
Employers Holdings, Inc. Results Through Q4 2015

Investor Presentation

Regulation FD

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2015, our Form 10-Qs and our Form 8-Ks filed with the Securities and Exchange Commission (SEC), all of which are available on the "Investor Relations" section of our website at www.employers.com.

Non-GAAP Financial Measures

In presenting Employers Holdings, Inc.'s (EMPLOYERS) results, management has included and discussed certain non-GAAP financial measures, as defined in Regulation G. Management believes these non-GAAP measures better explain EMPLOYERS results allowing for a more complete understanding of underlying trends in our business. These measures should not be viewed as a substitute for those determined in accordance with GAAP. The reconciliation of these measures to their most comparable GAAP financial measures may be included in this presentation or in our Form 10-K for the year 2015, our Form 10-Qs and our Form 8-Ks filed with the Securities and Exchange Commission (SEC) and available in the "Investor Relations" section of our website at www.employers.com.

Forward-looking Statements

This presentation may contain certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements regarding anticipated future results and can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe", "expect", "anticipate", "estimate" and "intend" or future or conditional verbs such as "will", "would", "should", "could" or "may". All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by these cautionary statements.

All forward looking statements made in this presentation reflect EMPLOYERS' current views with respect to future events, business transactions and business performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements. The business of EHI and those engaged in similar lines of business could be affected by, among other things, competition, pricing and policy term trends, the levels of new and renewal business achieved, market acceptance, changes in demand, the frequency and severity of catastrophic events, actual loss experience including observed levels of increased indemnity claims frequency and severity in California, uncertainties in the loss reserving and claims settlement process, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments, the amount and timing of reinsurance recoverables, credit developments among reinsurers, changes in the cost or availability of reinsurance, market developments (including adverse developments in financial markets as a result of, among other things, changes in local, regional or national economic conditions and volatility and deterioration of financial markets), credit and other risks associated with EHI's investment activities, significant changes in investment yield rates, rating agency action, possible terrorism or the outbreak and effects of war and economic, political, regulatory, insurance and reinsurance business conditions, relations with and performance of employees and agents, and other factors identified in EHI's filings with the SEC. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made.

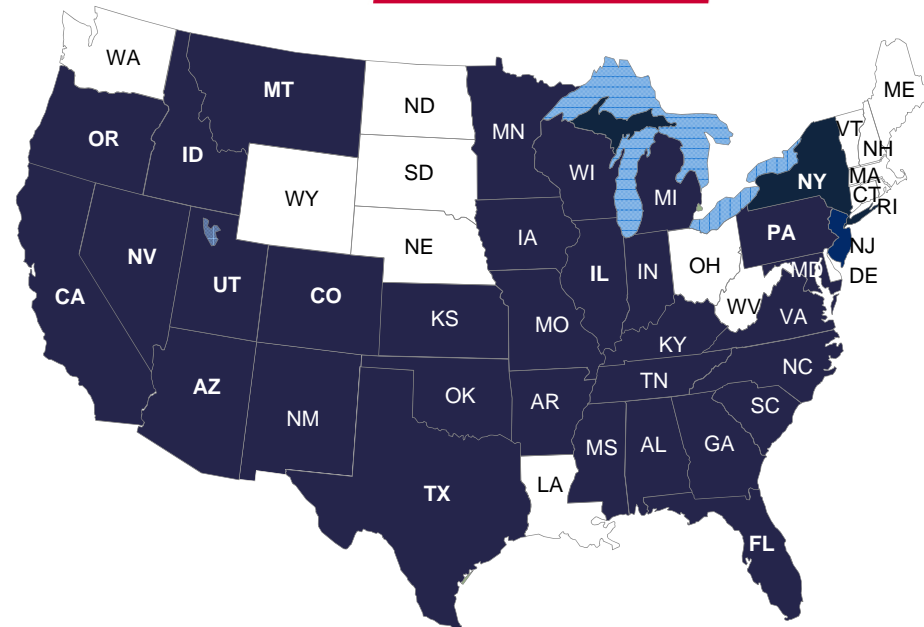
We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Overview

- Workers' compensation mono-line writer
- Focused on small, low to medium hazard risks
- A- Excellent rating from A.M. Best
- Distribution through agencies and strategic partners
 - Over 5,000 agencies (includes over 1,000 Anthem Blue Cross of California agencies) at 12/31/2015
 - Independent agencies generated 75.8% of in-force premiums at December 31, 2015 (partners include ADP, Paychex and Anthem Blue Cross of California)
- Writing in 33 states and the District of Columbia
 - Operate in more than three quarters of total market
 - Long-term goal to operate in all of the contiguous United States, except monopolistic states
 - Entered Michigan in Q3 2015 and New York in Q1 2016

EMPLOYERS



At December 31,

	2015	2014	YoY % Change
In-force Premiums (\$million)			
California	352.2	370.8	-5.0%
Other	<u>267.3</u>	<u>257.1</u>	4.0%
TOTAL	619.5	627.9	-1.3%
In-force Policies			
California	44,080	47,093	-6.4%
Other	<u>40,416</u>	<u>38,209</u>	5.8%
TOTAL	84,496	85,302	-0.9%

Average policy size: \$7,332

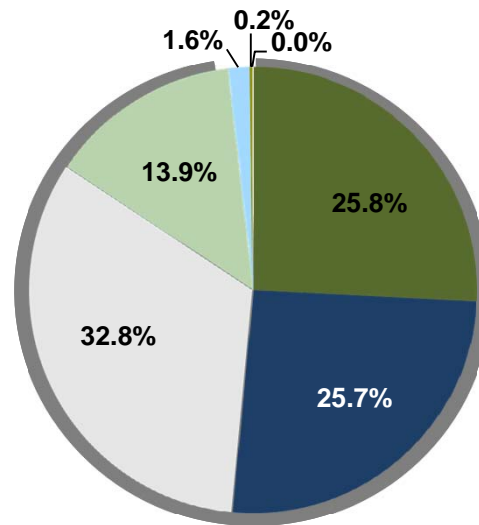
**EIG
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Low Risk Focus

Underwriting focus on select low to medium hazard groups A - D

EMPLOYERS® Top 10 types of insureds:

- Restaurants
- Automobile Service or Repair Shops
- Hotels, Motels, and Clubs
- Dentists, Optometrists, and Physicians
- Gasoline Stations
- Wholesale Stores
- Real Estate Management
- Apparel Manufacturing
- Groceries and Provisions
- Schools-Colleges and Religious Organizations



