



January 10, 2008

# Acquisition of AmCOMP

# Disclosure

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## **Forward-looking Statements**

### Cautionary Statement Regarding Forward-Looking Statements :

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EMPLOYERS, AmCOMP and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding EMPLOYERS directors and executive officers is available in EMPLOYERS' proxy statement for its 2007 annual meeting of stockholders and the EMPLOYERS' 2006 Annual Report on Form 10-K, which were filed with the SEC on April 19, 2007 and March 30, 2007, respectively. Information regarding AmCOMP's directors and executive officers is available in AmCOMP's proxy statement for its 2007 annual meeting of stockholders and AmCOMP's 2006 Annual Report on Form 10-K, which were filed with the SEC on April 27, 2007 and April 2, 2007, respectively. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the Securities and Exchange Commission when they become available.

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## Compelling Transaction

### The acquisition of AmCOMP

- Represents an excellent strategic fit
  - Small to mid-sized businesses
  - Disciplined underwriting
  - Compatible technology
- Accelerates EMPLOYERS growth and expansion
  - Immediate premium volume growth
  - Significant premium in EMPLOYERS targeted expansion states
  - Premium in 15 additional states
- Complementary geographic fit
  - 1% of EMPLOYERS premium in states where AmCOMP operates

## Compelling Transaction (cont.)

- Increases scale
  - Diversifies earnings base
  - Reduces expense ratio
  - Enhances visibility with agents and customers
  
- Provides meaningful synergies
  - \$10 million of annual pre-tax cost savings achievable by 2010
  - Use of A-rated paper should facilitate increased writings in AmCOMP's markets
  
- Provides immediate financial benefits
  - Efficient use of capital and debt capacity
  - Accretive to EPS and ROE in the first full year

## Key Transaction Terms

### Consideration / Financing



- \$12.50 per share, \$194 million equity value
- 100% cash consideration
- Expected financing sources: combination of debt and cash

### Valuation



- Implied multiple of earnings of 9.5x and 11.5x for 2007E and 2008E, respectively <sup>(1)</sup>
- 1.2x 12/31/07E GAAP book value <sup>(2)</sup>

### Timing



- Estimated closing: 2Q 2008
- Subject to regulatory approvals and AmCOMP shareholder vote

(1) Based on I/B/E/S estimates

(2) Based on actual book value of \$9.88 per share at 9/30/07 plus I/B/E/S EPS estimate for Q 4, 2007 of \$0.26

## AmCOMP Business Overview

- Mono-line workers' compensation
  - Primarily focused on artisan contractors and “main street” classes of business
  - Founded in 1982 as a self-insurance fund for air-conditioning contractors
- Florida is historically the largest state and represents approximately 30% of premiums
  - Currently writing in 18 states
  - Strategy of “Local people doing business with local people”
- Writes all classes of business targeting employers with premiums of \$10,000 to \$100,000
  - Average premium size = \$23,596 <sup>(1)</sup>
- Strong network of over 900 independent agencies

