



**EXAMINATION REPORT
OF**

**Employers Assurance Company
Maitland, Florida**

NAIC Company Code: 25402

**as of
December 31, 2022**

**By
The Florida Office of Insurance Regulation**

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November 17, 2023

Michael Yaworsky
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 (“the NAIC”), we have conducted an examination as of December 31, 2022, 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.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2019 through December 31, 2022 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on April 27, 2023. The fieldwork concluded as of November 17, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2015 through December 31, 2018.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the 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 examination was a multi-state/coordinated process. The lead state for this exam was California and states that participated in this exam are as follows: Florida, Nevada, and New York. The Company has business or licenses in multiple states.

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 the NAIC 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 significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

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 October 31, 2008, Employers Holdings, Inc. ("EHI") acquired 100 percent of the outstanding common stock of AmCOMP Inc. and all its subsidiaries, including the Company. EHI's subsidiary Employers Group, Inc. ("EGI") merged with AmCOMP Inc. on December 31, 2008 leaving EGI the surviving entity. 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

The Company declared and paid dividends to its stockholder(s) in 2022, 2021, 2020, and 2019 in the amounts of \$23,200,000, \$21,100,000, \$20,800,000, and \$19,700,000, respectively.

Capital Stock and Capital Contributions

As of December 31, 2022, 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 ("Letter of Credit Agreement") with the FHLB for \$40,000,000. On August 13, 2021, the Company amended its existing Letter of Credit Agreement to decrease its respective letter of credit amount. The current Company Letter of Credit Agreement, as amended, is in the amount of \$25,000,000. The Letter of Credit Agreement 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. As of December 31, 2022, the Company has determined the actual maximum borrowing capacity as \$83,200,000, including the \$25,000,000 Letter of Credit Agreement.

During 2022, the Company received advances under the FHLB Standard Credit Program totaling \$45,700,000, all of which remained outstanding at December 31, 2022. The proceeds from these advances were used to purchase an equivalent amount of high-quality collateralized loan obligation securities. These advances can be repaid at any time without penalty and are collateralized by eligible investment securities.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving on December 31, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Michael J. McSally ^(a)	Portsmouth, New Hampshire	Independent Chairman and Director Retired/Private Investor
Katherine H. Antonello	Reno, Nevada	President and Chief Executive Officer, Employers Holdings, Inc.
Michael S. Paquette	Reno, Nevada	Executive Vice President, Chief Financial Officer and Treasurer Employers Holdings, Inc.
Lori A. Brown	Reno, Nevada	Executive Vice President, Chief Legal Officer, General Counsel and Secretary Employers Holdings, Inc.
Christopher W. Laws	Reno, Nevada	Executive Vice President, Chief Actuary Employers Holdings, Inc.

(a) Chairperson

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

Senior Officers		
Name	City, State	Title
Katherine H. Antonello	Reno, Nevada	President, Chief Executive Officer
Michael S. Paquette	Reno, Nevada	Treasurer
Lori A. Brown	Reno, Nevada	Secretary
Christopher W. Laws	Reno, Nevada	Executive Vice President, Chief Actuary

Matthew H. Hendricksen	Reno, Nevada	Senior Vice President, Treasury & Investments
Christina M. Ozuna	Henderson, Nevada	Senior Vice President, Chief Claims Officer
Ann Marie Smith	Remote - Florida	Senior Vice President, Chief Underwriting Officer
George (Chip) Carbonar	Reno, Nevada	Vice President, Corporate Controller
Ken Kauffman	Reno, Nevada	Vice President, Tax

EHI's Board appointed several internal committees that are responsible for governing the Company. The following were the principal EHI internal board committees and their members on December 31, 2022. The first person listed for each committee is the chair.

Executive Committee		
Michael J. McSally	Katherine H. Antonello	John M. de Figueiredo
Valerie R. Glenn	Barbara A. Higgins	Michael J. McColgan
Jeanne L. Mockard		

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

Audit Committee		
Michael J. McColgan	James R. Kroner	Jeanne L. Mockard

Finance Committee		
Jeanne L. Mockard	Katherine H. Antonello	James R. Kroner
Alex Perez - Tenessa		

Board Governance and Nominating Committee		
Valerie R. Glenn	John M. de Figueiredo	Barbara A. Higgins

Human Capital Management and Compensation Committee		
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Barbara A. Higgins	Prasanna G. Dhoré	Valerie R. Glenn
Michael J. McSally		