Hazard Group Percentage
at December 31, 2015
98.2% in Hazard Groups A – D

Data shown as a % of in-force premium

NCCI Hazard Groups

Hazard Group A	Lower Risk
Hazard Group B	
Hazard Group C	
Hazard Group D	
Hazard Group E	
Hazard Group F	
Hazard Group G	Higher Risk

Initiatives

Underwriting/pricing strategies implemented

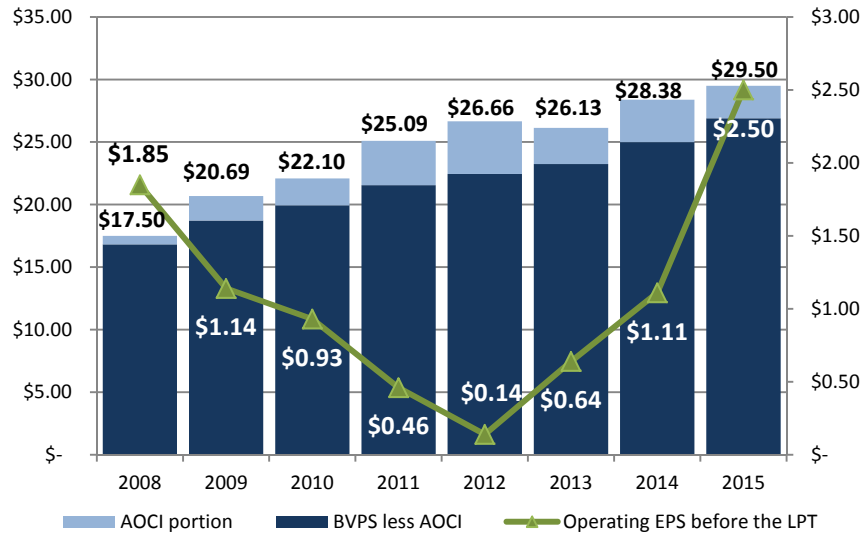
- Three-company pricing platform in California with territorial multipliers
- Increased prices for underperforming class codes
- Non-renewed poor performing business, particularly in Southern California
- Targeting attractive classes of business inside and outside California – national distribution expansion

Results:

	As of December 31, 2015		
	YOY % Change		
	Overall	California	Other
In-force premium	(1.3)	(5.0)	4.0
In-force policy count	(0.9)	(6.4)	5.8
Average in-force policy size	(0.4)	1.5	(1.7)
In-force payroll exposure	1.4	(5.7)	6.0
Net rate	(2.7)	0.7	(1.9)

Growth and Performance

Book value and Operating EPS (adjusted for the LPT)

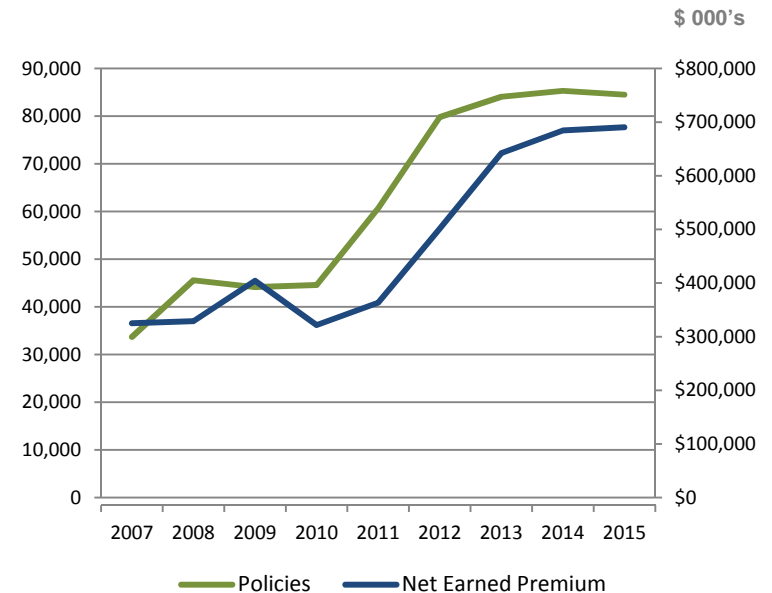


- Increasing EPS, reflecting increased underwriting profitability
- Increasing book value per share impacted, in part, by unrealized gains/losses year over year
- OTTI of \$17.2 million in 2015 – impairment of equity securities related to continued downturn in the energy and commodity sectors

Book value per diluted share is equity plus the deferred reinsurance gain related to the LPT, and includes accumulated other comprehensive income, net (AOCI).

Operating earnings per share (Operating EPS) is operating income before the LPT excluding net realized gains on investments, net of taxes, and amortization of intangibles, net of taxes, per diluted share and is trailing 12 months in the quarters. Please see the earnings release dated 2/17/16 for reconciliations to GAAP numbers.

