EXAMINATION REPORT

OF

EMPLOYERS ASSURANCE COMPANY

NAIC Company Code: 25402

Maitland, Florida
as of
December 31, 2018

BY THE

FLORIDA

OFFICE OF INSURANCE REGULATION

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January 24, 2020
David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

Employers Assurance Company
851 Trafalgar Court, Suite 155W
Maitland, Florida 32751

hereinafter referred to as "the Company" or "EAC." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015, through December 31, 2018, and commenced with planning at the Florida Office of Insurance Regulation ("Office") on July 15, 2019, to July 19, 2019. The fieldwork commenced on July 15, 2019, and concluded as of January 24, 2020. The Company's last full scope exam by representatives of the Office covered the period of January 1, 2011, through December 31, 2014.

The examination was a coordinated multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("Handbook"). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. The lead state for this exam was California. Representatives of the Office and the Nevada Division of Insurance also participated in this exam.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statements of Statutory Accounting Principles ("SSAP").

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no material findings or exceptions noted during the examination as of December 31, 2018.

Previous Examination Findings

There were no findings, exceptions, or corrective action to be taken by the Company resulting from the examination as of December 31, 2014.

COMPANY HISTORY

General

The Company was incorporated in Florida on November 14, 1979, and commenced business on November 28, 1979.

The Company was previously known as Thomas Jefferson Insurance Company. It had been in run-off since 1993 until being acquired by AmCOMP Preferred Insurance Company ("APIC"). APIC purchased the Company on October 31, 1997, from Independent Fire Insurance Company ("IFIC"). In anticipation of the purchase, the Company entered into an assumption reinsurance agreement with ("IFIC"), whereby IFIC assumed all of the Company's policy liabilities. The Company's name then changed to AmCOMP Assurance Corporation ("AAC"), and during 1998 the Company began writing direct premiums again. During this time, AmCOMP Incorporated ("AmCOMP Inc.") was the ultimate controlling person of both the Company and APIC.

On August 29, 2008, Employers Holdings, Inc. ("EHI") acquired 100 percent of the outstanding common stock of AmCOMP Inc. EHI's subsidiary Employers Group, Inc. ("EGI") merged with AmCOMP Inc. The acquisition was funded by EHI using cash, extraordinary dividends from the operating companies, and a short-term credit facility. On December 16, 2008, the Office approved the name change of the Company and its parent from AAC and APIC to Employers Assurance Company ("EAC") and Employers Preferred Insurance Company ("EPIC"), respectively. The ultimate controlling person of both insurers is EHI.

Dividends

During the examination period the Company declared and paid dividends in 2016 of $32,200,000.

Capital Stock and Capital Contributions

As of December 31, 2018, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	$2,500,000
Par value per share	$1.00

The Company is a member of the Federal Home Loan Bank of San Francisco ("FHLB"). On March 9, 2018, the Company entered into a standby Letter of Credit Reimbursement Agreement with the FHLB for $40,000,000. The Letter of Credit Reimbursement Agreement may only be used to satisfy, in whole or in part, insurance deposit requirements with the state of California. The Letter of Credit Reimbursement Agreement was fully secured with eligible collateral at all times during the examination period and was verified by the California Department of Insurance and the Company's financial auditors (i.e., Certified Public Accountants or CPAs). FHLB Issued Letters of Credit, whether drawn upon or not, count against the total FHLB members' borrowing capacity. As of the period under examination, the State of California had not drawn upon these funds.

Surplus Notes

The Company had two surplus notes, both of which were retired on June 30, 2016, with the approval of the Office.

EPIC Surplus Note for $8 Million

On June 30, 2004, the Company issued an $8 million subordinated surplus note to its parent, APIC, now EPIC, in return for $8 million in cash. The note was set to mature in 2034 and was callable by the Company. The terms of the note provided for quarterly interest payments at a rate of 425 basis points above the 90-day London Interbank Offered Rate ("LIBOR").