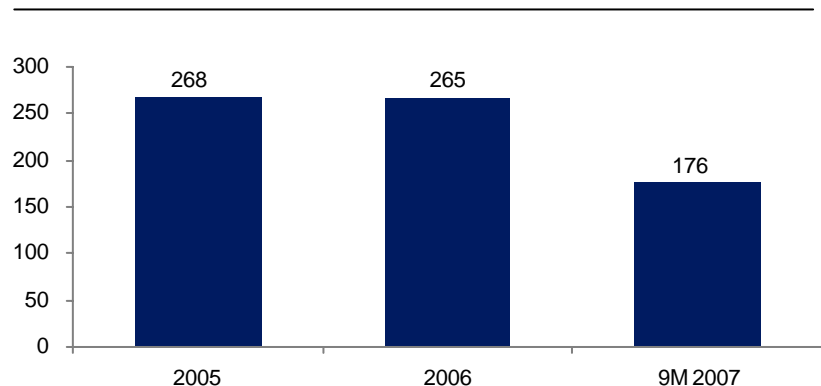
<sup>(1)</sup> As of 9/30/07

## AmCOMP Key Strengths

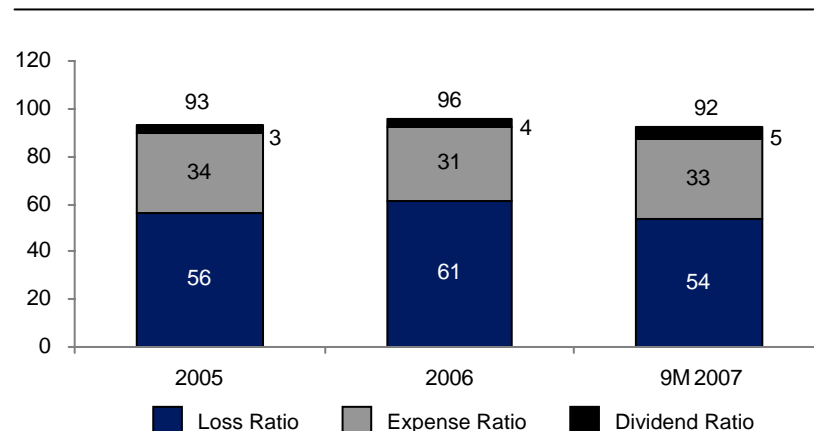
- Leading market presence in Florida and meaningful footprint in other Southeast and Midwest states
- Strong, long-term agent relationships
- Disciplined underwriting and pricing culture
- Strong reserve position with favorable development each of the last 13 years
- Loss prevention and claims handling expertise
- Successful track record of profitable growth and expansion

# AmCOMP Financial Snapshot

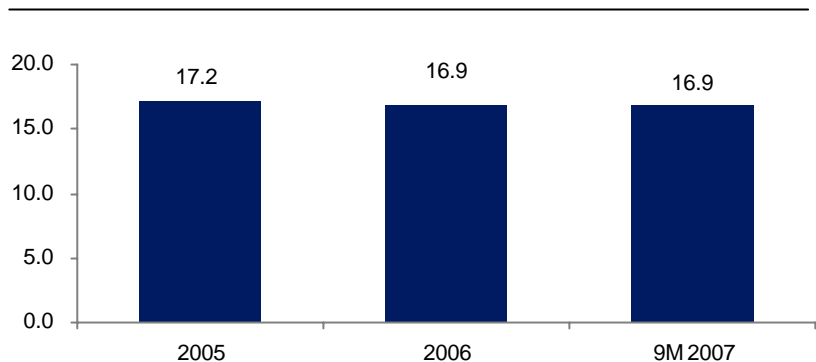
### Net Premium Written (\$ Million)



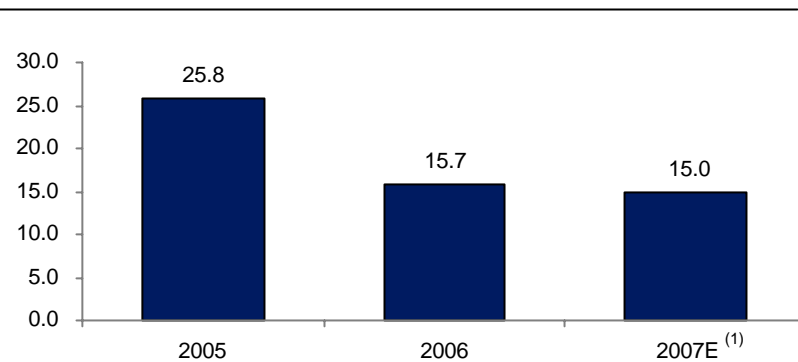
### Calendar Year Combined Ratio (%)



### Net Operating Income (\$ Million, excl. realized gains)



### Return on Equity (%)



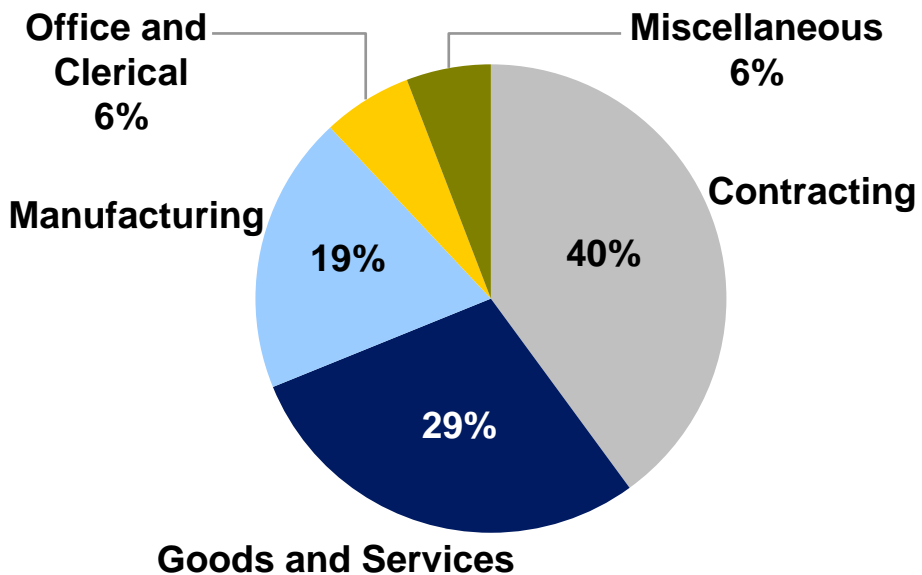
(1) Annualized 9M 2007 Return on Equity (ROE), AmCOMP Form 10-Q dated 9/30/07, page 26  
 Source: AmCOMP filings with the SEC



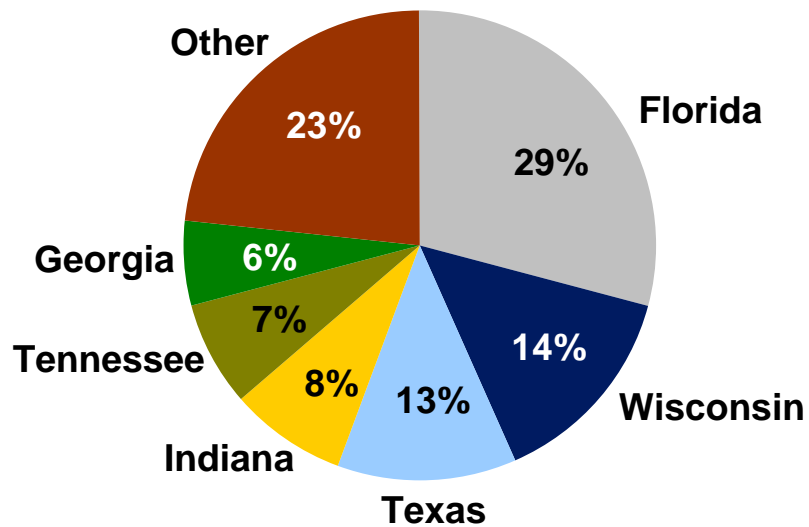
# AmCOMP Business

% of Direct Premiums Written, 09/30/07

**Policyholders by Industry Group**



**Written Premium by State**



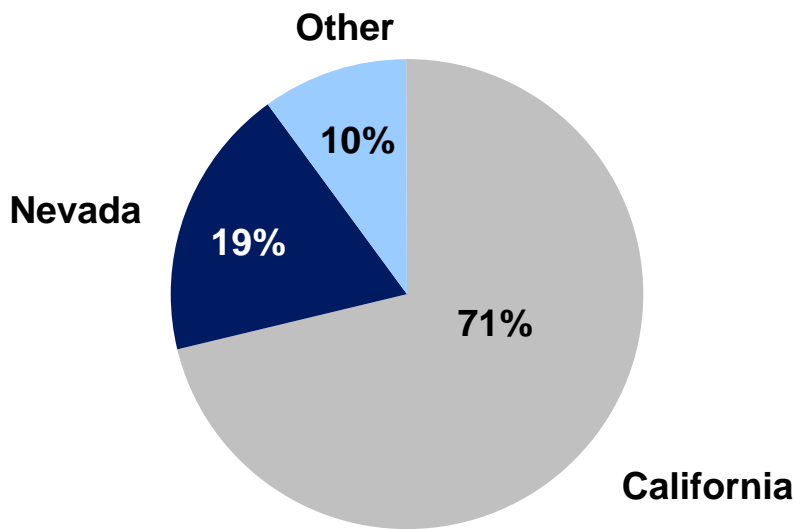
Direct Premiums Written: \$ 175 Million

# Diversifies EMPLOYERS Geographic Footprint

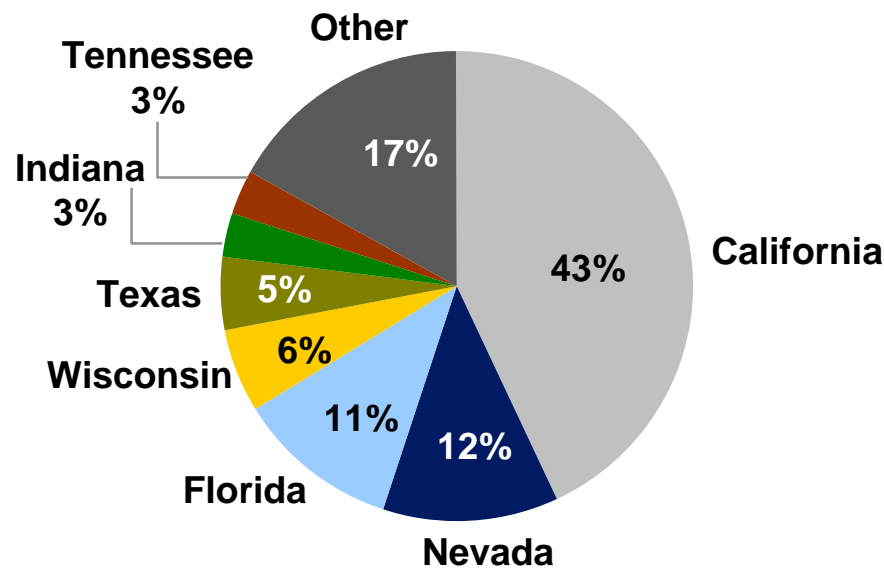
% of Direct Premiums Written, 09/30/07

**Employers**

**Employers + AmCOMP Pro Forma**

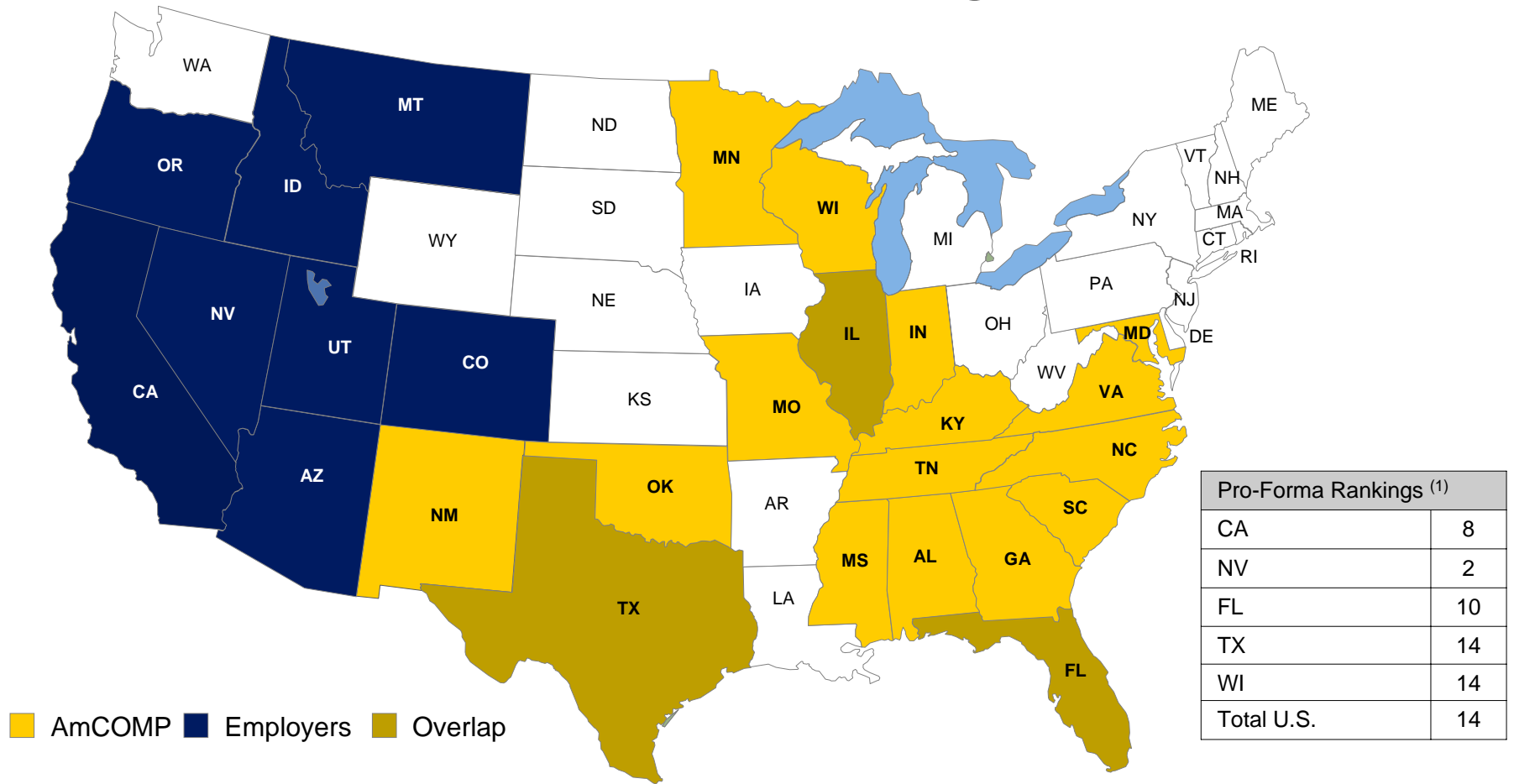


Direct Premiums Written: \$ 268 Million



Direct Premiums Written: \$ 443 Million

# Expands EMPLOYERS Geographic Footprint



(1) By 2006 Direct Premiums Written for states, by 2006 Net Premiums Written for total U.S., A.M. Best

## Compelling Financial Benefits

- Cost savings
  - Annual pre-tax savings of \$10 million achievable by 2010
  - Phase-in of approximately 25% in 2008, approximately 75% in 2009 and 100% in 2010
  - Key areas of savings include: elimination of public company expenses, systems integration, and reduction in reinsurance costs
  - One-time integration costs of approximately \$12 million in 2008 and 2009
- Synergy opportunities
  - Acceleration of EMPLOYERS expansion strategy in states where AmCOMP is already licensed and/or operating
  - Increased writings in AmCOMP's existing markets due to introduction of A-rated paper
  - Enhanced investment portfolio yield
- Accretive to EPS and ROE in first full year
- Pro forma debt to total capital approximately 20% based on preliminary financing plan

## Summary

- Excellent strategic fit consistent with EMPLOYERS focus
- Significantly expanded, diversified geographic footprint
- Complementary markets
- Increased scale
- Meaningful synergies
- Financial benefits

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