Growth: policies, net earned premium

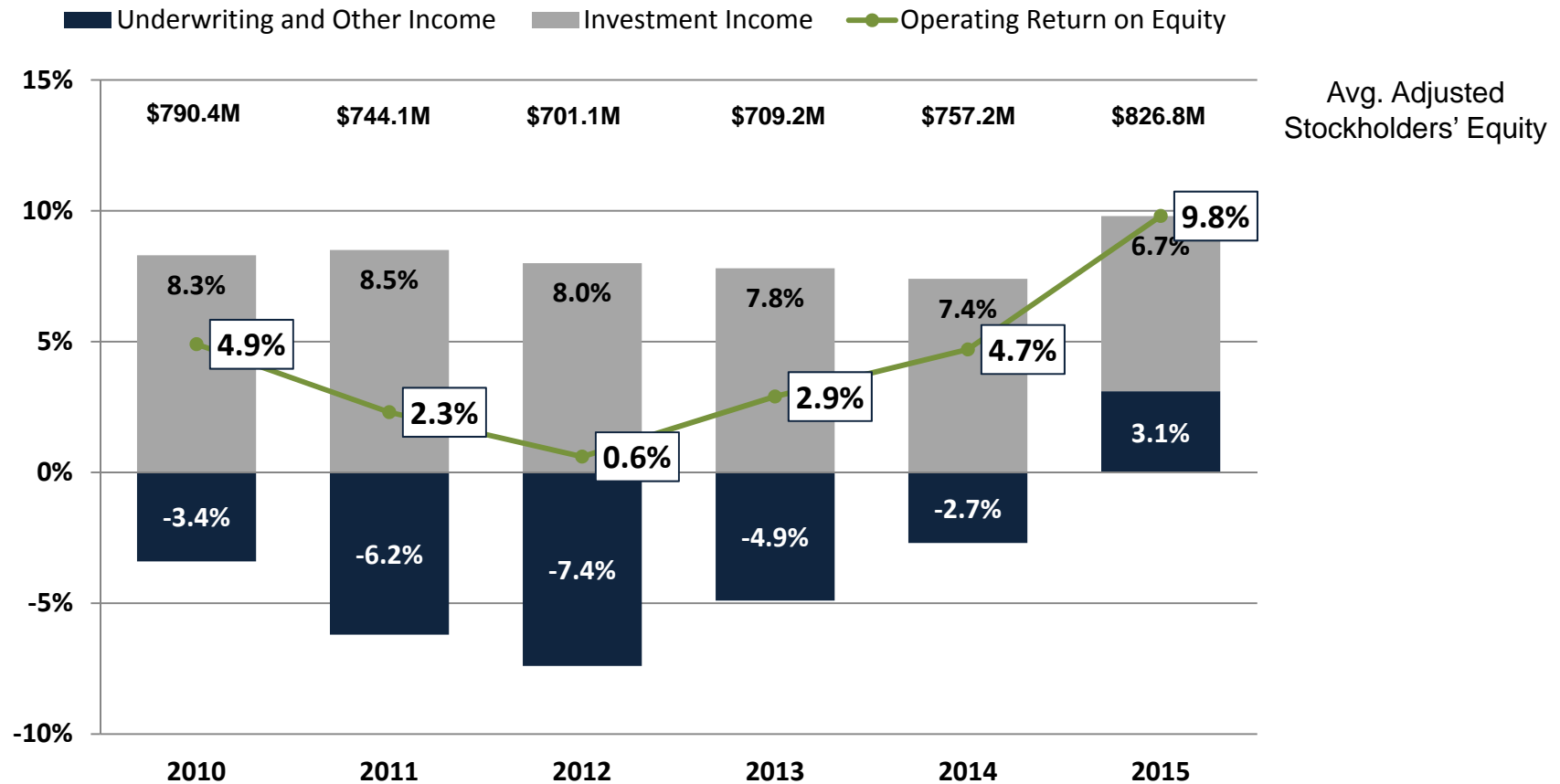


- Flattening policies and premium due to pricing/underwriting initiatives – reduction of higher loss ratio business in southern California
- Strong final audit premium in Q3 and Q4, 2015
- Stronger than anticipated business renewal, new production in January 2016
- Nationally, a competitive environment; rates flat to declining in line with loss costs

Net earned premium is trailing twelve months in the quarters.



Components of Operating Return on Equity



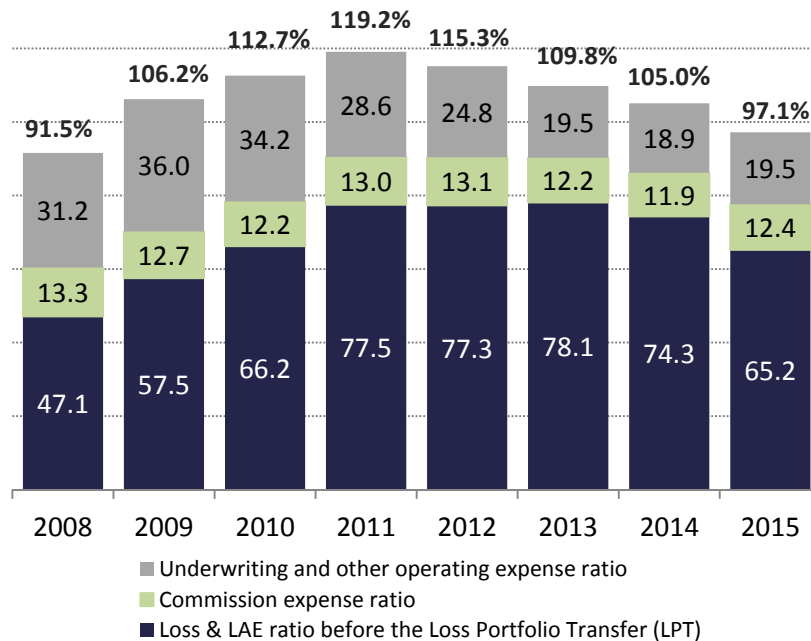
Average adjusted stockholders' equity includes the deferred reinsurance gain – LPT less accumulated other comprehensive income, net for each period - at the beginning and end of each of the periods presented divided by 2; please see the earnings release dated 2/17/16 for reconciliations to GAAP numbers.

Operating return on equity is the ratio of annualized operating income to adjusted average stockholders' equity for the periods presented. Operating income is net income before the LPT (which removes amortization of the deferred reinsurance gain, adjustments to LPT reserves, and adjustments to contingent commissions receivable), excluding net realized gains on investments, net of taxes, and amortization of intangibles, net of taxes; please see the earnings release dated 2/17/16 for reconciliations to GAAP numbers.