EPIC Surplus Note for $4 Million

On September 24, 2004, the Company issued a $4 million subordinated surplus note to its parent APIC, now EPIC, in return for $4 million in cash. The note was set to mature in 2034 and was callable by the Company. The terms of the note provided for quarterly interest payments at a rate of 405 basis points above LIBOR.

Acquisitions, Mergers, Disposals, Dissolutions

On May 22, 2018, EHI, created Cerity Group, Inc. ("CGI" a wholly-owned subsidiary of EHI) and Cerity Services, Inc. ("CSI" a wholly-owned subsidiary of CGI), both Nevada corporations.

Effective December 31, 2016, EPIC completed the de-stacking of the Company, its wholly-owned insurance subsidiary, through an extraordinary dividend of the Company from EPIC to EGI. The dividend was equal to the Company's statutory equity value on December 31, 2016, of $179.8 million. As a result, EGI became the immediate parent of the Company.

MANAGEMENT AND CONTROL

Corporate Governance

Directors serving as of December 31, 2018, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Michael David Rumbolz[1]	Las Vegas, Nevada	President and Chief Executive Officer, Everi Holdings, Inc.
Douglas Dean Dirks	Las Vegas, Nevada	President and Chief Executive Officer, Employers Holdings, Inc.
Michael Scott Paquette	Reno, Nevada	Executive Vice President, Chief Financial Officer, and Treasurer, Employers Holdings, Inc.
Stephen Vincent Festa	Reno, Nevada	Executive Vice President, Chief Operating Officer, Employers Holdings, Inc.
Lenard Thomas Ormsby [2]	Reno, Nevada	Executive Vice President, Chief Legal Officer, General Counsel and Secretary, Employers Holdings, Inc.

(1) Chairman

(2) Lenard Thomas Ormsby resigned effective January 1, 2019, and was replaced by Lori Ann Brown.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers

Name	City, State	Title
Douglas D. Dirks	Reno, Nevada	Chief Executive Officer
Michael S. Paquette	Reno, Nevada	Treasurer
Stephen V. Festa	Reno, Nevada	President & Chief Operating Officer
Lenard T. Ormsby [(1)]	Reno, Nevada	Assistant Secretary
Lori Ann Brown	Reno, Nevada	Senior Vice President, Deputy General Counsel & Secretary
George (Chip) Carbonar	Reno, Nevada	Vice President & Corporate Controller
Lawrence S. Rogers	Reno, Nevada	Senior Vice President & Chief Underwriting Officer
Barry J. Vogt	Reno, Nevada	Senior Vice President & Chief Claims Officer

(1) Lenard Thomas Ormsby resigned on January 1, 2019

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2018. The chair for these committees is shown at the top of each list.

Audit Committee

Name	City, State	Title, Company Name
Michael J. McSally	Portsmouth, New Hampshire	Retired
Michael J. McColgan	Newton Square, Pennsylvania	Retired
James R. Kroner	Las Vegas, Nevada	Retired

Finance Committee

Name	City, State	Title, Company Name
James R. Kroner	Las Vegas, Nevada	Retired
Richard W. Blakey	Reno, Nevada	Retired
Douglas D. Dirks	Reno, Nevada	President & Chief Executive Officer, Employers Holdings, Inc.
Jeanne L. Mockard	Valparaiso, Indiana	Principal, JLM Capital and Consulting

Compensation Committee

Name	City, State	Title, Company Name
Richard W. Blakey	Reno, Nevada	Retired
Valerie R. Glenn	Reno, Nevada	Retired
Jeanne L. Mockard	Valparaiso, Indiana	Principal, JLM Capital and Consulting

Board Governance and Nominating Committee

Name	City, State	Title, Company Name
Valerie R. Glenn	Reno, Nevada	Retired
Prasanna G. Dhore	Atlanta, Georgia	SVP & Chief Data & Analytics Officer, Equifax, Inc.
Barbara A. Higgins	Chicago, Illinois	Chief Customer Officer, Duke Energy Corporation

