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Employers Holdings, Inc. Form 10-Q May 13, 2008
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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 March 31, 2008
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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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) (IRS Employer Identification No.)
10375 Professional Circle, Reno, Nevada 89521

(Address of Principal Executive Offices and Zip Code)

(888) 682-6671

(Registrant's telephone number, including area code)

9790 Gateway Drive, Reno, Nevada 89521

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Class

May 8, 2008 Common Stock, \$0.01 par value per share 49,421,435 shares outstanding

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### PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets (in thousands, except share data)

As

of March 31, 2008 As of December 31,

2007 (unaudited) Assets Available for sale: Fixed maturity investments at fair value (amortized cost \$1,578,407 at March 31, 2008 and \$1,594,159 at December 31, 2007) \$ 1,605,497 \$ 1,618,903 Equity securities at fair value (cost \$59,059 at March 31, 2008 and \$60,551 at December 31, 2007) 95,257 107,377 Total investments 1,700,754 1,726,280 Cash and cash equivalents 178,105 149,703 Accrued investment income 18.623 19,345 Premiums receivable, less bad debt allowance of \$6,234 at March 31, 2008 and \$6,037 at December 31, 2007 36,402 Reinsurance recoverable for: 31,284 Paid losses 11.141 10,218 Unpaid losses, less allowance of \$1,308 at each period 1,041,686 1,051,333 Funds held by or 95,884 Deferred policy acquisition costs deposited with reinsureds 93,973 14.901 Deferred 15,032 income taxes, net 58,098 59,730 Property and equipment, net 14,440 14,133 Other assets 16,368 \$ 3,191,228 Liabilities and stockholders' equity 13.299 Total assets \$ 3,179,504 Claims and policy liabilities: Unpaid losses and loss adjustment expenses \$ 2,255,240 \$2,269,710 Unearned premiums 2,320,434 64,997 63,924 Policyholders' dividends accrued 197 386 Total claims and policy liabilities 2,334,020 Commissions and premium taxes payable 7,493 Federal income taxes payable 10,867 8,205 13,884 Accounts payable and accrued expenses 20,682 Deferred reinsurance gain – LPT Agreement 12,456 420,210 425,002 Other liabilities 11,107 10,694 Total liabilities \$ 2,783,279 \$ 2,811,775 Commitments and contingencies Common stock, \$0.01 par value; Stockholders' equity: 150,000,000 shares authorized;

53,527,907 and 53,527,907 shares issued and 49,560,635 and

49,616,635 shares outstanding at March 31, 2008, and at

December 31, 2007, respectively \$ 535 \$ 535 Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued — Additional paid-in capital 303,494 302,862 Retained earnings 127,053 104,536 Accumulated other comprehensive income, net 41,137 46,520 Treasury stock, at cost (3,967,272 shares at March 31, 2008 and

3,911,272 shares at December 31, 2007) (75,994) (75,000) Total stockholders' equity 396,225 379,453 Total liabilities and stockholders' equity \$3,179,504 \$3,191,228 See accompanying unaudited notes to consolidated financial statements.

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Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Income (in thousands, except per share data)

Three months ended March 31, 2008 2007 (unaudited) Revenues Net premiums earned \$ 75,896 \$89,792 Net investment income 20,835 Realized (losses) gains on investments, net 18,903 (1,488)190 Other income 438 1,140 Total revenues 93,749 111,957 Expenses Losses and loss adjustment expenses 41,667 Commission expense 10,623 11,721 Underwriting and other 30,614 operating expense 21,726 23,300 Total expenses 62,963 76,688 Net income before income taxes 30,786 35,269 Income taxes 7,403 Net income \$ 25,494 5,292 \$ 27,866 Net income after date of \$ 21,395 conversion (Note 2)

Earnings per common share for the periods (Note 9):

For the three

months ended March 31, 2008 For the period February 5, 2007 through March 31, 2007 Basic \$0.51 \$ 0.40 Diluted \$0.51 \$ 0.40

Pro forma

for the three months ended

March 31, 2007 Basic \$ 0.53 Diluted \$ 0.53 Cash dividends declared per share \$0.06 See accompanying unaudited notes to consolidated financial statements.

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Employers Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (in thousands, except share data)

Common stock Additional paid-in capital Retained earnings Accumulated other comprehensive income, net Treasury stock, at cost Total Stockholders' equity Shares Amount (unaudited) Balance, January 1, 2007 — \$ — \$ — \$ 274,602 \$ 29,175 \$ — \$ 303,777 Conversion transaction (Note 2) 22,765,407 (182,143) (281,073) — (462,989) Initial public offering 227 483,285 — — 483,593 Stock based compensation, net transaction (Note 2) 30,762,500 308 Net income before conversion — 140 — — 140 Comprehensive income: - - - 6,471 - - 6,471 Net income after conversion - - - 21,395 - - 21,395 Net income for the period - - 27,866 Change in net unrealized gains on investments, net of taxes — — — (411) — (411) Comprehensive income Balance, March 31, 2007 53,527,907 \$ 535 \$ 301,282 \$ 21,395 \$ 28,764 \$ — \$ 351,976 Balance, \$ 104,536 January 1, 2008 53,527,907 \$ 535 \$ 302,862 \$ 46,520 \$ (75,000) \$ 379,453 Stock — — 632 Acquisition of treasury stock (Note 8) — — based compensation, net — 632