Improved Calendar Year Combined Ratio

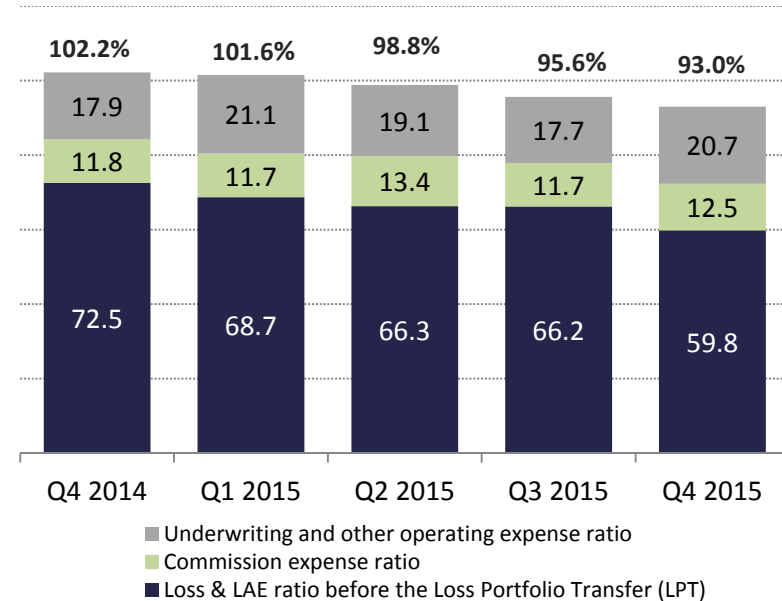
Annual

Improvement of 7.9 percentage points: 2015 vs. 2014



Quarterly

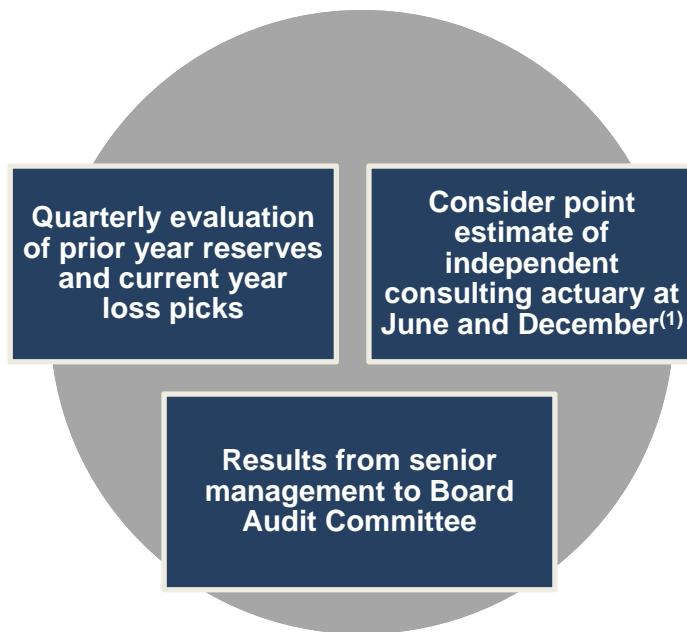
Improvement of 9.2 percentage points: Q4 2015 vs. Q4 2014



- ✓ Calendar year combined ratio before the impact of LPT
- ✓ Loss and LAE ratio excludes LPT Agreement adjustments for favorable prior period development of ceded reserves and the LPT contingent profit commission
- ✓ Accident year combined ratio of 97.7% in Q4, 2015
- ✓ Accident year combined ratio of 98.1% in full year 2015

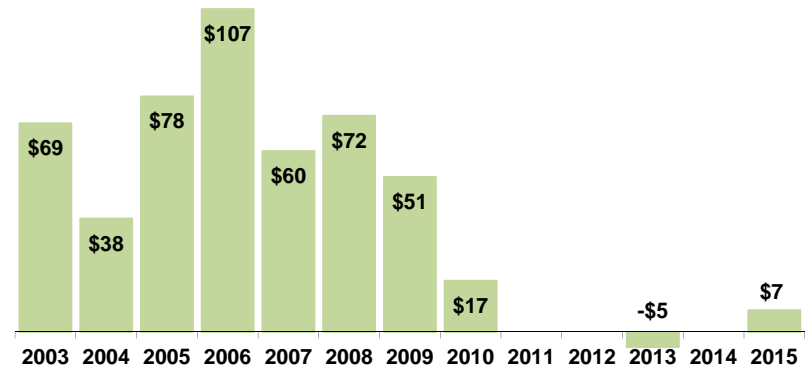
History of Reserve Strength

Reserve review



Reserve development

Net Calendar Year Reserve Development for Prior Accident Years (\$ million)



(1) We retain an independent actuarial consulting firm (Consulting Actuary) to perform comprehensive studies of our loss and LAE reserves on a semi-annual basis. The role of the Consulting Actuary is to conduct sufficient analyses to produce a range of reasonable estimates, as well as a point estimate, of our liability for unpaid losses and LAE, and to present those results to our Internal Actuary and to management as supplemental data used in selecting management's best estimate of ultimate losses.

Our Internal Actuary has been named as the Appointed Actuary for financial statement periods ending on or after December 31, 2015 and all reserve figures shown as of December 31, 2015 are based on our internal actuarial analysis. In prior years, the Consulting Actuary was the Appointed Actuary and reserve figures for those years are based on those analyses.

Superior Claims Management

In-house medical management staff

- Manage care and medical costs

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Comprehensive fraud program

- \$6.9 million savings in 2015

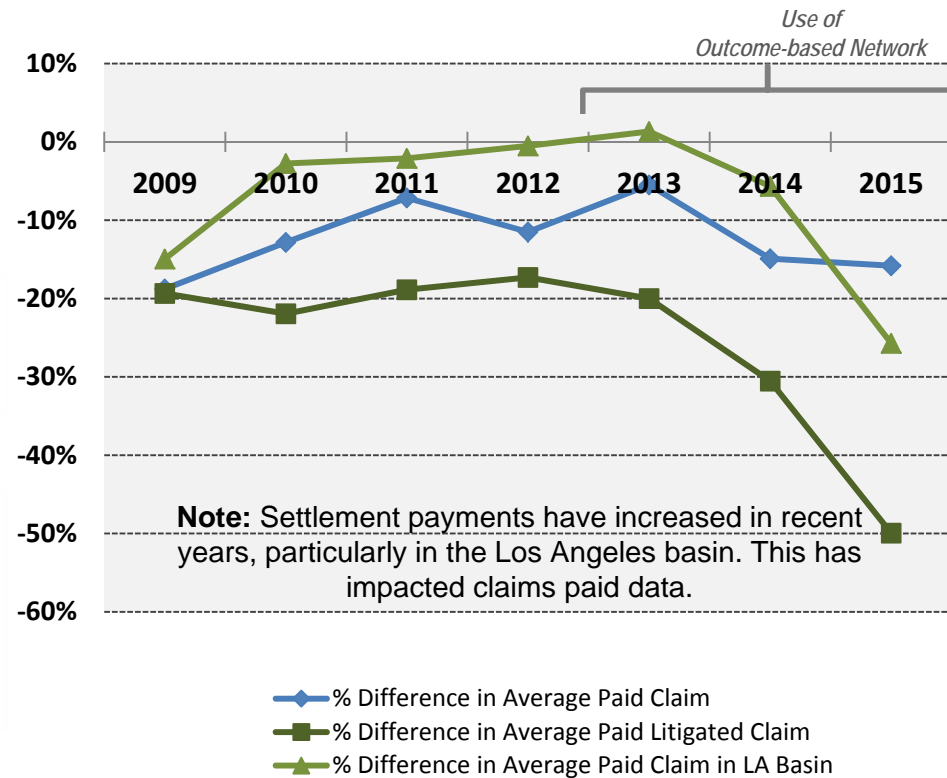
Pharmacy benefit management program

- \$6.9 million savings in 2015, an increase of 23% or \$10.9 million over 2014 due to the implementation of a performance-based network (PBN) in California

Increased settlement of aged claims

Claims professionals average over a decade of experience

Percent difference in the average cost per paid claim in **California** for EMPLOYERS® compared to the California industry average



Source: California Workers' Compensation Institute, data – As of December 31, 2015

Strong Capital Position

ACTIVE CAPITAL MANAGEMENT

- 50% increase in Q1 2016 cash dividend to \$0.09/share
- \$50 million two-year share repurchase program authorized by Board of Directors in February 2016
- Since IPO in 2007, deployed over \$440 million through share repurchases, dividends

FINANCIAL FLEXIBILITY

- \$95 million cash and securities at parent company/low debt ratio at 12/31/15
- At year-end 2015, our insurance subsidiaries are each members of the Federal Home Loan Bank of San Francisco – provides access to collateralized advances (at 2/28/16 none have advances under these credit facilities)

GROWTH IN BOOK VALUE PER SHARE

- Book value per share (including deferred LPT gain) growth of 4% YoY
- Adjusted book value per share (excluding AOCI) growth of 8% YoY

STRONG STATUTORY CAPITAL

- Statutory capital of \$706 million at 12/31/15

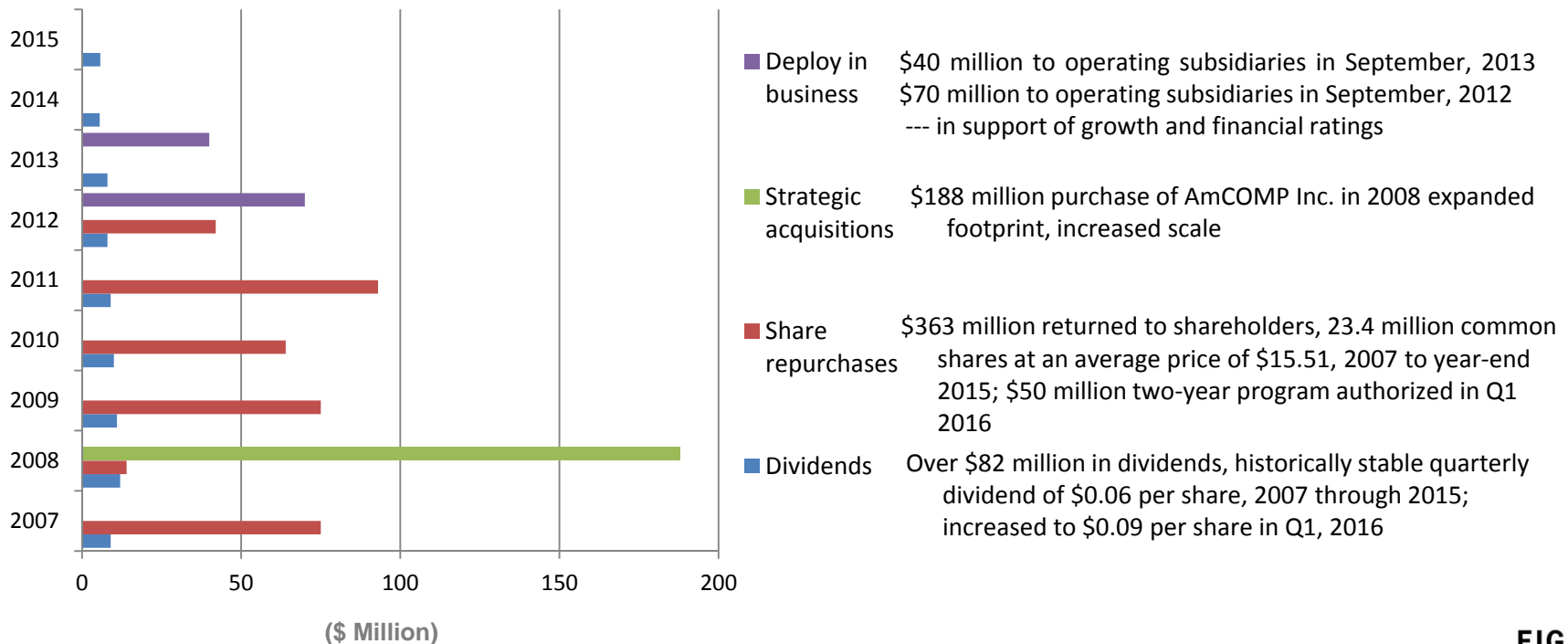
\$2.5 BILLION INVESTED ASSETS

HIGH QUALITY REINSURANCE

Capital Deployment

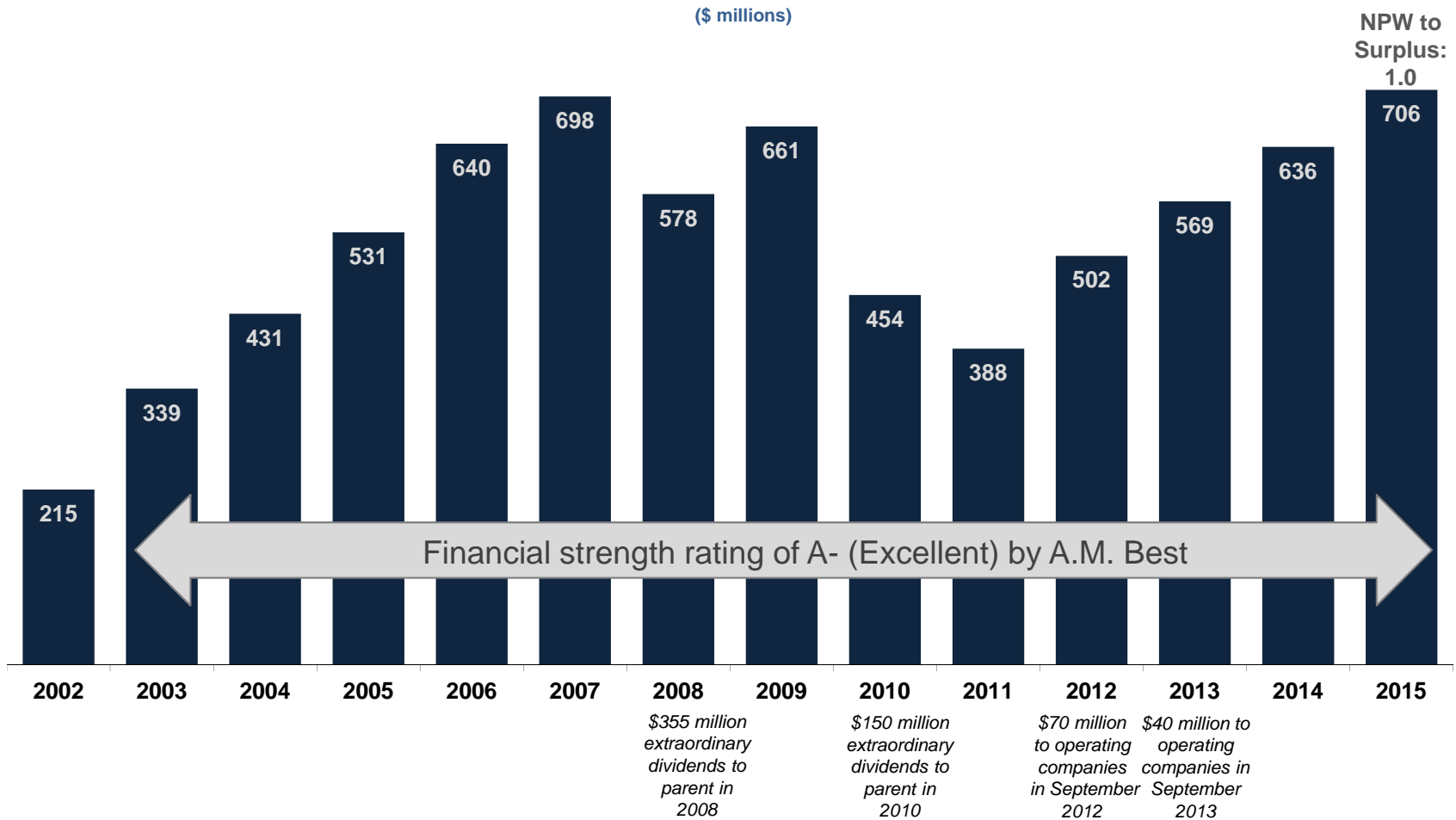
Uses of capital

- Support business operations by maintaining capital levels commensurate with our desired ratings from independent rating agencies, satisfying regulatory constraints and legal requirements and sustaining a level of financial flexibility to prudently manage our business through insurance and economic cycles while allowing us to take advantage of investment opportunities, including mergers and acquisitions and related financings, as and when they arise.
- Going forward, the return of capital is not expected to exceed operating income over time.



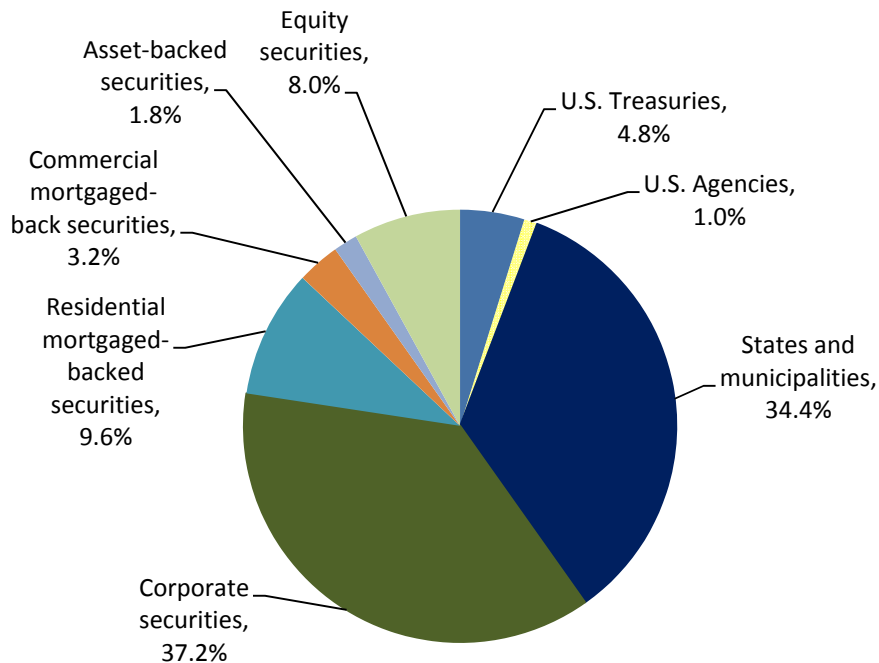
Statutory Surplus

Solid statutory surplus provides a solid basis for underwriting



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High Quality Investment Portfolio



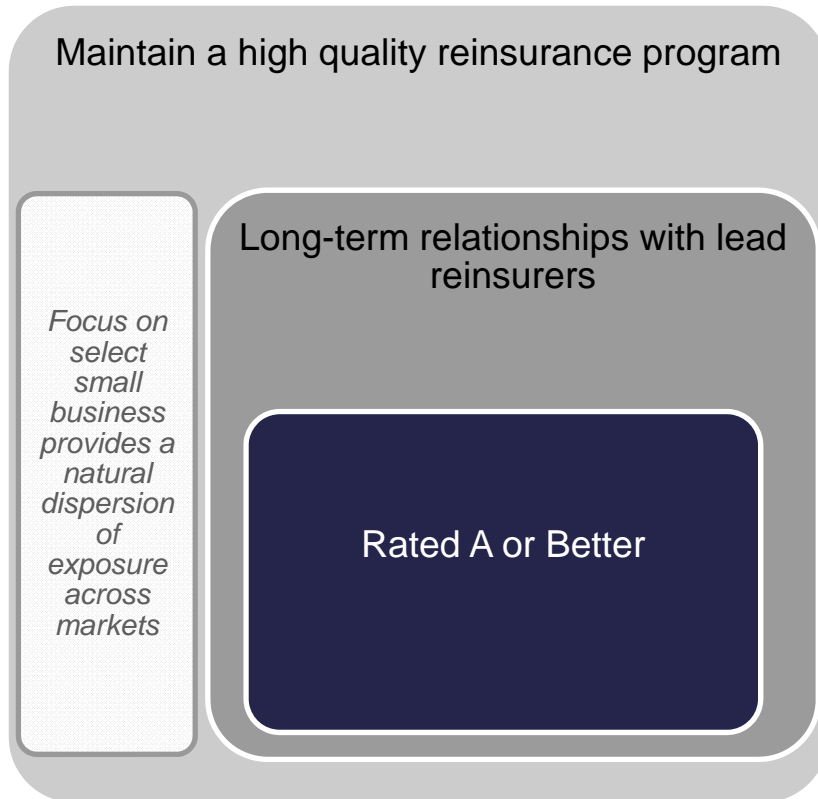
\$2.5 billion fair market value

December 31, 2015

- **Fixed maturities have an average weighted rating of AA-**
- **3.2% average pre-tax book yield**
- **3.8% tax equivalent book yield**
- **Effective duration of 4.3**

High Quality Reinsurance

Reinsurance management



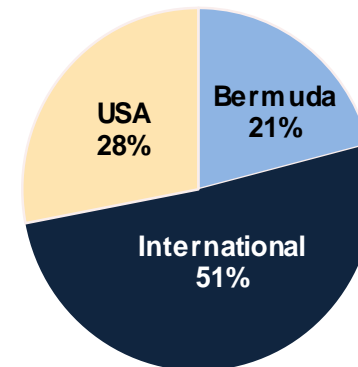
Program structure, effective 7/1/15

Limits of \$200M

Retention of \$7M

Maximum any one life - \$20 million on excess layers

Reinsurers by Market



Key Strengths



- **OVER 100 YEAR OPERATING HISTORY**
- Strong underwriting franchise with established presence in attractive markets
- Realized growth, expense management, improving operating ratios
- Unique, long-standing strategic distribution relationships
- Conservative risk profile and prudent capital management
- Solid financial position and strong balance sheet
- Experienced management team with deep knowledge of workers' compensation
- Demonstrated ability to manage through challenging operating conditions

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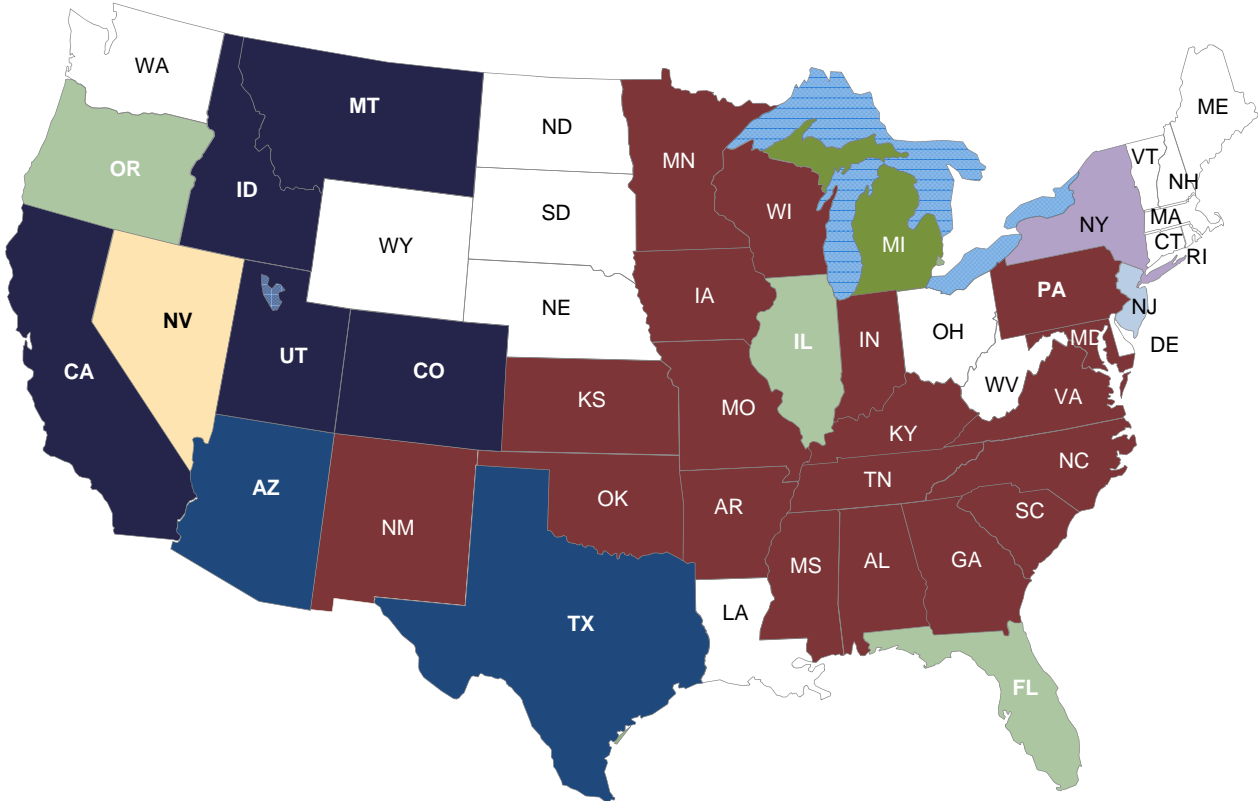
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Appendix

Selectively Expanding Footprint

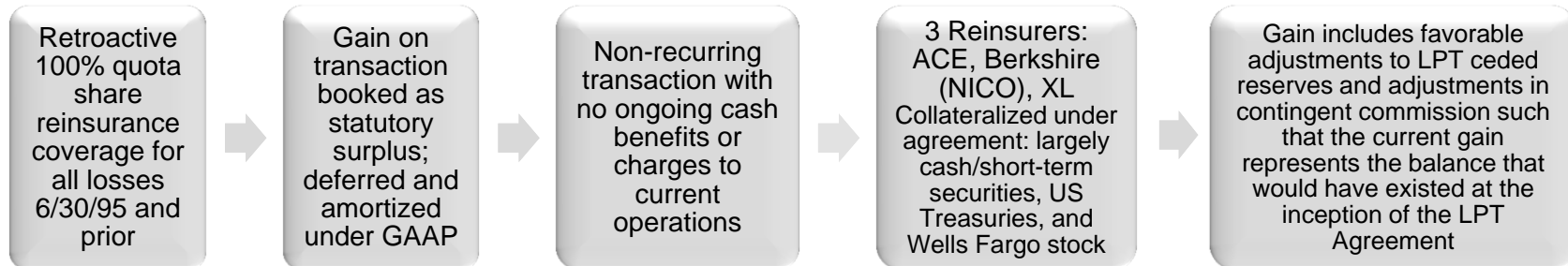


HISTORY

2000	2002	2006	2007	2008	2009–2014	2015	2016
1913 – 1999 State WC fund in NV 2000 Privatization	2002 Acquisition, book of business in CA, UT, ID, MT, CO	2005 Formation of mutual hold co 2006 Entry into TX, AZ	2007 Demutualization and IPO; entry into FL, IL and OR	2008 Acquisition of AmCOMP Incorporated, entry into IA	2009 – 2014 Focus on growth in existing states; entry into New Jersey	2015 Entry into Michigan	2016 Entry into New York



Loss Portfolio Transfer (LPT)



Contract	
	(\$ million)
Total Coverage	\$2,000
Original Reserves (Liabilities) Transferred	\$1,525
Consideration	775
Gain at 6/30/1999	\$ 750
Subsequent LPT reserve adjustments	(332)
Subsequent LPT contingent commission adjustments	66
Gain at 12/31/15	\$ 484

Accounting at 12/31/15	
	(\$ million)
Statutory Surplus Created	\$ 484.0
Cumulative Amortization To Date	\$ (294.5)
GAAP: Deferred Reinsurance Gain – LPT Agreement	\$189.5

Claims 6/30/1995 and prior: 2,534 claims open as of 12/31/15 with 6.5% closing each year

Remaining liabilities at 12/31/15: \$498 million

Results Overview

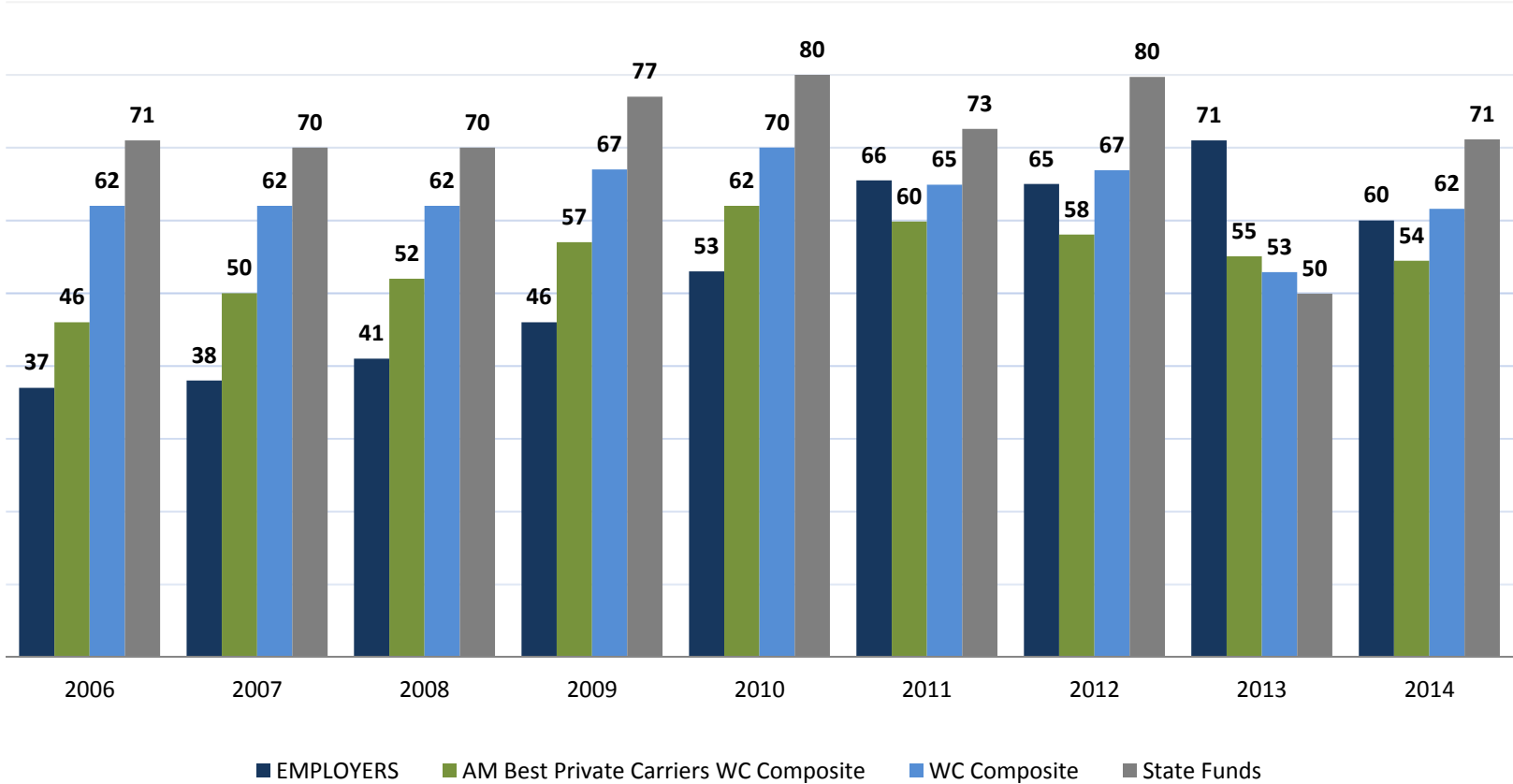
INCOME STATEMENT	YEAR	
Income Statement (\$ million except per share data)	2015	2014
Net written premium	689.3	687.6
Net earned premium	690.4	684.5
Net investment income	72.2	72.4
GAAP Net income	94.4	100.7
Non-GAAP: net income less amortization of the deferred gain Net income (less impacts of the Loss Portfolio Transfer or LPT)	74.0	45.7
Net income before the LPT per diluted share	\$2.31	\$1.45

BALANCE SHEET	YEAR	
Balance Sheet (\$ million except per share data)	2015	2014
Total investments	2,487.2	2,448.4
Cash and cash equivalents	56.6	103.6
Total assets	3,755.8	3,769.7
Reserves for losses and LAE	2,347.5	2,369.7
GAAP Shareholders' equity	760.8	686.8
Non-GAAP: shareholder equity (plus LPT deferred gain)	950.3	893.8
Non-GAAP book value per outstanding share	29.50	28.38

For reconciliations of non-GAAP measures, please see the Company's quarterly press releases (Form 8-Ks)

Statutory Calendar Year Pure Loss Ratios

EMPLOYERS® historically low loss ratios (%)
(Excluding accounting impacts of the LPT)



A.M. Best data, or derived from A.M. Best data as of 07/15/2015.