Executive Committee

Name	City, State	Title, Company Name
Michael D. Rumbolz	Las Vegas, Nevada	President & Chairman, Everi Holdings, Inc.
Richard W. Blakey	Reno, Nevada	Retired
Prasanna G. Dhore	Atlanta, Georgia	SVP & Chief Data & Analytics Officer, Equifax, Inc.
Douglas D. Dirks	Reno, Nevada	President & Chief Executive Officer, Employers Holdings, Inc.
Valerie R. Glenn	Reno, Nevada	Retired
James R. Kroner	Las Vegas, Nevada	Retired
Michael J. McSally	Portsmouth, New Hampshire	Retired

Risk Committee

Name	City, State	Title, Company Name
Prasanna G. Dhore	Atlanta, Georgia	SVP & Chief Data and Analytics Officer, Equifax, Inc.
Douglas D. Dirks	Reno, Nevada	President & Chief Executive Officer, Employers Holdings, Inc.
Barbara A. Higgins	Chicago, Illinois	Chief Customer Officer, Duke Energy Corporation
Michael J. McColgan	Newton Square, Pennsylvania	Retired
Michael D. Rumbolz	Las Vegas, Nevada	President & Chairman, Everi Holdings, Inc.

Holding Company System

Control of the Company was maintained by its parent, EGI, who owned 100 percent of the stock issued by the Company, who, in turn, was 100 percent owned by EHI. EHI is the ultimate controlling person of this holding company system.

The following agreements were in effect between the Company and its affiliates:

Administrative Services Agreement

The Company and its affiliates were party to an Amended and Restated Administrative Services Agreement ("ARSA") during the examination period. Effective January 1, 2016, the ARSA was amended to modernize its language, identify and update those who were participating in it, and to expand the services provided under it. This updated ARSA provided for the Company and its affiliates to perform certain services for each other as determined to be reasonably necessary for the conduct of their operations. This updated ARSA identified these services to include accounting, tax and auditing, functional support services, claims, investment, and underwriting. It further noted that charges for such services shall be modified and adjusted where necessary or appropriate to reflect fairly and equitably the actual costs incurred by a company on behalf of another company. Financial statements showing the balances associated with the ARSA were prepared quarterly, and settlement of the balances owed was made within 30 days. This process was both reviewed and verified by the examination.

General Agency and Underwriting Manager Agreement

On October 14, 2014, EIG Services, Inc., ("EIG Services"), an administrative services company, entered into a General Agency and Underwriting Manager Agreement ("GAUMA") with the Company and its insurer affiliates. Under the GAUMA, EIG Services is the appointed general agent and underwriting manager for each of the insurance companies. EIG Services further agreed to solicit, underwrite, complete applications, quote premium, bind, issue, and deliver insurance policies. Each insurance company is required to reimburse EIG Services for actual direct costs within 30 days after the end of each quarter. The GAUMA went into effect on October 14, 2014.

Network Carrier Agreement

Effective January 1, 2015, the Company entered into a Network Carrier Agreement ("NCA") with EPIC for business underwritten in the state of Texas. The NCA gives the Company access to

EPIC's Texas workers' compensation health care network. The NCA allows EPIC to provide the Company services that include contracting with providers, credentialing, quality improvement programs, case management, out-of-network referrals, and compliance reporting. Reimbursements under the NCA are based on actual costs. The Office issued a no-objection letter to the NCA on December 23, 2014. According to the Company, actual NCA expenses are paid with those related to the ARSA. The examination reviewed the settlement of the balances related to the ARSA, and no exceptions were noted.

On April 23, 2015, the NCA was amended to include sections concerning the Company's ownership and control of the books and records of the Company in possession of EPIC. The Office issued a no-objection letter to the Amended Network Carrier Agreement on May 26, 2015. The effective date of the Amended Network Carrier Agreement remained January 1, 2015.

