EXAMINATION REPORT

OF

EMPLOYERS PREFERRED INSURANCE COMPANY

MAITLAND, FLORIDA

AS OF

DECEMBER 31, 2014

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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November 4, 2015

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

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, 2014, of the financial condition and corporate affairs of

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

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2011 through December 31, 2014. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2006 through December 31, 2010. This examination commenced with planning at the Office on March 11, 2015. The fieldwork commenced on April 6, 2015 and concluded on November 4, 2015.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination is 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 examination was completed under a coordinated group examination approach with the Nevada Department of Insurance as the coordinating state and the California Department of Insurance and the Office, as participating states. The companies examined under this approach benefit to a large degree from common management, systems, and processes, including internal controls and risk management functions that are administered by the consolidated holding company.

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

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), 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, 2014.

Prior Examination Findings

There were no findings, exceptions or corrective actions to be taken by the Company for the examination as of December 31, 2010.

COMPANY HISTORY

General

The Company commenced business in Florida as a self-insurers fund, operating under the name of Florida Air Conditioning Contractors Association Self-Insurers Fund, on January 1, 1982. On April 5, 1995, the Company incorporated and changed its name to Pinnacle Assurance Corporation, an Assessable Mutual in accordance with the Office's approval and under the applicable provisions of Section 628.6011, Florida Statutes. On August 21, 1995, the Company converted to a stock property and casualty insurance company, wholly owned by AmCOMP, Incorporated, in accordance with the Office's approval and under the applicable provisions of Section 628.6017, Florida Statutes.

On October 31, 1997, the Company acquired Thomas Jefferson Insurance Company, a property and casualty insurance company, which was domiciled in Florida and licensed in 21 states. Following the acquisition, Thomas Jefferson Insurance Company's name was changed to AmCOMP Assurance Corporation. The Company owned 100 percent of the outstanding stock of AmCOMP Assurance Corporation. On January 21, 1998, the Company changed its name to AmCOMP Preferred Insurance Company.

On October 31, 2008, Employers Holdings, Inc. acquired 100 percent of the outstanding common stock of AmCOMP, Inc. and all of its subsidiaries, including the Company and its subsidiary, AmCOMP Assurance Corporation, when Employers Holdings, Inc.'s subsidiary Employers Group, Inc. merged with AmCOMP, Inc. The acquisition was funded 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 subsidiary from AmCOMP Preferred Insurance Company and AmCOMP Assurance Corporation to Employers Preferred Insurance Company and Employers Assurance Company, respectively.

The Company was authorized to transact workers' compensation insurance coverage in Florida on January 1, 1982 and continued to be authorized in this line of coverage as of December 31, 2014.

Dividends

In accordance with Section 628.371, Florida Statutes, on April 6, 2011, the Company's Board of Directors approved an ordinary dividend in the amount of $15,500,917, to be paid to the Company's parent, Employers Group, Inc., (EGI). The cash dividend was paid on April 29, 2011.

Capital Stock and Capital Contributions

As of December 31, 2014, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	25,000
Total common capital stock	$2,500,000
Par value per share	$100.00

Control of the Company was maintained by its parent, Employers Group, Inc., who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by Employers Holdings, Inc., a Nevada corporation.

On September 27, 2012, the Company received a $70 million capital contribution from its parent, which it in turn contributed to its subsidiary, Employers Assurance Company.

On September 30, 2013, the Company received a $40 million cash contribution from its parent, which it in turn contributed to its subsidiary, Employers Assurance Company.

Surplus Notes

On April 30, 2004, the Company issued a $10 million surplus note in return for $10 million in cash to Dekania CDO II, Ltd., as part of a pooled transaction. The note matures in 2034 and is callable by the Company. The terms of this note provide for quarterly interest payments at a rate of 425 basis points in excess of the 90-day London Interbank Offered Rate. Both the payment of interest and repayment of the principal are subject to the prior approval of the Office and may be paid only out of the surplus of the Company. Approved interest paid through

December 31, 2014, totaled $6.6 million of which $0.5 million was paid in 2014. Unpaid and unapproved interest as of December 31, 2014 was $0.1 million.