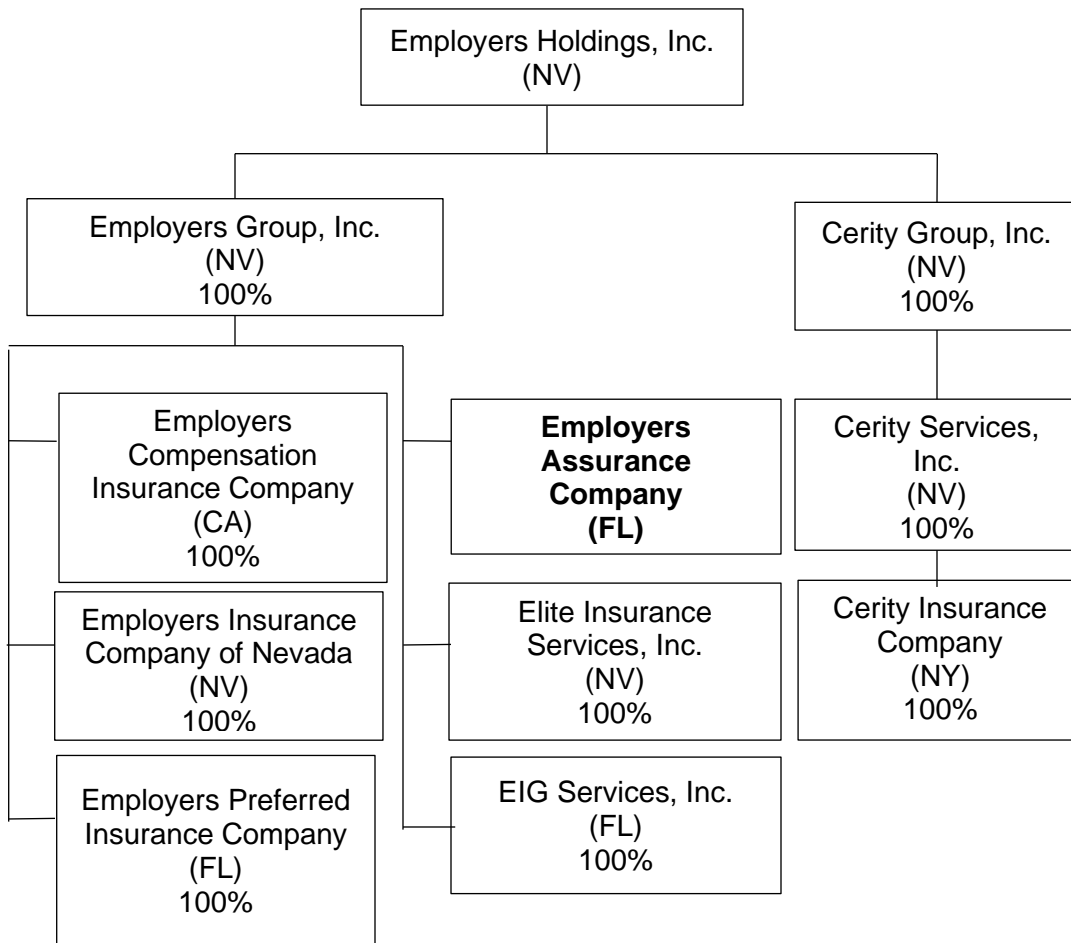
Risk Management Technology and Innovation Committee		
John M. de Figueiredo	Katherine H. Antonello	Prasanna G. Dhoré
Michael J. McColgan	Alex Perez - Tenessa	

Holding Company System

The last holding company registration statement was filed with the State of Florida on March 30, 2023, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

The organizational chart on December 31, 2022, reflecting the holding company system, is shown on the next page. Schedule Y of the Company’s 2022 annual statement provided a list of all related companies of the holding company group.

**Employers Assurance Company
Organizational Chart
December 31, 2022**



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

Amended and Restated Administrative Services Agreement

Effective January 1, 2022, ultimate parent, EHI, and its subsidiaries entered into an Amended and Restated Administrative Services Agreement (“ARSA”) that superseded the previous agreements that were effective January 2016 and August 2019. Under the terms of the ARSA, the parties may furnish to each other various services such as: accounting, actuarial, tax, auditing, functional support services, claims, investment, underwriting, premium, reinsurance, information technology, legal and other services. As stipulated in the ARSA, the compensation for providing such services is based on actual cost.