Tax Sharing Agreement

The Company and its affiliates were party to a Tax Sharing Agreement ("TSA") with EHI, which allowed them to file a consolidated federal income tax return. The TSA was executed on February 25, 2009. Under this agreement, each company participating in the consolidation calculates its tax liability as if it were filing on its own. A consolidated return is then prepared on behalf of the entire group (with EHI being the named party on the tax return). Participating companies are then reimbursed for any losses, carryforwards, carrybacks, or other tax attributes that are used by the EHI in the consolidated return.

The TSA was amended effective January 1, 2016, to update language concerning the reimbursement to group companies for specific attributes used to reduce the consolidated tax liability and the carryforward of attributes used to reduce participating companies' separate return tax liability. Language regarding dispute resolution, notification requirements, and contract termination was also updated.

Under the terms of the TSA, separate return tax liabilities shall be paid ten days prior to the filing date and separate return tax refunds shall be paid no later than 30 days past the filing date. During the period under examination, the examination verified that all tax liabilities/refunds were settled per the agreement.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Reno, Nevada.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo Bank executed on February 1, 2017. The Company maintained a custodial agreement with Bank of New York Mellon executed on June 24, 2019. The Company maintained a custodial agreement with MUFG Union Bank executed on August 30, 2016.

Claims Administration Agreement

The Company and its affiliates, have a one year, automatically renewing, contract with Broadspire Services, Inc. ("Broadspire") to administer workers compensation claims in the United States. The services include claims administration, medical management services, loss adjustment and settlement and litigation assistance. Broadspire's compensation for services provided was based on a flat fee per claimant, a system data access fee based on the number of users and licenses, and a medical management fee based on usage.

Investment Management Agreement

The Company and its affiliates executed a contract with Conning, Inc. ("Conning") to manage a portion of the Company's investment portfolio and provide investment advice and any other necessary investment services. The requirements of the contract required Conning to maintain its part of the Company's portfolio according to specific written investment guidelines. Within the confines of the Company's instructions, Conning may execute investment transactions without prior approval of the Company's management. Conning was compensated for its services quarterly based on specific fixed annual percentages of the asset value of the Company's portfolio for the billing period. Conning must also present a report to the Company every quarter outlining the results of investment activity for the prior quarter.

The Company and its affiliates executed a contract with BlackRock Financial Management, Inc. ("BlackRock"), distinct and separate from Conning, to manage a different portion of the Company's investment portfolio and provide investment advice and any other necessary investment services. The requirements of the contract required BlackRock to follow specific written investment guidelines.

Reinsurance Intermediary Broker Agreement

The Company and its other affiliates executed a contract with Aon Benfield, Inc. ("Benfield") for the purpose of procuring and servicing reinsurance contracts. Benfield is compensated by the reinsurers for placements made by Benfield on behalf of the Company and its affiliates. The agreement called for Benfield to provide quarterly statements accurately detailing all material transactions, including information necessary to support all commissions, charges, and other fees. Contract compliance was verified during the examination. Benfield was a licensed reinsurance intermediary broker in the state of Florida during the period under investigation.

Independent Auditor Agreement

An independent CPA, Ernst & Young LLP audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017 and 2018. Supporting work papers were prepared by the CPA firm and were reviewed as part of the examination.