On May 26, 2004, the Company issued a $12 million surplus note in return for $12 million in cash, to ICONS, Inc., as part of a pooled transaction. The note matures in 2034 and is callable by the Company. The terms of the note provide for quarterly interest payments at a rate of 425 basis points in excess of the 90-day London Interbank Offered Rate. Both the payment of interest and repayment of the principal are subject to the prior approval of the Office and may be paid only out of the Company's surplus. Approved interest paid through December 31, 2014, totaled $7.9 million of which $0.5 million was paid in 2014. Unpaid and unapproved interest as of December 31, 2014 was $0.1 million.

On September 14, 2004, the Company issued a $10 million surplus note, in return for $10 million in cash, to Alesco Preferred Funding V, LTD., as part of a pooled transaction. The note matures in 2034 and is callable by the Company. The terms of the note provide for quarterly interest payments at a rate of 405 basis points in excess of the 90-day London Interbank Offered Rate. Both the payment of interest and repayment of the principal are subject to the prior approval of the Office and may be paid only out of the Company's surplus. Approved interest paid through December 31, 2014, totaled $6.2 million of which $0.4 million was paid in 2014. Unpaid and unapproved interest as of December 31, 2014 was less than $0.1 million. At December 31, 2014, the Company's outstanding surplus notes amounted to $32 million.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

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 adequately documented its meetings and approval of Company transactions and events, in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors of the Company serving as of December 31, 2014 are shown on the following pages.

Directors

Name and Location	Principal Occupation
Robert John Kolesar Las Vegas, Nevada	Chairman of the Board, Partner and Owner of Kolesar & Leatham Chtd.
Douglas Dean Dirks Reno, Nevada	Director, President and Chief Executive Officer of Employers Holdings, Inc.
Terry Eleftheriou Reno, Nevada	Director, Treasurer, Executive Vice President and Chief Financial Officer of Employers Holdings, Inc.
Lenard Thomas Ormsby Reno, Nevada	Director, Secretary, Executive Vice President and Chief Legal Officer of Employers Holdings, Inc.
Stephen Vincent Festa Reno, Nevada	Director, Executive Vice President and Chief Operating Officer of Employers Holdings, Inc.

In accordance with the Company's bylaws, the Board appointed the following officers:

Senior Officers

Name	Title
Douglas Dean Dirks	President and Chief Executive Officer
Terry Eleftheriou	Treasurer
Lori Ann Brown	Secretary
Lenard Thomas Ormsby	Assistant Secretary

The Company's Board designated several internal committees from the Board of Directors of Employers Holdings, Inc., the Company's ultimate parent, to act on behalf of the Company. Following were the principal internal Employers Holdings, Inc. board committees and their members as of December 31, 2014:

Audit Committee	Compensation Committee	Board Governance and Nominating Committee
Ronald F. Mosher [1]	Michael D. Rumbolz [1]	Katherine W. Ong [1]
Michael J. McSally	Robert J. Kolesar	Michael J. McSally
Richard W. Blakey	James R. Kroner	Richard W. Blakey

Finance Committee	Executive Committee
Valerie R. Glenn [1]	Robert J. Kolesar [1]
Douglas D. Dirks	Ronald F. Mosher
James R. Kroner	Michael D. Rumbolz
	Douglas D. Dirks
	Katherine W. Ong
	Valerie R. Glenn

[1] Chairperson

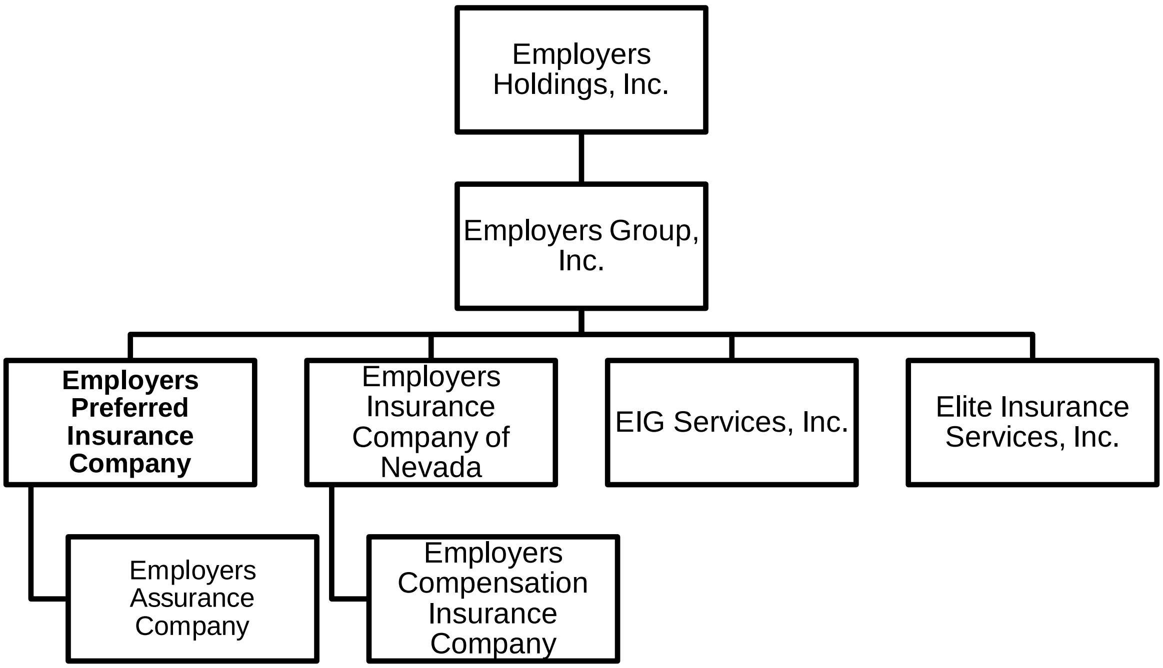
The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

Affiliated Companies

The most recent holding company registration statement was filed by the Company with the Office on March 30, 2015, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. There were amendments filed on July 14, 2015 (Amendment No. 1) and November 13, 2015 (Amendment No. 2).

ORGANIZATIONAL CHART

Employers Preferred Insurance Company
December 31, 2014



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

Administrative Services Agreement

The Company and its affiliates were party to an Administrative Services Agreement whereby, the Company and its affiliates desired to achieve certain operating economics and improved service levels for the mutual benefit of all the Employers group companies that were party to the agreement. The agreement was effective as of January 1, 2009. The agreement provides for the Company and its affiliates to perform certain services for each other as determined to be reasonably necessary in the conduct of their operations. The agreement identified services that the companies may provide to each other include accounting, tax and auditing, functional support services, claims, investment, and underwriting. Charges for such services shall be modified and adjusted where necessary or appropriate to reflect fairly and equitably the actual incidence of cost incurred by a company on behalf of another company. Statements were prepared quarterly and settlements were made within 30 days. Total pooled administrative fee expense paid was $4.3 million, $2.7 million, $2.3 million, and $1.8 million for the years 2014, 2013, 2012, and 2011, respectively. **Subsequent Event:** The Office reviewed the Amended and Restated Administrative Services Agreement and issued a no objections letter on September 29, 2015. The Administrative Services Agreement was amended to update the agreement language to further define certain intents within the agreement, revise the participating entities as several no longer exist, expand upon services that are to be provided, and refresh general contract language. The Amended and Restated Administrative Services Agreement went into effect January 1, 2016.

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 with the Company and its insurer affiliates. Under the Agreement EIG Services is the appointed as the General Agent and the Underwriting Manager for each of the insurance companies and shall solicit, underwrite, complete applications, quote premium, bind, issue and deliver insurance policies. Each insurance company is required to reimburse EIG Services for direct actual costs within 30 days after the end of each quarter. The General Agency and Underwriting Manager Agreement went into effect on October 14, 2014.

Tax Sharing Agreement

The Company and its affiliates were party to a Tax Sharing Agreement based on their belief that it was in their best interest to file a consolidated federal income tax return. The agreement was executed on February 25, 2009. The agreement provides for federal tax liability to be allocated to consolidating companies based on separate return calculations with credit given for any net operating losses or other items utilized in the consolidated tax return. Pursuant to this agreement, the Company had the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, that it may incur, or recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Under the terms of the agreement tax liabilities shall be paid 10 days prior to the filing date and tax refunds shall be paid no later than 30 days following the date the of the tax return. All tax liabilities/refunds were settled in accordance with the agreement. **Subsequent Event:** The Office reviewed the Amended and Restated Tax Sharing Agreement and issued a no objections letter on September 29, 2015. The Tax Sharing Agreement was amended to update the agreement language to further explain and define certain intents and expectations within the agreement and refresh general contract language. The Amended and Restated Tax Sharing Agreement went into effect January 1, 2016.

TERRITORY AND PLAN OF OPERATIONS

The Company held certificates of authority in the following jurisdictions, on December 31, 2014.

Alabama	Arizona	Arkansas
California	Colorado	District of Columbia
Florida	Georgia	Idaho
Illinois	Indiana	Iowa
Kansas	Kentucky	Maryland
Michigan	Minnesota	Mississippi
Missouri	Montana	Nevada
New Jersey	New Mexico	New York
North Carolina	Oklahoma	Oregon
Pennsylvania	South Carolina	South Dakota
Tennessee	Texas	Utah
Virginia	Wisconsin	

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

Reinsurance Pooling Agreement

The Company entered into a Reinsurance Pooling Agreement with its subsidiary, Employers Assurance Company, and affiliates, Employers Insurance Company of Nevada and Employers Compensation Insurance Company. The agreement was executed on October 1, 2008. Under the terms of the agreement, the insurers pooled all business on a retrospective and prospective basis. Employers Insurance Company of Nevada was the lead Company of the pool, which resulted in the Company and its affiliates ceding all of their business, net of incurred reinsurance to Employers Insurance Company of Nevada. Employers Insurance Company of Nevada then retroceded to the Company and its affiliates their share of the pool. The following table illustrates each participant's pooled share as of December 31, 2014:

Company	**State of Domicile**	**Pooling Share**
Employers Insurance Company of Nevada	NV	53%
Employers Compensation Insurance Company	CA	27%
Employers Preferred Insurance Company	FL	10%
Employers Assurance Company	FL	10%
Pool Total		100.0%

The agreement requires each company to withhold funds for net losses, net expenses and net unearned premiums, as well as non-investment assets related to ceded business. At December 31, 2014, the Company held funds of approximately $278,121,000 under this requirement.

Subsequent Event: Effective January 1, 2015, the Reinsurance Pooling Agreement was amended and restated to make the Company the lead company of the pool and revise the pooling allocations. Due to the change in the lead company, funds withheld will no longer be required in connection with the Reinsurance Pooling Agreement and balance sheet pooling will be eliminated, with the exception of the pooling of reserves and unearned premiums. The following table illustrates each participant's pooled share as of January 1, 2015:

Company	**State of Domicile**	**Pooling Share**
Employers Preferred Insurance Company	FL	35%
Employers Compensation Insurance Company	CA	35%
Employers Insurance Company of Nevada	NV	18%
Employers Assurance Company	FL	12%
Pool Total		100.0%

The Office reviewed the Amended and Restated Reinsurance Pooling Agreement and issued a no objections letter on September 4, 2014.

Assumed

The Company participated in mandatory workers' compensation reinsurance pools. For 2014, the Company reported assumed premium of approximately $457,000 from these arrangements.

The Company continues to assume and administer losses from Arrowood Indemnity Company, which is in run-off.

The Company has not and currently does not intend to assume other insurance risks from outside sources.

Ceded

The Company's reinsurance program consisted of a multi-layer workers' compensation excess of loss coverage with various authorized, unauthorized, and certified reinsurers and Lloyd's syndicates. Under the agreement in effect at December 31, 2014, the Company protected itself from per occurrence losses of up to $195 million above an initial retention of $5 million per occurrence.

The catastrophe contract provides coverage for the $195 million, of per occurrence loss in five layers as follows:

	Coverage Limits			
Layer	Per Occurrence	Terrorism	Aggregate	Excess Retention of
1	$ 5,000,000	$ 5,000,000	$ 20,000,000	$ 5,000,000
2	10,000,000	10,000,000	20,000,000	10,000,000
3	30,000,000	30,000,000	60,000,000	20,000,000
4	50,000,000	50,000,000	100,000,000	50,000,000
5	100,000,000	100,000,000	200,000,000	100,000,000

As of December 31, 2014, the Company reported reinsurance recoverables of approximately $3,458,000 from the unauthorized reinsurers under the current or previous excess of loss contracts.

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Reno, Nevada. The Company's general ledger was maintained on an accrual basis. Appropriate adjustments were made to produce financial reports acceptable under statutory accounting practices.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo Bank, N.A., executed on June 3, 2013. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

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 provided include claims administration, medical management services, loss adjustment and settlement and litigation assistance. Broadspire's compensation for services provided was based on a service fee 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 the Company's investment portfolio and provide investment advice and any other necessary investment services. The requirements of the contract required Conning to maintain the Company's portfolio according to specific written investment guidelines. Within the confines of the Company’s guidelines, 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 on a quarterly basis outlining the results of investment activity for the prior quarter.

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. Benfield is to provide quarterly statements accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees. Benfield was a licensed reinsurance intermediary broker in the state of Florida.

Independent Auditor Agreement

An independent CPA audited the Company’s statutory basis financial statements annually for the years 2011, 2012, 2013 and 2014, in accordance with Section 624.424(8), Florida Statutes.

Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Phillip McMurray, CISSP, CISA, AES, IT Specialist, performed the review of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law.

State	Description	Par Value	Market Value
FL	USTB, 6.00%, 02/15/2026	$ 2,000,000	$ 2,741,100
FL	USTN, 3.25%, 03/31/2017	1,300,000	1,371,201
TOTAL FLORIDA DEPOSITS		$ 3,300,000	$ 4,112,301
AZ	USTN, 2.25%, 01/31/2015	$ 520,000	$ 520,874
AZ	USTN, 2.00%, 01/31/2016	1,000,000	1,017,810
AZ	USTN, 3.25%, 03/31/2017	450,000	474,647
CA	USTN, 2.00%, 01/31/2016	120,000	122,137
GA	USTN, 3.25%, 03/31/2017	100,000	105,477
ID	USTN, 3.25%, 03/31/2017	430,000	453,551
ID	USTN, 2.00%, 01/31/2016	280,000	284,987
ID	USTN, 0.63%, 04/30/2018	400,000	391,876
MT	USTN, 3.25%, 03/31/2017	260,000	274,240
NV	USTN, 0.25%, 04/15/2016	325,000	324,493
NM	USTN, 3.25%, 03/31/2017	120,000	126,572
NC	USTN, 3.25%, 03/31/2017	650,000	685,601
OR	USTN, 2.25%, 01/31/2015	420,000	420,706
OR	USTN, 0.25%, 04/15/2016	1,100,000	1,098,284
VA	USTN, 3.25%, 03/31/2017	570,000	601,219
Arrowood	USTN, 0.25%, 04/15/2016	250,000	249,610
Arrowood	USTN, 2.00%, 01/31/2016	320,000	325,699
Arrowood	CASH, 0.60%, NONE	1,381,943	1,381,943
TOTAL OTHER DEPOSITS		$ 8,696,943	$ 8,859,726
TOTAL SPECIAL DEPOSITS		$ 11,996,943	$ 12,972,027

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements. Financial statements, as reported and filed by the Company with the Florida Office of Insurance Regulation, are reflected in the following.

Employers Preferred Insurance Company
Assets
December 31, 2014

	Per Company	Examination Adjustments	Per Examination
Bonds	$314,471,304		$314,471,304
Stocks:			
Common	189,643,521		189,643,521
Cash and Short-Term Investments	10,113,974		10,113,974
Other investments	12,000,000		12,000,000
Investment income due and accrued	2,346,074		2,346,074
Agents' Balances:			
Uncollected premium	4,307,412		4,307,412
Deferred premium	23,979,005		23,979,005
Accrued retrospective premiums	4,553		4,553
Reinsurance recoverable:			
Amounts recoverable from reinsurers	2,492,480		2,492,480
Funds held by or deposited with reinsured contracts	182,443,377		182,443,377
Net deferred tax asset	6,459,396		6,459,396
Guaranty funds receivable or on deposit	1,079,774		1,079,774
Receivable from parents, subsidiaries and affiliates	2,636,669		2,636,669
Aggregate write-in for other than invested assets	305,741		305,741
Totals	$752,283,280	$0	$752,283,280

