15, 2023, without prior regulatory approval.

During the first quarter of 2022, EICN made a $9.7 million dividend payment to its parent company, who in turn distributed that amount to the holding company. As a result of that payment, EICN cannot pay any dividends for the remainder of 2022 without prior regulatory approval.

Total cash and investments at the holding company were $94.5 million at June 30, 2022, consisting of $28.5 million of cash and cash equivalents, $8.7 million of fixed maturity securities, and $57.3 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 had no outstanding advances under the Credit Agreement at June 30, 2022.

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 and fees incurred pursuant to the Credit Agreement during the three and six months ended June 30, 2022 was $0.1 million and $0.2 million, respectively.

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 June 30, 2022, 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 $2,548.2 million at June 30, 2022, consisting of $101.8 million of cash and cash equivalents, $2,181.6 million of fixed maturity securities, $213.8 million of equity securities, $47.8 million of other invested assets, and $3.2 million of short-term investments. Sources of immediate and unencumbered liquidity at our operating subsidiaries as of June 30, 2022 consisted of $100.6 million of cash and cash equivalents, $208.6 million of publicly traded equity securities whose proceeds are available within three business days, $725.0 million of highly liquid fixed maturity securities whose proceeds are available within three business days, and $3.2 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.

As of June 30, 2022, our insurance subsidiaries had received advances of $126.0 million under the FHLB Standard Credit Program. The proceeds from these advances were used to purchase an equivalent amount of high-quality collateralized loan obligation securities. The annual interest rate on these advances is adjusted daily per the Secure Overnight Funding Rate (SOFR). As of June 30, 2022, the Company's weighted average annual interest rate on these advances was 0.90%. Interest paid during each of the three and six months ended June 30, 2022 was $0.2 million. These advances can be repaid at any time without penalty and are collateralized by eligible investment securities

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 of such advances on November 4, 2020, $5.0 million on March 31, 2021, and $15.0 million on May 4, 2021. As of June 30, 2022, we have no outstanding advances under the FHLB Advance Program.

FHLB membership also allows our insurance subsidiaries access to standby Letter of Credit Agreements. On January 26, 2021, EPIC chose to amend its existing Letter of Credit Agreement to decrease its credit amount to $10.0 million. On August 13, 2021, EAC and ECIC chose to amend their existing Letter of Credit Agreements to decrease their respective credit amounts to $25.0 million and $35.0 million. The amended Letter of Credit Agreements will expire on March 31, 2023. 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, 2022, we entered into a new reinsurance program that is effective through June 30, 2023. 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.

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 $798.8 million and $861.4 million were on deposit at June 30, 2022 and December 31, 2021, 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 $70.0 million securities on deposit at both June 30, 2022 and December 31, 2021.

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 $2.8 million and $3.1 million at June 30, 2022 and December 31, 2021, respectively.

Sources of Liquidity

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

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

	June 30,	
	2022	**2021**
	(in millions)	
Cash, cash equivalents, and restricted cash provided by (used in):		
Operating activities	$ 37.9	$ (24.7)
Investing activities	(44.3)	30.1
Financing activities	61.4	(58.2)
Increase (decrease) in cash, cash equivalents, and restricted cash	$ 55.0	$ (52.8)

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

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2022 included net premiums received of $312.4 million and investment income received of $39.4 million. These operating cash inflows were partially offset by net claims payments of $185.5 million, underwriting and general and administrative expenses paid of $79.5 million, commissions paid of $39.8 million, and federal income taxes paid of $8.6 million.

Net cash used in operating activities for the six months ended June 30, 2021 included net premiums received of $267.7 million and investment income received of $40.5 million. These operating cash inflows were more than offset by net claims payments of $205.0 million, underwriting and general and administrative expenses paid of $77.2 million, commissions paid of $34.5 million, and federal income taxes paid of $16.5 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2022 were 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 six months ended June 30, 2021 were 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 provided by financing activities for the six months ended June 30, 2022 was primarily related to FHLB advances received partially offset by common stock repurchases and stockholder dividend payments. During the six months ended June 30, 2022, we also borrowed and subsequently repaid $10.0 million under the Credit Agreement.

Net cash used in financing activities for the six months ended June 30, 2021 was primarily related to common stock repurchases, stockholder dividend payments, and repayments of FHLB advances. During the six months ended June 30, 2021, we also borrowed and subsequently repaid $27.0 million under the Credit Agreement.

Dividends

We paid $42.1 million and $14.9 million in dividends to our stockholders for the six months ended June 30, 2022 and 2021, respectively. The dividends paid during 2022 included a special dividend of $1.00 per share, which totaled $27.5 million, that was paid to eligible shareholders on June 15, 2022. The declaration and payment of future dividends to common stockholders, including any special dividends that may be declared in the future, 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 deems relevant. On July 27, 2022, the Board of Directors declared a quarterly dividend per share of $0.26, which is payable August 24, 2022 to stockholders of record on August 10, 2022.

Share Repurchases

We repurchased 365,359 shares of our common stock for $14.6 million during the three months ended June 30, 2022. 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 June 30, 2022, the capital resources available to us consisted of $977.5 million of stockholders’ equity and the $110.2 million Deferred Gain.

Contractual Obligations and Commitments

Other than operating expenses, current and long-term cash requirements include the following contractual obligations and commitments as of June 30, 2022:

Leases

We have entered into lease arrangements for certain equipment and facilities. As of June 30, 2022, we had lease payment obligations of $16.4 million, with $3.4 million payable within 12 months.

Other Purchase Obligations

We have other purchase obligations that primarily consist of non-cancellable obligations to acquire capital assets, commitments for information technology and related services, software acquisition and license commitments and other legally binding agreements to purchase services that are to be used in our operations. As of June 30, 2022, we had other purchase obligations of $15.5 million, with $8.7 million payable within 12 months.

Unfunded Investment Commitments

We have investments in private equity limited partnerships that require capital distributions to fund the investments and can be called at any time deemed necessary. As of June 30, 2022, we had unfunded investment commitments of $68.6 million.

FHLB Advances

We received advances of $126.0 million under the FHLB Standard Credit Program and these advances can be repaid at any time without prepayment penalties or additional fees.

Unpaid Losses and LAE Expenses

We have developed unpaid losses and LAE expense payment patterns that are computed based on historical information. Our calculation of loss and LAE expense 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, to the extent that current estimates of losses and LAE expense vary from actual ultimate claims amounts due to variations between expected and actual payment patterns. As of June 30, 2022, we had unpaid losses and LAE expense payment patterns of $1,972.8 million, with $316.4 million payable within 12 months.

The unpaid losses and LAE expense payment patterns are gross of reinsurance recoverables for unpaid losses. As of June 30, 2022, we had reinsurance recoverables on unpaid losses and LAE of $462.4 million, with recoveries of $31.4 million within 12 months.

Investments

Our investment portfolio is structured to support our need for: (i) optimizing our risk-adjusted total returns; (ii) providing adequate liquidity; (iii) facilitating financial strength and stability; and (iv) ensuring regulatory and legal compliance. These investments provide a steady source of income, which may fluctuate with changes in interest rates and our current investment strategies.

As of June 30, 2022, our investment portfolio consisted of 87% 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 4.1 at June 30, 2022. To minimize interest rate risk, our portfolio is weighted toward short-term and intermediate-term bonds; however, our investment strategy balances consideration of duration, yield, and credit risk. Our investment guidelines require that the minimum weighted average quality of our fixed maturity securities portfolio be “A+,” using ratings assigned by Standard & Poor’s (S&P) or an equivalent rating assigned by another nationally recognized statistical rating agency. Our fixed maturity securities portfolio had a weighted average quality of “A+” as of June 30, 2022. 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 $265.8 million at June 30, 2022, which represented 11% of our investment portfolio at that time. We also have a $5.3 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 June 30, 2022 and include private equity limited partnerships. Our investments in private equity limited partnerships totaled $47.8 million at June 30, 2022 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 3 to 12 years, subject to two or three one-year extensions at the general partner’s discretion. We expect to receive distributions of proceeds from dividends and interest from fund investments, as well as from the disposition of a fund investment or portion thereof, from time-to-time during the full course of the fund term. As of June 30, 2022, we had unfunded commitments to these private equity limited partnerships totaling $68.6 million.

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, and the average ending book yield, (each based on the book value of each category of invested assets) as of June 30, 2022.

Category	Estimated Fair Value	Percentage of Total	Book Yield
	(in millions, except percentages)		
U.S. Treasuries	$ 60.8	2.5 %	1.8 %
U.S. Agencies	2.2	0.1	2.9
States and municipalities	353.9	14.4	3.0
Corporate securities	945.3	38.5	3.4
Residential mortgage-backed securities	341.4	13.9	2.8
Commercial mortgage-backed securities	62.7	2.5	3.2
Asset-backed securities	64.4	2.6	4.1
Collateralized loan obligations	203.1	8.3	2.6
Foreign government securities	10.5	0.4	3.0
Other securities	146	5.9	4.5
Equity securities	265.8	10.8	3.0
Short-term investments	3.2	0.1	0.5
Total investments at fair value	$ 2,459.3	100.0 %	
Weighted average yield			3.3 %

The following table shows the percentage of total estimated fair value of our fixed maturity securities as of June 30, 2022 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"	11.4 %
"AA"	35.0
"A"	28.3
"BBB"	13.3
Below Investment Grade	12.0
Total	100.0 %

Investments that we currently own could be subject to credit risk and subsequent 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 CECL. As of June 30, 2022, we have a $10.0 million allowance for CECL on AFS debt securities. During the six months ended June 30, 2022, we recognized a $9.8 million increase to our allowance for CECL on AFS debt securities. The remaining fixed maturity securities whose total fair value was less than amortized cost at June 30, 2022, 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 Estimates

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 reserves for losses and LAE and reinsurance recoverables. 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 Estimates" 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 mitigate 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 economic disruptions caused by the COVID-19 pandemic, along with inflationary pressures and geo-political conditions, have impacted the credit risk associated with certain of our investment holdings, reinsurance recoverables and premiums receivable. As of June 30, 2022, we have a $10.0 million allowance for CECL 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 4.1 at June 30, 2022. To minimize interest rate risk, our portfolio is weighted toward short-term and intermediate-term bonds; however, our investment strategy balances consideration of duration, yield and credit risk. We continually monitor the changes in interest rates and the impact on our liquidity and ability to meet our obligations.

Sensitivity Analysis

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

We use fair values to measure our potential loss in this model, which includes fixed maturity securities and short-term investments. For invested assets, we use modified duration modeling to calculate changes in fair values. Durations on invested assets are adjusted for call, put, and interest rate reset features. Invested asset portfolio durations are calculated on a market value weighted basis, excluding accrued investment income, using holdings as of June 30, 2022. The estimated changes in fair values on our fixed maturity securities and short-term investments, which had an aggregate value of $2,193.5 million as of June 30, 2022, 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	$ (241.2)	(11.0)%
200 basis point rise	(161.7)	(7.4)
100 basis point rise	(81.4)	(3.7)
50 basis point decline	40.5	1.9
100 basis point decline	81.5	3.7

The most significant assessment of the effects of hypothetical changes in interest rates on investment income would be based on GAAP guidance related to "*Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and*

Initial Direct Costs of Leases," which requires amortization adjustments for mortgage-backed securities. The rates at which the mortgages underlying mortgage-backed securities are prepaid, and therefore the average life of mortgage-backed securities, can vary depending on changes in interest rates (for example, mortgages are prepaid faster and the average life of mortgage-backed securities falls when interest rates decline). Adjustments for changes in amortization are based on revised average life assumptions and would have an impact on investment income if a significant portion of our commercial and residential mortgage-backed securities were purchased at significant discounts or premiums to par value. As of June 30, 2022, the par value of our commercial and residential mortgage-backed securities holdings was $421.9 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 represented 16.4% of our total investments as of June 30, 2022. Agency-backed residential mortgage pass-throughs represented 91.0%, of the residential mortgage-backed securities portion of the portfolio as of June 30, 2022.

For reference, from December 31, 2021 to June 30, 2022, the 5-year U.S. Treasury yield increased by 175 basis points, and our resulting pre-tax unrealized losses on fixed maturity securities totaled $196.5 million.

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, geo-political conditions and inflationary pressures 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 June 30, 2022:

(in millions)	Cost	Fair Value	10% Fair Value Decrease	Pre-tax Impact on Total Equity Securities	10% Fair Value Increase	Pre-tax Impact on Total Equity Securities
Equity securities	$ 213.5	$ 265.8	$ 239.2	$ (26.6)	$ 292.4	$ 26.6

Effects of Inflation

Economic conditions, including the effects of the COVID-19 pandemic, have created increased uncertainty about the path of the U.S. economy, consumer behavior, and workplace norms for the years ahead. Recent economic slowdowns, financial market volatility, supply chain disruptions, monetary and fiscal policy measures, heightened geopolitical tensions and fluctuations in interest rates have contributed to higher levels of inflation and may continue to lead to elevated levels of inflation in future periods.

Higher levels of inflation than we have anticipated 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 that 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.

Inflation is incorporated in our reserving process through projections supported by historical loss emergence. Additionally, we consider an estimate of increased costs in determining the adequacy of our rates, particularly as it relates to medical and hospital trends where historical loss trends have exceeded general inflation rates.

Higher levels of wage inflation can specifically impact the payrolls of our insureds, which is the basis for the premiums we charge, as well as amount of future indemnity losses we may incur.

Higher levels of inflation could also impact our operating expenses and, in the case of wage inflation, could impact our payroll expenses.

Recent increases in interest rates, which aid to suppress inflation, have negatively impacted the market value of our fixed maturity investments while increasing the yields on our new investments.

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.

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 second quarter of 2022:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
				(in millions)
April 1 - April 30	—	$ —	—	$ 71.1
May 1 - May 31	229,658	39.65	229,658	62.0
June 1 - June 30	135,701	40.12	135,701	56.6
	365,359	$ 39.82	365,359	

On July 21, 2021, the Board of Directors authorized a new share repurchase program for repurchases of up to $50.0 million of our common stock from July 27, 2021 through December 31, 2022 (the 2021 Program). On April 27, 2022, the Board of Directors authorized a $50.0 million expansion of the 2021 Program, to $100.0 million and extended the program’s expiration to December 31, 2023. The 2021 Program replaces the 2018 Program, which expired on June 30, 2021. The 2021 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 2021 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
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				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X				

SIGNATURES

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

EMPLOYERS HOLDINGS, INC.

Date: July 29, 2022	/s/ Michael S. Paquette
	Michael S. Paquette Executive Vice President and Chief Financial Officer Employers Holdings, Inc. (Principal Financial and Accounting Officer)

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: July 29, 2022

/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: July 29, 2022

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

Exhibit 32.1

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

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

In connection with the Form 10-Q of Employers Holdings, Inc. (the Company) for the quarter ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

Date: July 29, 2022

/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 June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

Date: July 29, 2022

/s/ Michael S. Paquette

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