Corporate Records Review

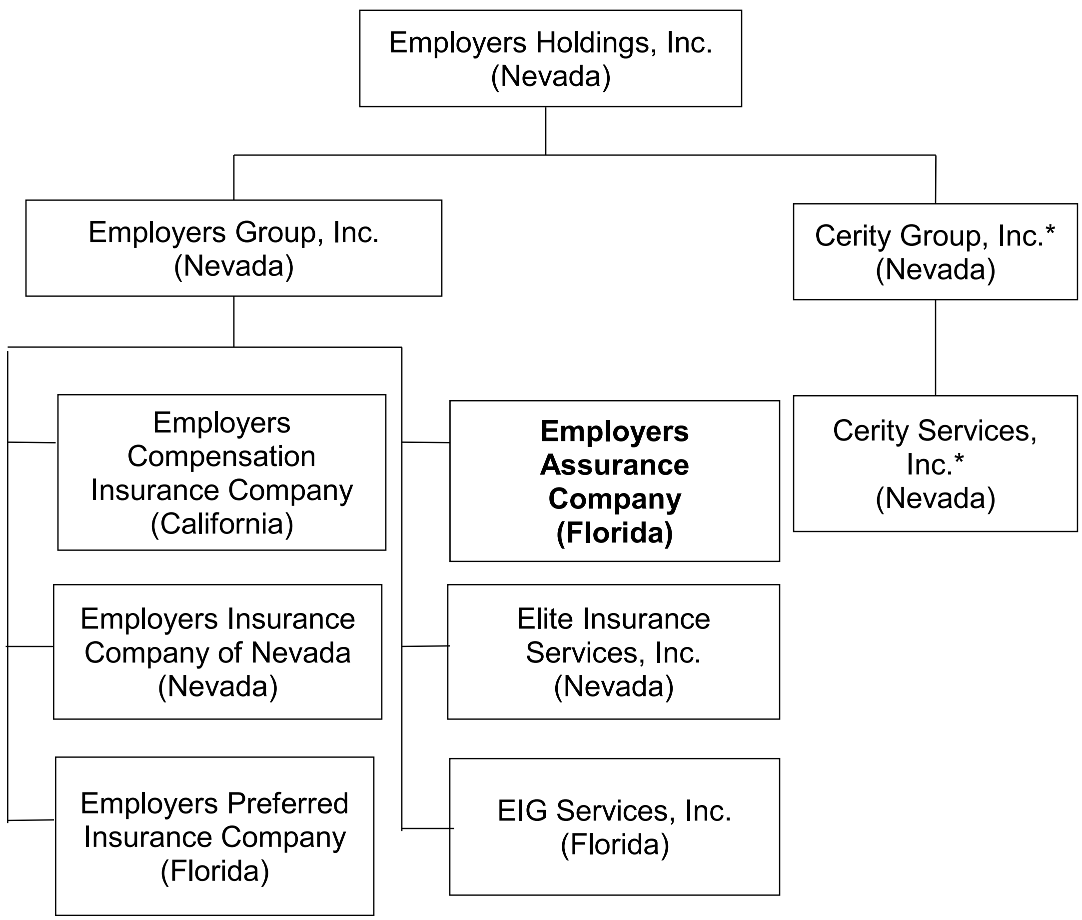
The recorded minutes of the Shareholder, Board of Directors ("Board"), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events.

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest, and the conflict of interest statements were reviewed as part of the examination. No conflicts were identified during period under examination.

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2018 annual statement provided a list of all related companies of the holding company system.

Employers Assurance Company
Organizational Chart
December 31, 2018



* On May 22, 2018, EHI created CGI and CSI, both Nevada corporations.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Alabama	Arizona	Arkansas
California	Colorado	Connecticut
Delaware	District of Columbia	Florida
Georgia	Idaho	Illinois
Indiana	Iowa	Kansas
Kentucky	Louisiana	Maine
Maryland	Massachusetts	Michigan
Minnesota	Mississippi	Missouri
Montana	Nebraska	Nevada
New Hampshire	New Jersey	New Mexico
New York	North Carolina	Ohio
Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah
Vermont	Virginia	West Virginia
Wisconsin		

The Company was authorized to transact insurance in Florida on October 30, 1979, and was authorized for the following line of coverage as of December 31, 2018:

Workers' Compensation

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards. All reviewed agreements had the standard insolvency clause, arbitration clause, intermediary clause. Those agreements also meet transfer of risk criteria, reporting requirements, and settlement information deadlines.