Amended and Restated Tax Allocation Agreement

Effective September 30, 2019, the Company entered into an Amended and Restated Tax Allocation Agreement (“Tax Agreement”) with its ultimate parent, EHI and affiliates (“Group”) where EHI would file a consolidated federal income tax return on behalf of the Group. The Tax Agreement replaced the previous agreement that was effective January 1, 2016. Under the terms of the Tax Agreement, the consolidated federal tax liability is 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 Tax Agreement, the Group has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses which they may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Network Carrier Agreement (EAC – EPIC)

Effective January 1, 2015, the Company entered into a Network Carrier Agreement (“NCA-EAC”) with EPIC for business underwritten in the state of Texas. The NCA-EAC gives the Company access to the EPIC’s Texas workers’ compensation health care network. The NCA-EAC 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-EAC are based on actual costs. The Office issued a no-objection letter to the NCA-EAC on December 23, 2014. According to the Company, actual NCA-EAC expenses are paid with those related to the ARSA.

On April 23, 2015, the NCA-EAC 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 ("ANCA-EAC") on May 26, 2015. The effective date of the ANCA-EAC remained January 1, 2015.

General Agency and Underwriting Manager Agreement

Effective October 14, 2014, the Company entered into a General Agency and Underwriting Manager Agreement ("GUAMA") with its non-insurer affiliate, EIG Service Inc. ("EIG Services"), and its insurer affiliates. Under the terms of the GUAMA, 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 premiums, bind, issue, and deliver insurance policies. The compensation to EIG Services for providing the services shall be based on actual cost without a profit factor built into the cost. Each party agrees that EIG Services shall not receive any commissions or profit sharing for any business transacted under the GAUMA.

ACCOUNTS AND RECORDS

The Company receives approval from the Office, on an annual basis, to maintain its principal operational offices in Reno, Nevada.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Kentucky	Ohio
Alaska	Louisiana	Oklahoma
Arizona	Maine	Oregon
Arkansas	Maryland	Pennsylvania
California	Massachusetts	Rhode Island
Colorado	Michigan	South Carolina
Connecticut	Minnesota	South Dakota

Delaware	Mississippi	Tennessee
District of Columbia	Missouri	Texas
Florida	Montana	Utah
Georgia	Nebraska	Vermont
Hawaii	Nevada	Virginia
Idaho	New Hampshire	West Virginia
Illinois	New Jersey	Wisconsin
Indiana	New Mexico	
Iowa	New York	
Kansas	North Carolina	

The Company was authorized to transact insurance in Florida on November 27, 1979, and is currently authorized to write the Workers' Compensation line of business in Florida as of December 31, 2022.

The Company primarily writes Workers' Compensation policies in California, Florida, New York, Illinois, and Wisconsin.

REINSURANCE

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

Intercompany Pooling Agreement

The Company and some of its affiliates have entered into 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 Insurers 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	Amended and Restated Reinsurance Pooling Agreement	1/1/18	EPIC	EAC, ECIC, EICN	40%, 30%, 20%, 10%
4	Amended and Restated Reinsurance Pooling Agreement	8/1/19	EPIC	EAC, ECIC, EICN, CIC	40%, 30%, 20%, 5%, 5%
5	First Amendment To The Amended And Restated Reinsurance Pooling Agreement	1/1/22	EPIC	EAC, ECIC, EICN, CIC	40%, 30%, 20%, 5%, 5%

Reinsurance Assumed

The Company participated in mandatory workers' compensation reinsurance pools. The Company assumed a total of \$2,508,000 in premium. \$2,470,000 of that was from the National Workers' Compensation Reinsurance Pool with the balance of \$38,000 thousand coming from a small number of state pools.

Reinsurance Ceded

The Company participates in a Workers' Compensation Excess of Loss Reinsurance Contract with its affiliates, ECIC, EICN, EPIC and CIC. Excess of loss reinsurance provides \$200,000,000 excess of \$10,000,000 coverage for all businesses classified by the Company as workers' compensation and employers' liability. The reinsurance program includes coverage for earthquake and 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, 2022:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
First Layer	4 domestic, foreign, and alien companies lead by Hannover Ruck SE and Partner Reinsurance Company of U.S.	\$10 million	\$10 million excess \$10 million \$20 million maximum any one life One reinstatement excluding Terrorism
Second Layer	5 domestic, foreign, and alien companies	\$30 million	\$30 million excess \$20 million \$20 million maximum any one life One reinstatement excluding Terrorism
Third Layer	6 domestic, foreign, and alien companies	\$50 million	\$50 million excess \$50 million \$20 million maximum any one life One reinstatement excluding Terrorism
Fourth Layer	6 domestic, foreign, and alien companies	\$100 million	\$100 million excess \$100 million \$20 million maximum any one life One reinstatement excluding Terrorism