Employers Preferred Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2014

	Per Company	Examination Adjustments	Per Examination
Losses	$144,257,210		$144,257,210
Loss adjustment expenses	25,761,259		25,761,259
Commissions payable, contingent commissions and other similar charges	4,042,705		4,042,705
Other expenses	1,268,725		1,268,725
Taxes, licenses and fees	2,468,670		2,468,670
Current federal and foreign income taxes	279,807		279,807
Unearned premium	29,634,583		29,634,583
Advance premium	1,939,823		1,939,823
Dividends:			
Policyholders	83,340		83,340
Ceded reinsurance premiums payable	1,113,986		1,113,986
Funds held by company under reinsurance treaties	278,121,194		278,121,194
Remittances and items not allocated	122,965		122,965
Provision for reinsurance	23,470		23,470
Payable to parent, subsidiaries and affiliates	1,462,625		1,462,625
Aggregate write-ins for liabilities	562,627		562,627
Total Liabilities	$491,142,989	$0	$491,142,989
Common capital stock	$2,500,000		$2,500,000
Surplus notes	32,000,000		$32,000,000
Gross paid in and contributed surplus	174,900,000		$174,900,000
Unassigned funds (surplus)	51,740,291		$51,740,291
Surplus as regards policyholders	$261,140,291	$0	$261,140,291
Total liabilities, surplus and other funds	$752,283,280	$0	$752,283,280

Employers Preferred Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2014

Underwriting Income	
Premiums earned	$68,446,688
Deductions:	
Losses incurred	$36,733,857
Loss expenses incurred	9,419,185
Other underwriting expenses incurred	18,997,971
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$65,151,013
Net underwriting gain or (loss)	$3,295,675
Investment Income	
Net investment income earned	$6,858,111
Net realized capital gains or (losses)	62,781
Net investment gain or (loss)	$6,920,892
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($343,634)
Aggregate write-ins for miscellaneous income	(6,227,657)
Total other income	($6,571,291)
Net income before dividends to policyholders and before federal & foreign income taxes	$3,645,276
Dividends to policyholders	293,704
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$3,351,572
Federal & foreign income taxes	248,441
Net Income	$3,103,131
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$253,982,981
Net Income	$3,103,131
Net unrealized capital gains or losses	4,915,516
Change in net deferred income tax	30,210
Change in non-admitted assets	(887,317)
Change in provision for reinsurance	(4,230)
Change in surplus as regards policyholders for the year	$7,157,310
Surplus as regards policyholders, December 31 current year	$261,140,291

Employers Preferred Insurance Company
Comparative Analysis of Changes in Surplus
December 31, 2014

The following is a reconciliation of surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2014, per Annual Statement				$261,140,291
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
LIABILITIES:				
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2014, Per Examination				$261,140,291

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses $170,018,469

An actuarial firm appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2014, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The examination actuary, Deborah Rosenberg, FCAS, MAAA, reviewed the loss and loss adjustment expense work papers provided by the Company and she was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of $261,140,291, exceeded the minimum of $48,030,017 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Employers Preferred Insurance Company as of December 31, 2014, consistent with the insurance laws of the State of Florida.

The amount of capital and surplus reported by the Company of $261,140,291, exceeded the minimum of $48,030,017 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Joshua J. Johnson, CFE, Examiner-in-Charge, of Risk and Regulatory Consulting, LLC, also participated in the examination. Members of the Office who participated in the examination included Jeffery Rockwell, Examination Manager and Marie Stuhlmuller, Participating Examiner. Additionally, Deborah Rosenberg, FCAS, MAAA of Risk and Regulatory Consulting, LLC and Phillip McMurray, CISSP, CISA, AES, IT Specialist of Risk and Regulatory Consulting, LLC, are recognized for participation in the examination.

Respectfully submitted,

Lamar F. Downs

Lamar Downs, CPA
Deputy Chief Examiner
Florida Office of Insurance Regulation