Reinsurance Pooling Agreement

The Company and its affiliates (including Employers Insurance Company of Nevada ("EICN") and others from the holding company system) entered have entered into three different versions of a reinsurance pooling agreement over the years. In each instance, the participants ceded the gross incurred premiums, losses, and expenses, less any amount already covered by outside reinsurance treaties, to the lead insurer ("the Lead"). The Lead then retained its portion and allocated the remaining incurred premiums, losses, and expenses back to the participants. The contract versions, lead insurer, participating insurers, and percentage of participation is shown below:

Contract Version	Contract Description	Effective Date	Lead Insurer	Participating Insurers	Respective Participating Percentages
Original	Intercompany Pooling Arrangement	10/1/08	EICN	ECIC, EAC, EPIC	53%, 27%, 10%, 10%
2	Amended and Restated Reinsurance Pooling Agreement	1/1/15	EPIC	ECIC, EICN, EAC	35%, 35%, 18%, 12%
3	The New Amended and Restated Reinsurance Pooling Agreement	1/1/18	EPIC	EAC, ECIC, EICN	40%, 30%, 20%, 10%

Reinsurance Assumed

The Company participated in mandatory workers' compensation reinsurance pools and assumed a total of $4,397,000 in premium. $4,178,000 of that was from the National Workers Compensation Reinsurance Pool with the balance of $219,000 coming from a small number of state pools.

The Company did not assume any other reinsurance except as described in the Reinsurance Pooling Agreement.

Reinsurance Ceded

The Company participates in an excess of loss reinsurance agreement with its parent and other insurer affiliates. Excess of loss reinsurance provides $190 million excess of $10 million coverage for all business classified by the Company as workers' compensation and employers' liability. The reinsurance program includes coverage for terrorism losses excluding nuclear, chemical, biological, or radiological events. The following is a summary of the Company's reinsurance agreements in-force as of December 31, 2018:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
First layer	Various domestic, foreign and alien companies led by Hannover Ruck Se and Partner Reinsurance Company of the U.S.	$10 million	$10 million excess $10 million, not to exceed $10 million per occurrence; limited to $20 million per term
Second layer	Various domestic, foreign and alien companies led by XL Reinsurance America, Inc., Hannover Ruck Se, and Market Global Reinsurance Company	$20 million	$30 million excess $20 million, not to exceed $30 million per occurrence; limited to $60 million per term
Third layer	Various domestic, foreign and alien companies led by Tokio Millennium Re AG (Bermuda Branch) and Endurance Specialty Insurance Ltd.	$50 million	$50 million excess $50 million, not to exceed $50 million per occurrence, limited to $100 million per term
Fourth Layer	Various domestic, foreign and alien companies led by Tokio Millennium Re AG (Bermuda Branch) and BGS Services (Bermuda) Limited	$100 million	$100 million excess $100 million, not to exceed $100 million per occurrence; limited to $200 million per term

INFORMATION TECHNOLOGY REPORT

Tracy Gates, CISA, of Highland Clark, LLC, evaluated the information technology and computer systems of the Company. Results were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTN, 1.125%, 04/30/20	$ 600,000	$ 592,394
FL		1,715,000	1,726,524
TOTAL FLORIDA DEPOSITS		$ 2,315,000	$ 2,318,918
CA	BONDS	$ 156,975,000	$ 161,720,860
DE	USTN, 1.750%, 03/31/22	100,000	99,373
GA	USTN, 1.375%, 02/29/20	45,000	44,115
GA	USTN, 3.125%, 05/15/19	65,000	65,902
ID	USTN, 2.375%, 08/15/24	1,500,000	1,458,288
MA	USTN, 1.125%, 04/30/23	180,000	178,833
MT	USTN, 3.125%, 05/15/19	250,000	251,273
NE	BONDS, 6.0%, 03/15/19	100,000	99,373
NV	USTN, 1.250%, 03/31/20	325,000	325,068
MN	USTN, 1.375%, 02/29/20	110,000	111,014
MN	USTN, 5.25%, 02/15/29	160,000	165,382
NC	USTN, 3.125%, 05/15/19	3,145,000	3,245,600
OR	USTN, 1.376%, 10/31/20	1,400,000	1,394,262
VA	USTN, 1.125%, 04/30/20	565,000	561,336
TOTAL OTHER DEPOSITS		$ 164,920,000	$ 169,720,679
TOTAL STATUTORY DEPOSITS		$ 167,235,000	$ 172,039,597

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2018. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Employers Assurance Company
Assets
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	$ 390,082,476		$ 390,082,476
Stocks:			
Common	25,262,188		25,262,188
Cash and Short-Term Investments	12,723,557		12,723,557
Receivable for securities	3,000		3,000
Investment income due and accrued	2,711,187		2,711,187
Agents' Balances:			
Uncollected premium	16,882,904		16,882,904
Deferred premium	110,038,925		110,038,925
Reinsurance recoverable	43,989	294,647,288	294,691,277
Net deferred tax asset	13,883,148		13,883,148
Guaranty funds receivable on deposit	21,273		21,273
Receivable from parents, subsidiaries and affiliates	306,295,165	(294,647,288)	11,647,877
Aggregate write-in for other than invested assets	1,837,167		1,837,167
Totals	$ 879,784,979	$ -	$ 879,784,979

Employers Assurance Company
Liabilities, Surplus and Other Funds
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Losses	$ 426,711,119		$ 426,711,119
Loss adjustment expenses	84,340,861		84,340,861
Commissions payable, contingent commissions, and other similar charges	20,701,893		20,701,893
Other expenses	326,804		326,804
Taxes, licenses and fees	10,143,857		10,143,857
Current federal and foreign income taxes	19,848,425		19,848,425
Unearned premium	94,179,110		94,179,110
Advance premium	7,432,636		7,432,636
Dividend decalred and unpaid to policyholders	613,627		613,627
Ceded reinsurance premiums payable	659,138		659,138
Remittances and items not allocated	619,329		619,329
Provision for reinsurance	28,065		28,065
Payable to parent, subsidiaries and affiliates	14,219,338		14,219,338
Payable for securities	1,862,775		1,862,775
Aggregate write-ins for liabilities	586,362		586,362
Total Liabilities	$ 682,273,339	$ -	$ 682,273,339
Common capital stock	$ 2,500,000		$ 2,500,000
Gross paid-in and contributed surplus	135,440,053		135,440,053
Unassigned funds (surplus)	59,571,587		59,571,587
Surplus as regards policyholders	$ 197,511,640	$ -	$ 197,511,640
Total liabilities, surplus and other funds	$ 879,784,979	$ -	$ 879,784,979

Employers Assurance Company
Statement of Income
December 31, 2018

Underwriting Income	
Premiums earned	$ 219,337,814
Deductions	
Losses incurred	94,633,783
Loss expenses incurred	22,754,908
Other underwriting expenses incurred	68,054,956
Aggregate write-ins for underwriting deductions	-
Total underwriting deductions	185,443,647
Net underwriting gain or (loss)	33,894,167
Investment Income	
Net investment income earned	10,758,800
Net realized capital gains or (losses)	3,082,268
Net investment gain or (loss)	13,841,068
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(2,392,087)
Finance and service charges not included in premiums	73,795
Aggregate write-ins for miscellaneous income	130,780
Total other income	(2,187,512)
Net income before dividends to policyholders and before federal & foreign income taxes	45,547,723
Dividends to policyholders	1,905,341
Net Income, after dividends to policyholders, but before federal & foreign income taxes	43,642,382
Federal & foreign income taxes	19,326,842
Net Income	$ 24,315,540
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$ 189,648,322
Net Income	24,315,540
Net unrealized capital gains or losses	(3,970,914)
Change in net deferred income tax	10,914,904
Change in non-admitted assets	(4,468,147)
Change in provision for reinsurance	(28,065)
Change in surplus notes	-
Dividends to stockholders	(18,900,000)
Surplus adjustments: Paid in	-
Aggregate write-ins for gains and losses in surplus	-
Examination Adjustment	-
Change in surplus as regards policyholders for the year	7,863,318
Surplus as regards policyholders, December 31 current year	$ 197,511,640

Employers Assurance Company
Reconciliation of Capital and Surplus
December 31, 2018

No adjustments were made to surplus as regards policyholders as a result of this examination. As a result of the examination, the reclassifications shown below were made. However, they had no impact on surplus. The adjustments resulted from the misclassification by the Company of certain premiums attributed to the Amended and Restated Reinsurance Pooling Agreement as payable to parent, subsidiaries, and affiliates.

Annual Statement Line Item	Balance per Annual Statement	Increase	Decrease	Adjusted Balance
Recoverable from reinsurers	$ 43,989	$ 294,647,288	$ -	$ 294,691,277
Receivables from parent, subsidiaries, and affiliates	$ 306,295,165	$ -	$ 294,647,288	$ 11,647,877

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

The December 31, 2018 loss and loss adjustment expense reserves were evaluated by a Senior Casualty Actuary for the California Department of Insurance. Based on the analysis performed, the Company's reserves for losses and loss adjustment expenses were found to be reasonably stated and have been accepted for purposes of this examination.

Capital and Surplus

The amount of capital and surplus reported by the Company of $197,511,640, exceeded the minimum of $61,327,815 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On March 1, 2019, the Company and the Federal Home Loan Bank of San Francisco ("FHLB") amended their Letter of Credit Reimbursement Agreement to increase the credit amount to $60,000,000. Issued letters of credit, whether drawn upon or not, count against the total FHLB members' borrowing capacity. As of the period under examination, the state of California had not drawn upon these funds.

On March 29, 2019, the Company filed a new Amended Reinsurance Pooling Agreement (ARPA) with the Office with an effective date of August 1, 2019. Under the new ARPA, an affiliate that became part of the EHI Group during 2019, Cerity Insurance Company ("CIC"), was added to the agreement. The allocation proportions under the new APRA were reapportioned to EPIC, the Company, ECIC, EICN, and CIC in the proportions of 40%, 30%, 20%, 5% and 5%, respectively. The amended pooling percentages became effective October 1, 2019. The Office issued a no-objection letter to the new Amended Pool on April 16, 2019.

On June 12, 2019, the Company and its affiliates executed a contract with Goldman Sachs to manage the Company's common stock equity investments and terminated a similar arrangement with Conning.

On June 20, 2019, the Office acknowledged an ordinary dividend to be paid in the amount of $19,700,000 to EHI through EGI.

On July 22, 2019, the Company filed an Amended and Restated Administrative Services Agreement with an effective date of August 1, 2019. Under the terms of the new agreement, CGI, CSI, and PartnerRe Insurance Company of New York ("PICNY"), now known as Cerity Insurance Company, were added as parties to the agreement. The Office issued a no-objection letter on July 30, 2019.

On July 29, 2019, the Company filed an Amended and Restated Tax Allocation Agreement with an effective date of September 30, 2019. Under the terms of the new agreement, CGI, CSI, and CIC were added as parties to the agreement. The Office issued a no-objection letter to the agreement on August 14, 2019.

On July 31, 2019, CGI acquired all of the outstanding shares of capital stock of PICNY, a New York corporation, through a stock purchase agreement with Partner Reinsurance Company of the U.S. The purchase price paid at closing was equal to the sum of (a) the amount of statutory capital and surplus of PICNY at closing (i.e., $47,600,000), and (b) $5,800,000.

On December 16, 2019, the Company and its affiliates executed a contract with Neuberger Berman to manage a separate and distinct portion of the Company's investment portfolio, provide investment advice, and offer any other necessary investment services. In the contract, specific written investment guidelines were provided that differed from those used in other concurrent investment management agreements.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Employers Assurance Company** as of December 31, 2018, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following participated in the examination: Ryne Davison, CFE, Participating Examiner, of Lewis & Ellis, Inc., and Jeff Rockwell, Examination Manager, Florida Office of Insurance Regulation.

Respectfully submitted,

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Examiner-in-Charge
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