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2022. The financial statements are based on the statutory financial statements filed by the Company with the Office and present the financial condition of the Company for the period ending December 31, 2022. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Employers Assurance Company
Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$626,606,629		\$626,606,629
Stocks			
Common stocks	46,399,461		46,399,461
Cash, cash equivalents and short-term investments	36,699,430		36,699,430
Other invested assets	12,659,903		12,659,903
Receivables for securities	263,756		263,756
Subtotals, cash and invested assets	722,629,178		722,629,178
Investment income due and accrued	5,263,698		5,263,698
Premiums and considerations			
Uncollected premiums and agents' balances	23,060,792	5,956,546	17,104,246
Deferred premiums, agents' balances and installments	77,020,122	6,245,443	70,774,679
Reinsurance			
Amounts recoverable from reinsurers	2,520,189	0	2,520,189
Net deferred tax asset	17,209,008	2,679,484	14,529,524
Guaranty funds receivable or on deposit	23,578	0	23,578
Receivable from parent, subsidiaries and affiliates	1,689,120	0	1,689,120
Aggregate write-in for other than invested assets	6,133,110	269,853	\$5,863,257
Total	<u>\$855,548,795</u>	<u>\$15,151,326</u>	<u>\$840,397,469</u>

**Employers Assurance Company
Liabilities, Surplus and Other Funds
December 31, 2022**

	Per Company
Losses	\$381,067,061
Loss adjustment expenses	73,504,492
Commissions payable, contingent commissions and other similar charges	15,105,913
Other expenses	712,313
Taxes, licenses and fees	4,570,364
Current federal and foreign income taxes	371,023
Borrowed money and interest thereon	45,700,000
Unearned premiums	92,968,054
Advance premiums	7,249,985
Dividends declared and unpaid	
Policyholders	420,760
Ceded reinsurance premiums payable	424,567
Remittances and items not allocated	357,700
Payable to parent, subsidiaries and affiliates	3,914,109
Payable for securities	1,038,392
Aggregate write-in for liabilities	2,818,827
Total liabilities	\$630,223,560
Common capital stock	2,500,000
Gross paid-in and contributed surplus	135,440,053
Unassigned funds (surplus)	72,233,856
Surplus as regards policyholders	210,173,909
Totals	<u>\$840,397,469</u>

Employers Assurance Company
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$202,569,391
Deductions	
Losses Incurred	\$93,276,144
Loss adjustment expenses incurred	26,531,305
Other underwriting expenses incurred	72,079,794
Total Underwriting deductions	\$191,887,243
Net underwriting gain (loss)	\$10,682,148
Investment Income	
Net investment income earned	\$22,941,630
Net realized capital gains or (losses)	(1,204,607)
Net investment gain or (loss)	\$21,737,023
Other Income	
Net gain or (loss) from agents' or premium balances charged off	\$(1,044,390)
Finance and service charges not included in premiums	112,477
Aggregate write-ins for miscellaneous income	(889,514)
Total other income	\$(1,821,427)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$30,597,744
Dividends to policyholders	3,697,902
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$26,899,842
Federal & foreign income taxes incurred	5,040,146
Net Income	\$21,859,696
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$231,634,621
Net Income	21,859,696
Change in net unrealized capital gains or losses less capital gains tax	(17,327,726)
Change in net deferred income taxes	307,262
Change in non-admitted assets	(3,099,944)
Dividends to stockholders	(23,200,000)
Change in surplus as regards policyholders for the year	(21,460,712)
Surplus as regards policyholders, December 31, current year	\$210,173,909

**Employers Assurance Company
Reconciliation of Capital and Surplus
December 31, 2022**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2018, per Company			\$197,511,640
	Increase	Decrease	
Net Income (loss)	101,675,239		
Change in net unrealized capital gain (loss)		2,067,336	
Change in net deferred income tax		2,122,410	
Change in non-admitted assets		51,289	
Change in provision for reinsurance	28,065		
Dividends to stockholders		\$84,800,000	
Net increase (or decrease)			\$ 12,662,269
Surplus at December 31, 2022 per Company			\$210,173,909

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$210,173,909, exceeded the minimum of \$55,760,842 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On May 25, 2023, the Company's Board of Directors approved an ordinary dividend of \$21,000,000 to be paid to its parent company, EGI. The cash dividend was paid on July 14, 2023.

On July 12, 2023, John Hofer temporarily took over the Chief Information Officer's duties and responsibilities until Kelley Kage was hired as CIO effective October 30, 2023.


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, 2022, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from the Office and Risk and Regulatory Consulting, LLC ("RRC") also participated in the examination:

James Wheeler, PIR	Examiner	The Office
Jan Moenck, CFE, CISA	Contractor Exam Manager	RRC
Hanna Roux, CPA	Contractor Examiner	RRC

Respectfully submitted,



Christopher T. Rushford, CPA, CFE
Director
Risk & Regulatory Consulting, LLC
Representing the Florida Office of Insurance Regulation



Chad Mason, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation