



Employers Holdings, Inc.

Investor Presentation

First Quarter Results, 2013



Regulation FD

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2012, 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 2012, 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.

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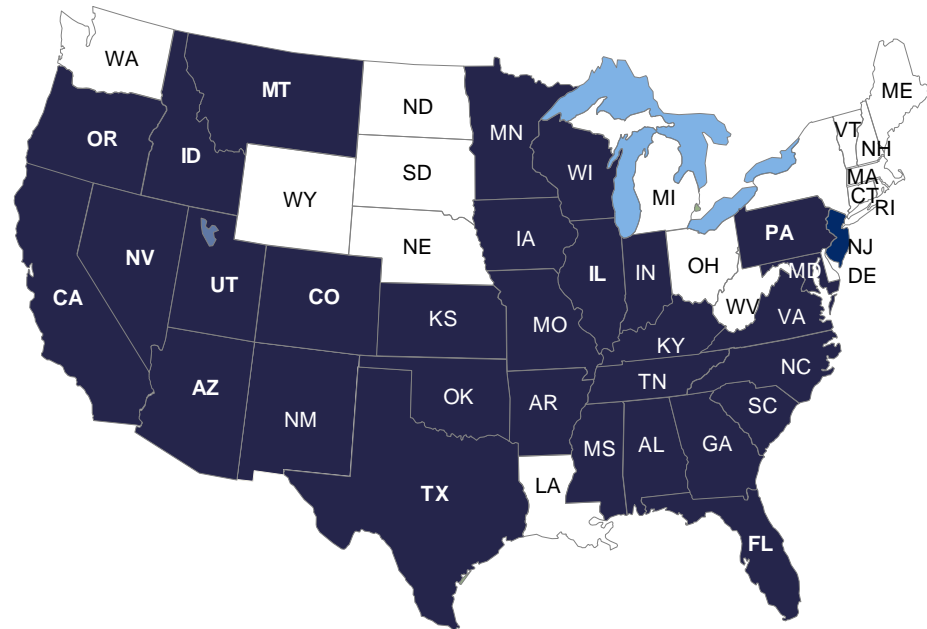


Overview

- Workers' compensation mono-line writer
- 18th largest overall writer in 2012
- Focus on small, low to medium hazard risks

- Distribution through agents and strategic partners
 - 3,414 agents
 - Strategic partners = 22.6% in-force premium (principally ADP and Anthem Blue Cross of California)

- Writing in 31 states and the District of Columbia
 - Expanded into New Jersey in 2011
 - Operate in 76% of total market (2011 A.M. Best)



At March 31, 2013

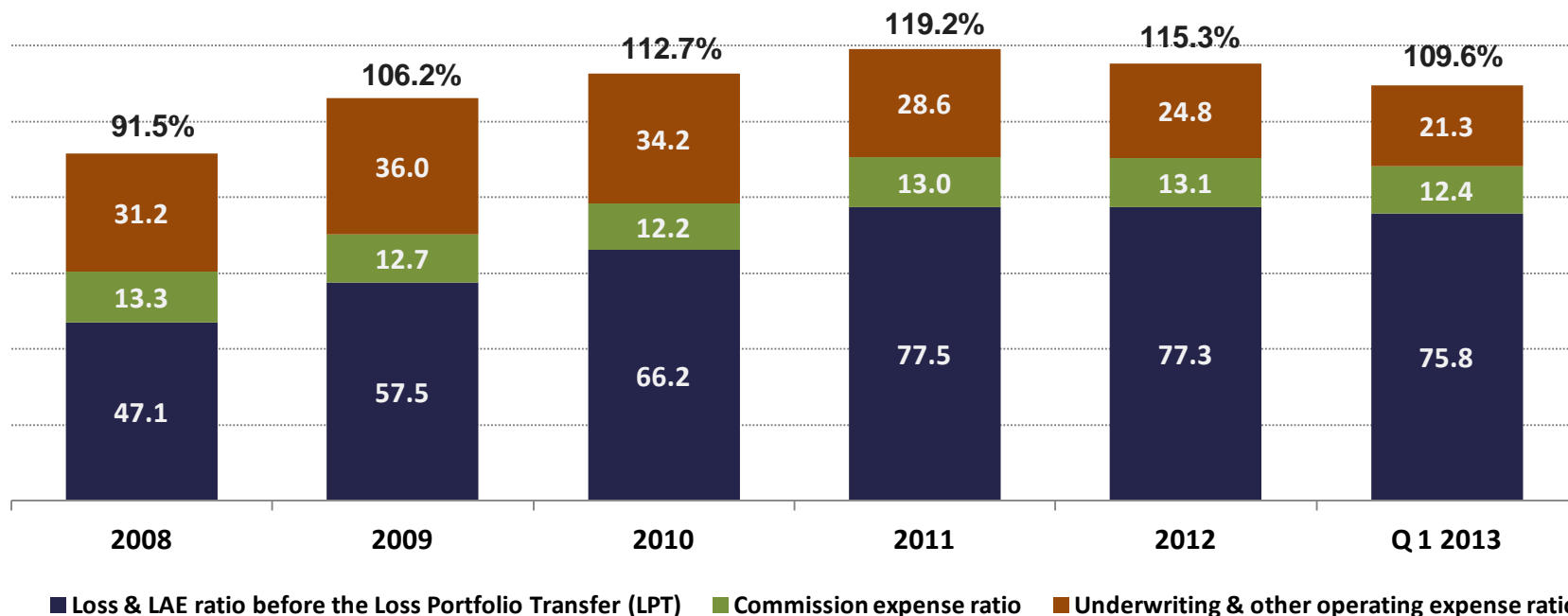
Average policy size: \$6,884

<u>In force Premium</u>	<u>Policy Count</u>
\$560 million	81,384 Policies
CA = 59%	CA = 47,300
IL = 6%	IL = 3,246
GA = 4%	GA = 3,354
FL = 3%	FL = 3,034
NV = 3%	NV = 3,862



Improving Calendar Year Combined Ratio

- Combined and underwriting expense ratios trended down with implementation of cost controls and increasing earned premiums
- Rate trends continued to exceed loss cost trends; we reduced the loss provision rate by 1.8 points in Q 1, 2013 YOY

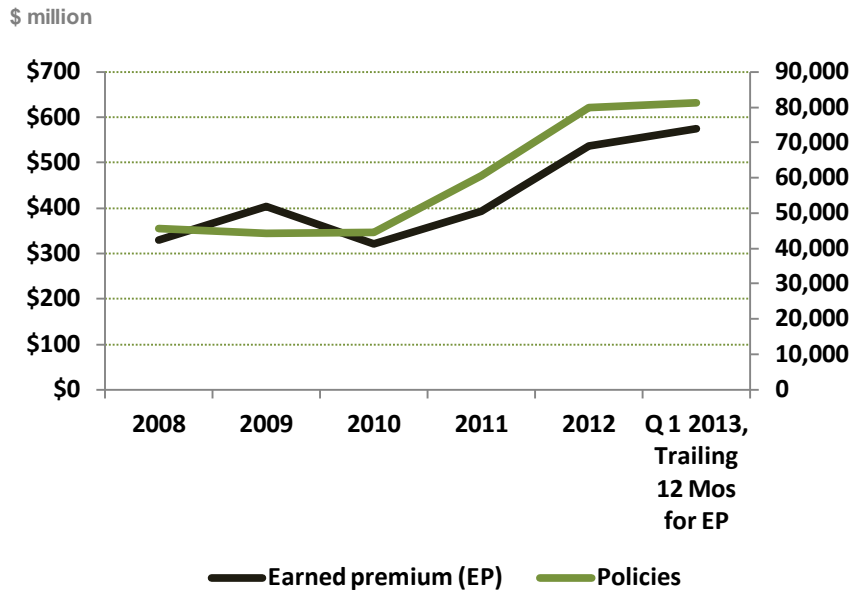


- Includes LPT Agreement adjustments for favorable prior period development of ceded reserves and the LPT contingent profit commission
 - Policyholder dividends are included in underwriting and other operating expense

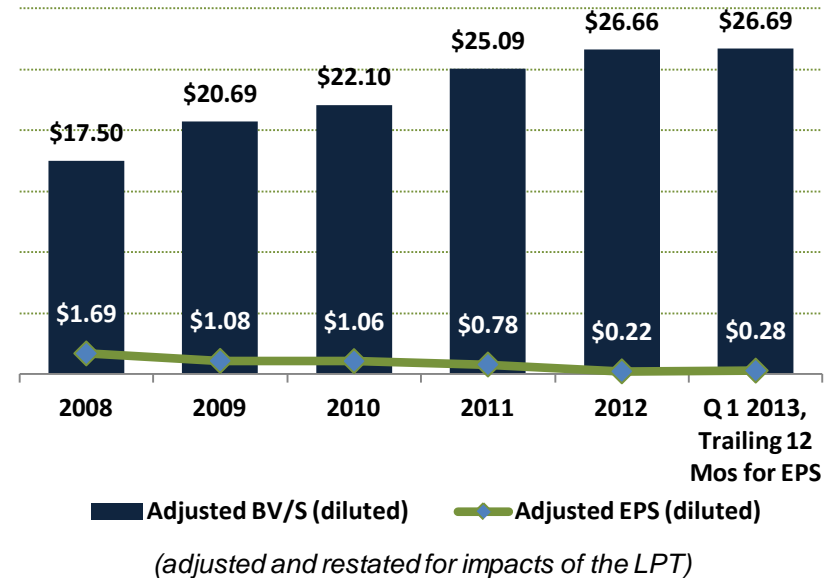
Growth

- Increased net earned premium
 - Policy count increase of 22% YOY at 3/31/2013 and 32% for full year 2012 YOY
 - Increase of 10.2% in net rate YOY at 3/31/2013
- Increased book value
- Increased EPS, impacted by historically low yields and high loss provisions in recent years

Substantial growth in recent years



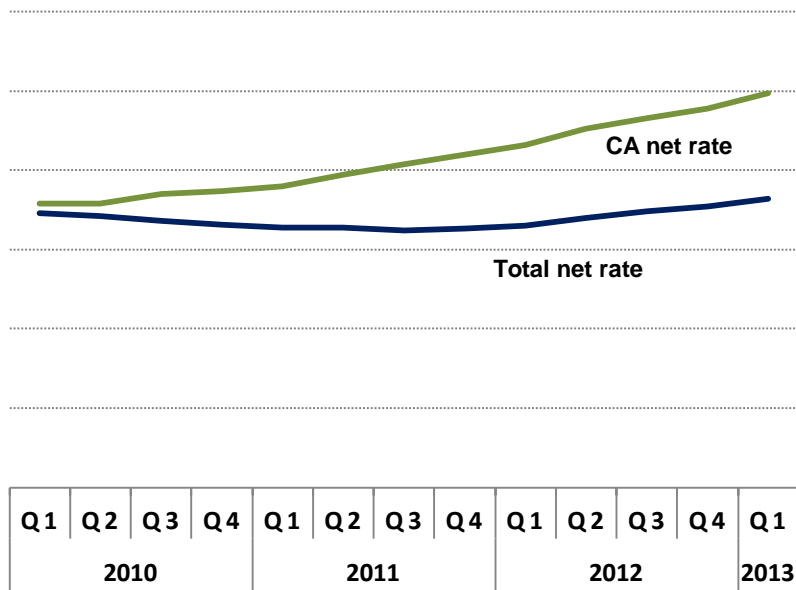
Adjusted book value and adjusted EPS



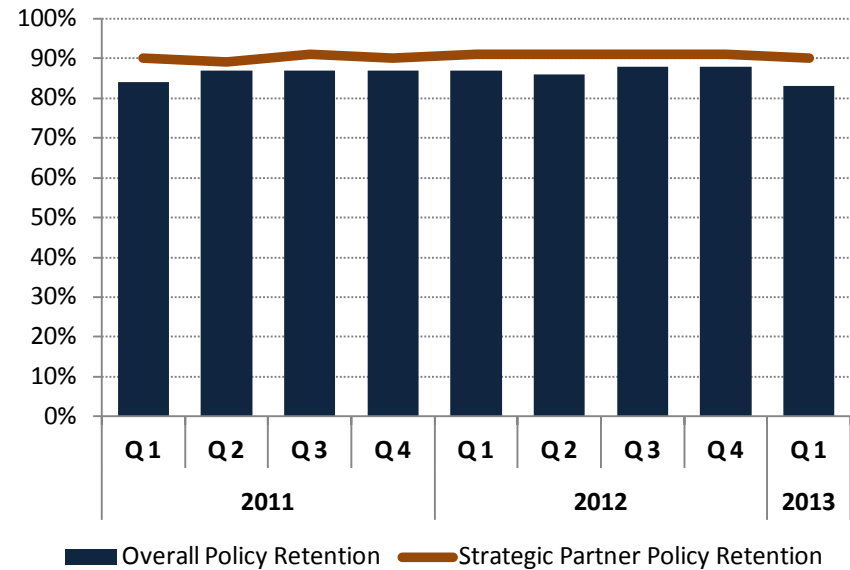
Improving Rate and Stable Retention

- Overall change in net rate up 10.2% at 3/31/2013 YOY
 - Variables impacting net rate include rate changes, underwriting risk profiles, pricing, changes in business mix
- Double digit net rate change in four of the top five states (California, Illinois, Georgia, and Nevada)
 - Florida (administered pricing state) net rate change just below 5%
 - Top five states represent 75% of total in-force premium
- Policy retention stable but impacted in Q 1 2013 by price competition

Increasing net rate (in-force premium per \$100 of payroll)

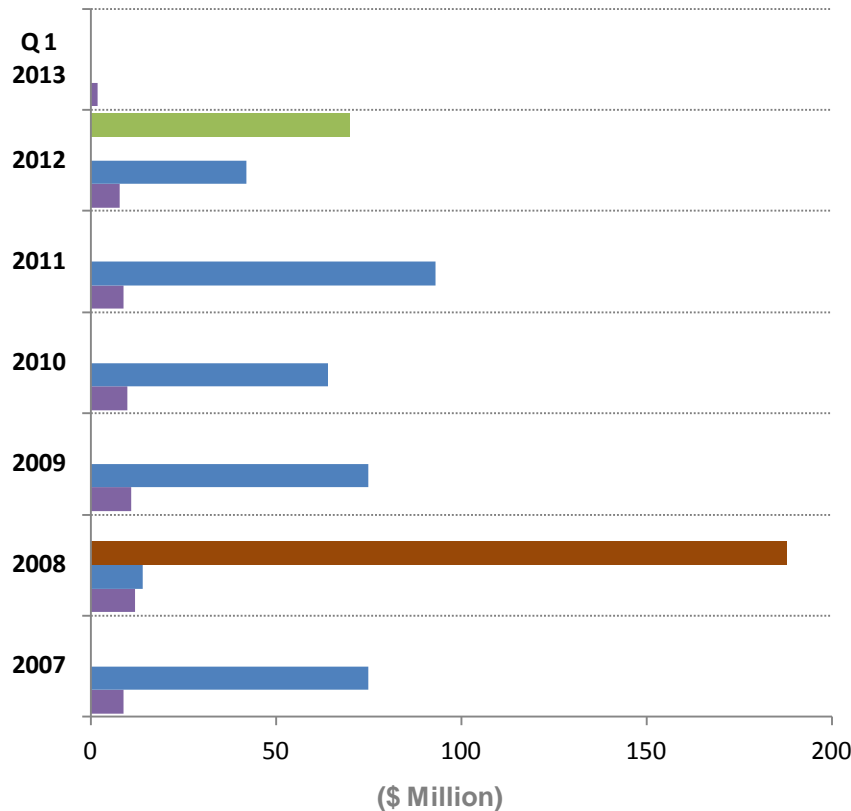


High retention



Capital Deployment

- Three uses of capital - \$217 million at 3/31/2013 in cash and securities at holding company
- \$682 million deployed 2007 through Q 1 2013
 1. Deploy into the business
 2. Opportunistic acquisitions/mergers
 3. Return to shareholders
 - Share repurchases and dividends represent approximately 120% of total net income before the LPT



Deploy in business

\$70 million paid to operating subsidiaries in September 2012 to support growth and financial ratings

Strategic acquisitions

\$188 million purchase of AmCOMP Inc. in 2008 expanded footprint, increased scale

Share repurchases

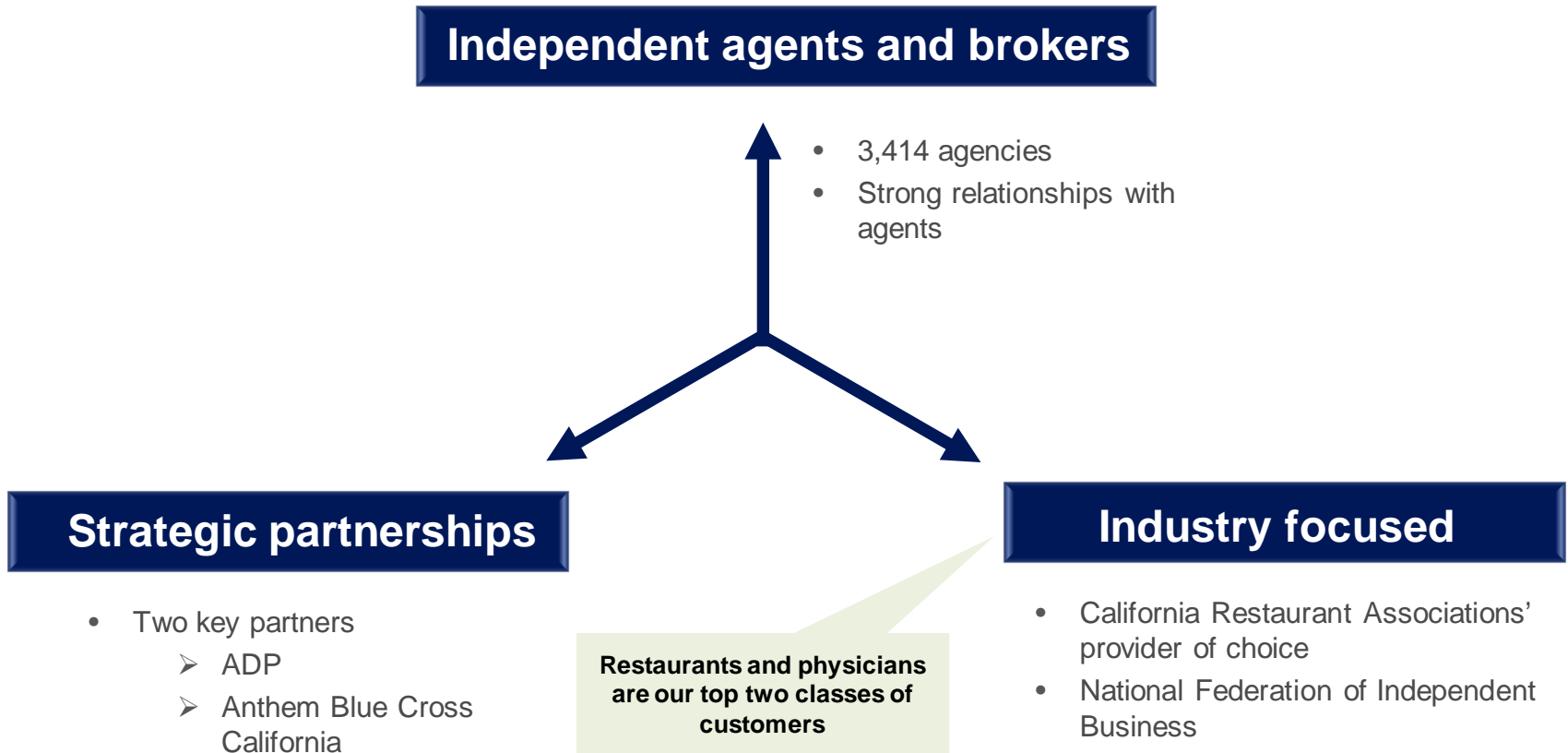
\$363 million returned to shareholders, 23.4 million common shares at an average price of \$15.51, 2007 through 2012

Dividends

\$61 million in dividends, historically stable quarterly dividend of 6 cents per share, 2007 through 2012

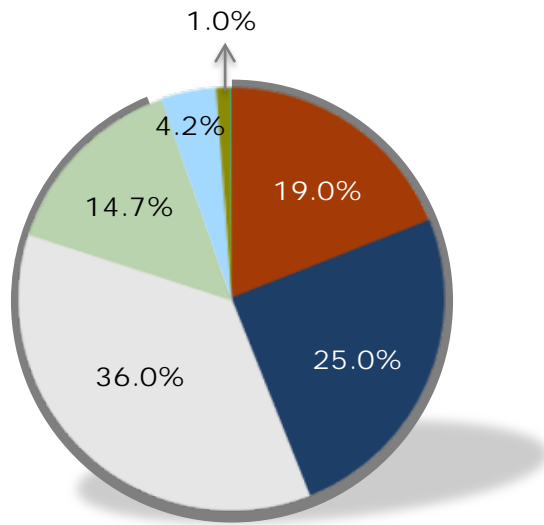


Unique Distribution Network



Low Risk Focus

Underwriting focus on select low hazard groups A - D

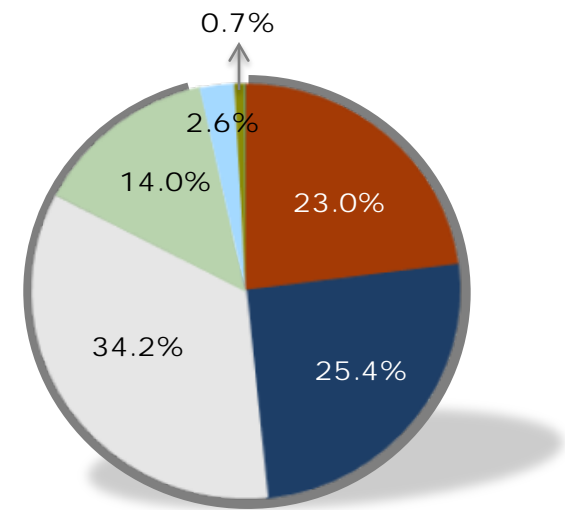


Hazard Group % at Mar. 31, 2012
94.7% in Hazard Groups A – D

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
- ↑
Lower Risk
↓
Higher Risk

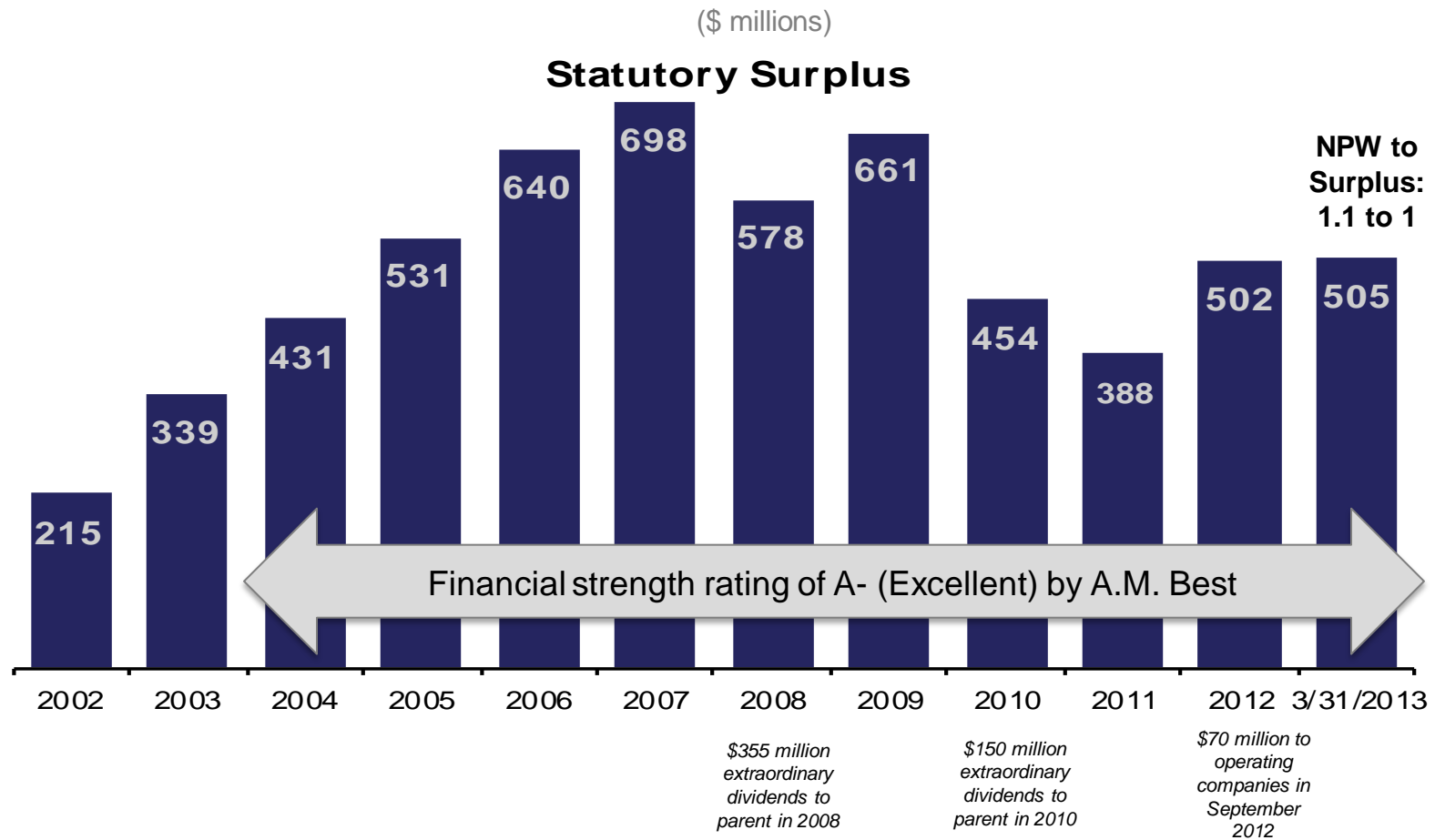
Data shown as a % of in force premiums



Hazard Group % at Mar. 31, 2013
96.6% in Hazard Groups A – D

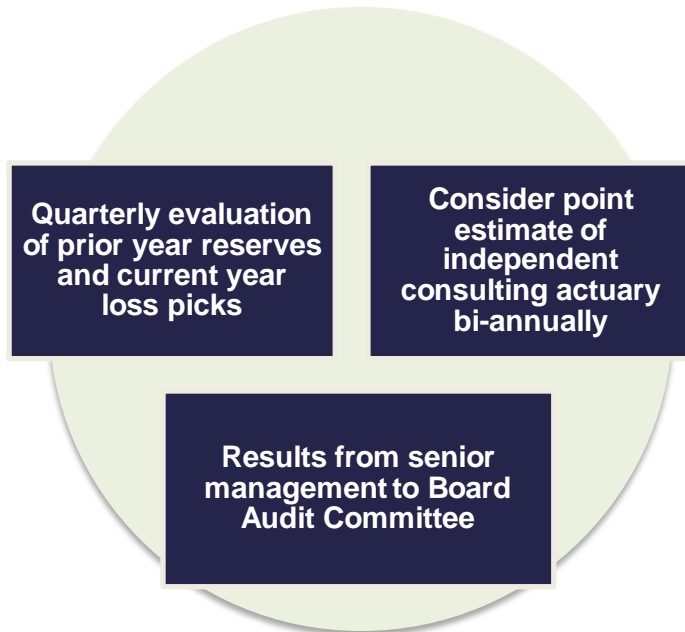
Strong Capital Position

Statutory surplus provides a solid basis for underwriting



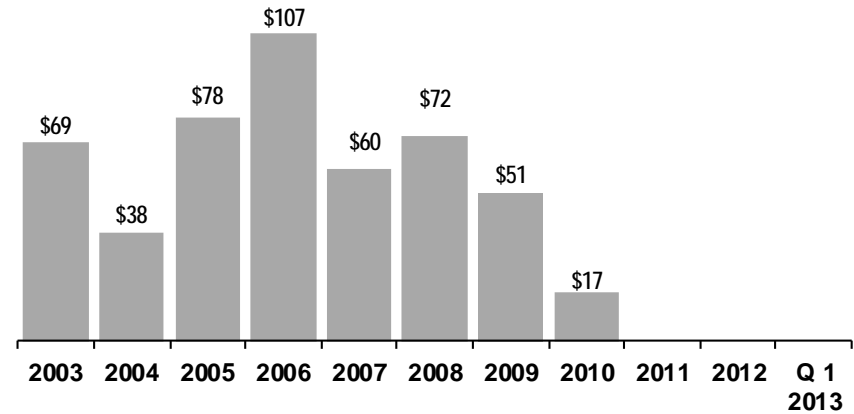
History of Reserve Strength

Reserve review



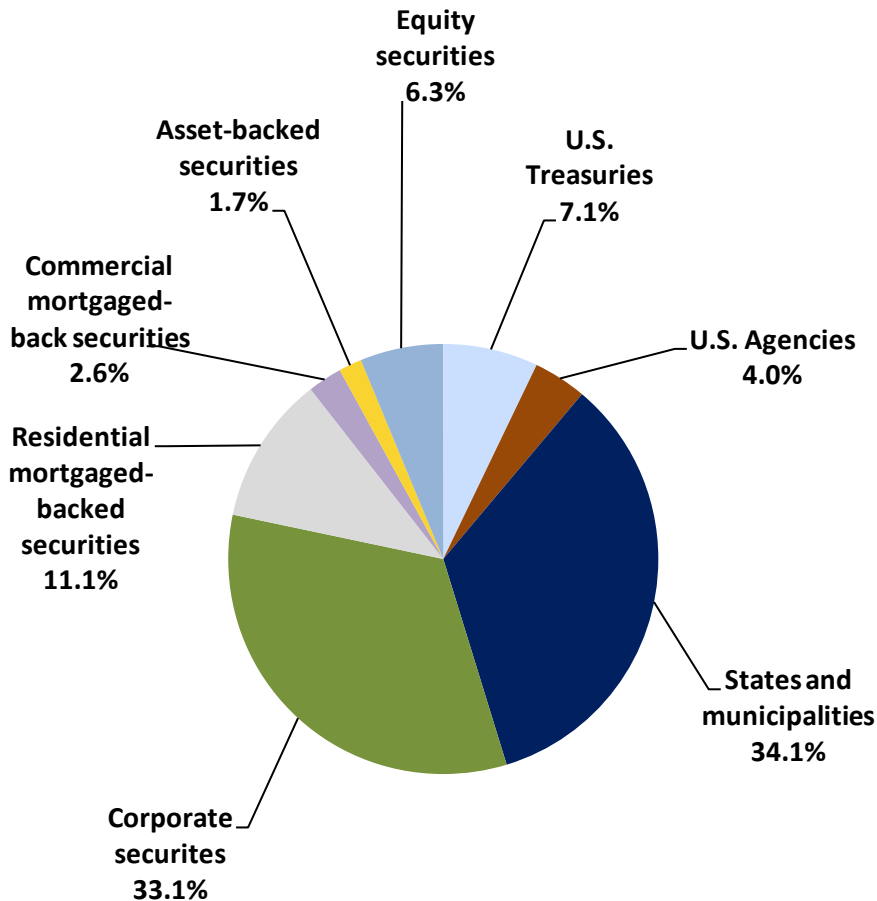
Reserve development

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



- *No favorable prior period development for voluntary business since the second quarter of 2010*
- *Overall reserves have remained adequate*

High Quality Investment Portfolio



03/31/13: \$2 billion fair market value

- Fixed maturities have an average weighted rating of AA-
- 62.9% of the market value of our fixed maturities - rated AA or better
- 3.5% average pre-tax book yield
- 4.3% tax equivalent book yield
- Effective duration of 4.1

High Quality Reinsurance

Reinsurance management

Maintain a high quality reinsurance program

Focus on select small business provides a natural dispersion of exposure across markets

Long-term relationships with lead reinsurers

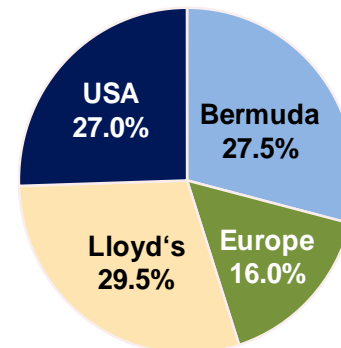
Rated A or better

Program structure, effective 7/1/12

Limits of \$200M

Retention of \$5M plus \$2M annual aggregate deductible

Reinsurers by Market



Key Strengths



- **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
- Strong 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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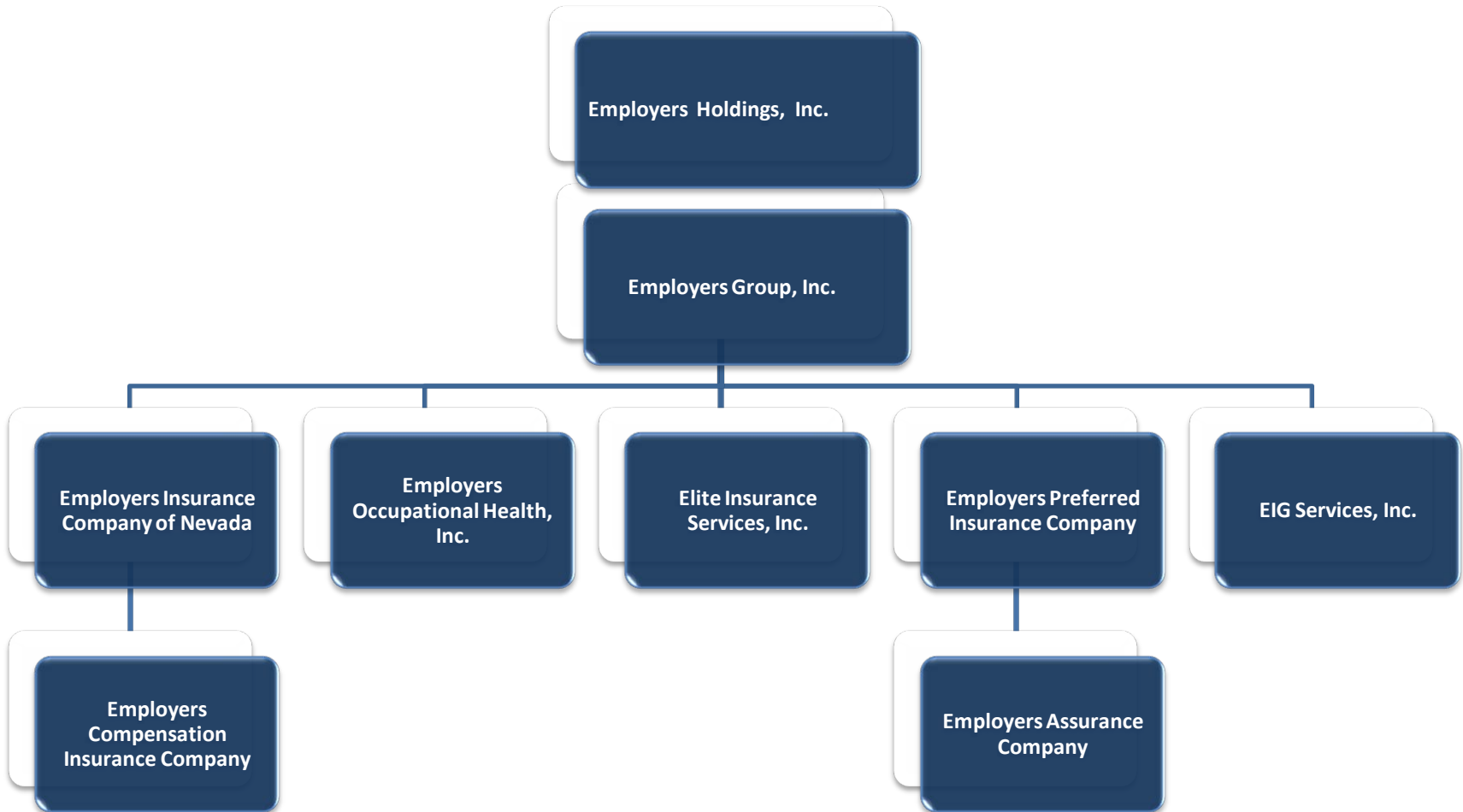
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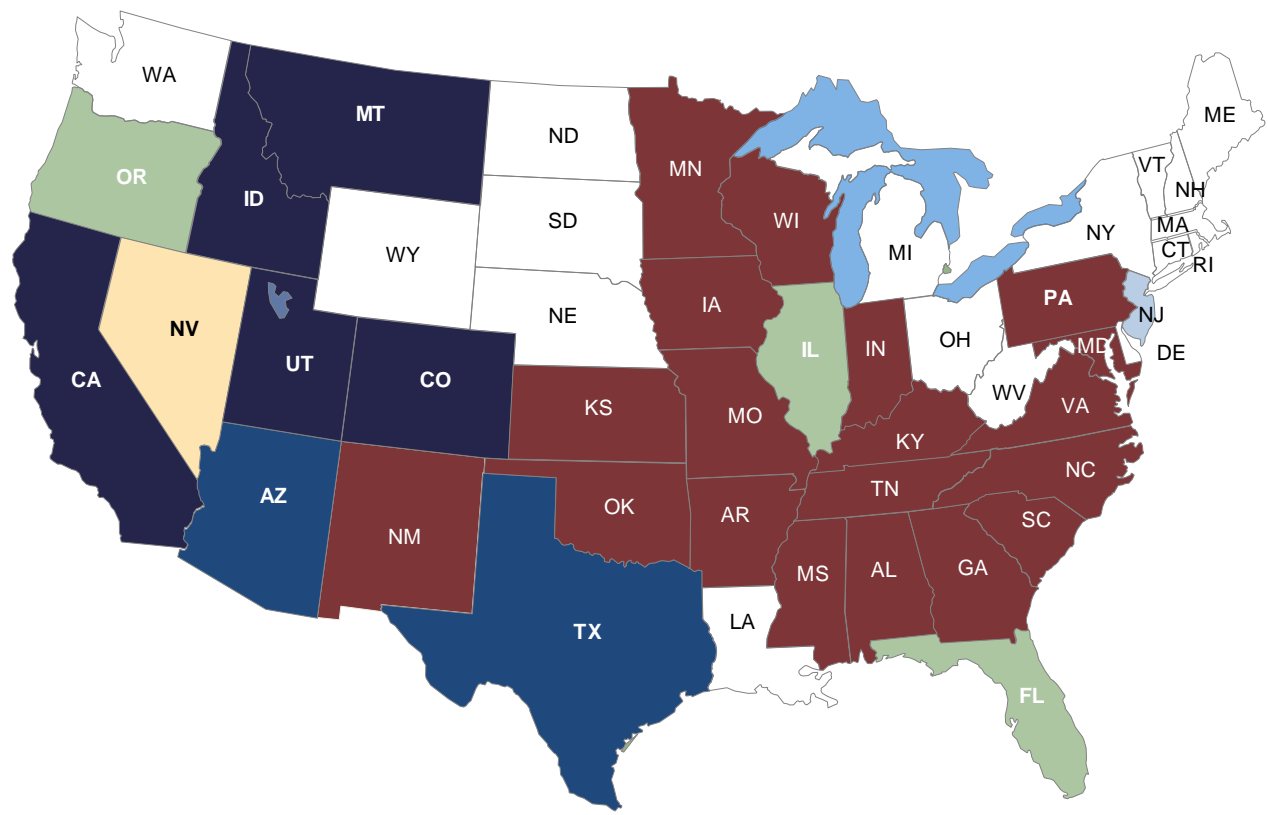


Appendix

Corporate Structure



Selectively Expanding Footprint

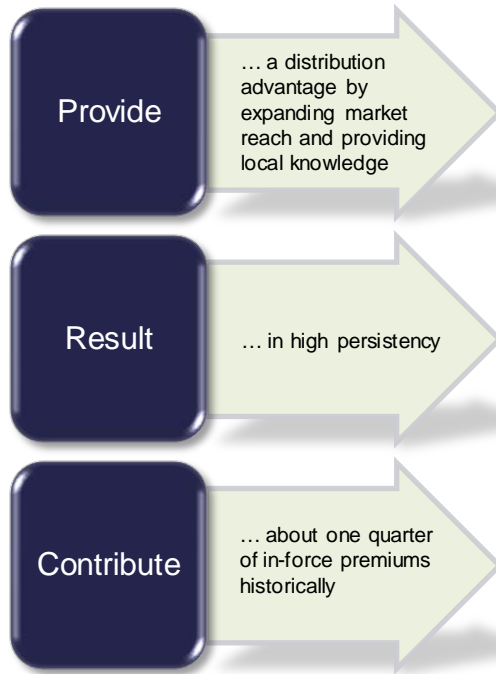


HISTORY

2000	2002	2006	2007	2008	2009-2013
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 – 2013 Focus on growth in existing states; entry into New Jersey

Ongoing Distribution Network

Partnerships

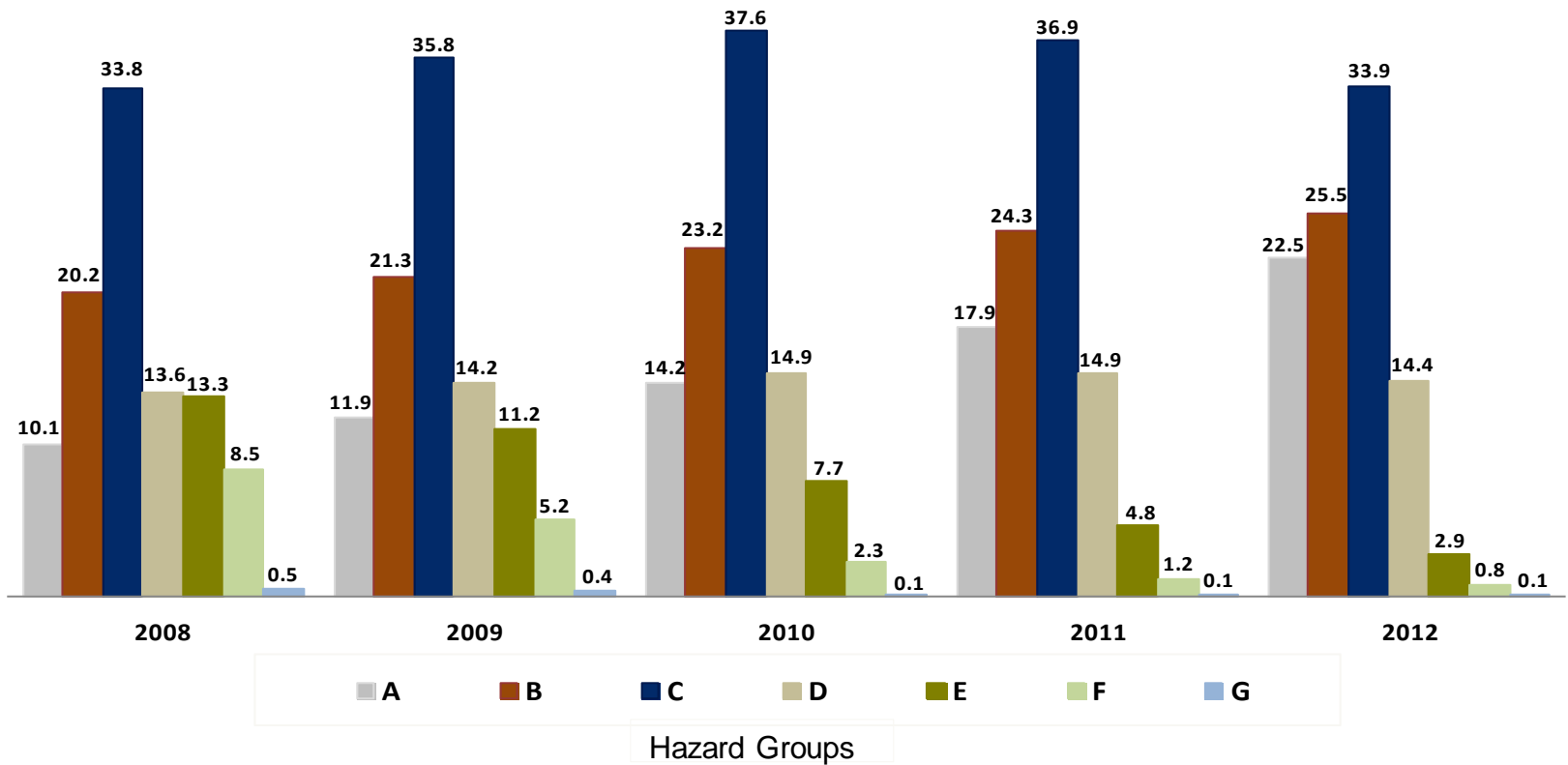


	<p><i>Largest payroll services company in the U.S.</i> <i>Partner since 2002 – business originates with ADP’s field sales staff and insurance agency with “Pay-by-Pay®” premium collection</i></p>
	<p><i>Largest group health carrier in CA – exclusive relationship – use medical provider network - Partner since 2002 – business originated by health agents with a single bill to customers</i></p>
	<p><i>Specialty provider of payroll and human resource services, 2nd largest payroll provider in U.S.</i> <i>Partner since Q 4 2012</i></p>
	<p><i>Specialty provider of payroll services / insurance broker</i> <i>Partner since Q4 2006, expanded alliance in 2008</i></p>
	<p><i>Provider of insurance software services – partner since Q4 2007</i></p>
	<p><i>Small business payroll services – partner since Q2 2008</i></p>
	<p><i>Online payroll services and payment processing</i> <i>One of the largest independent payroll processors in Southern CA</i> <i>Partner since Q1 2009</i></p>

Business Mix

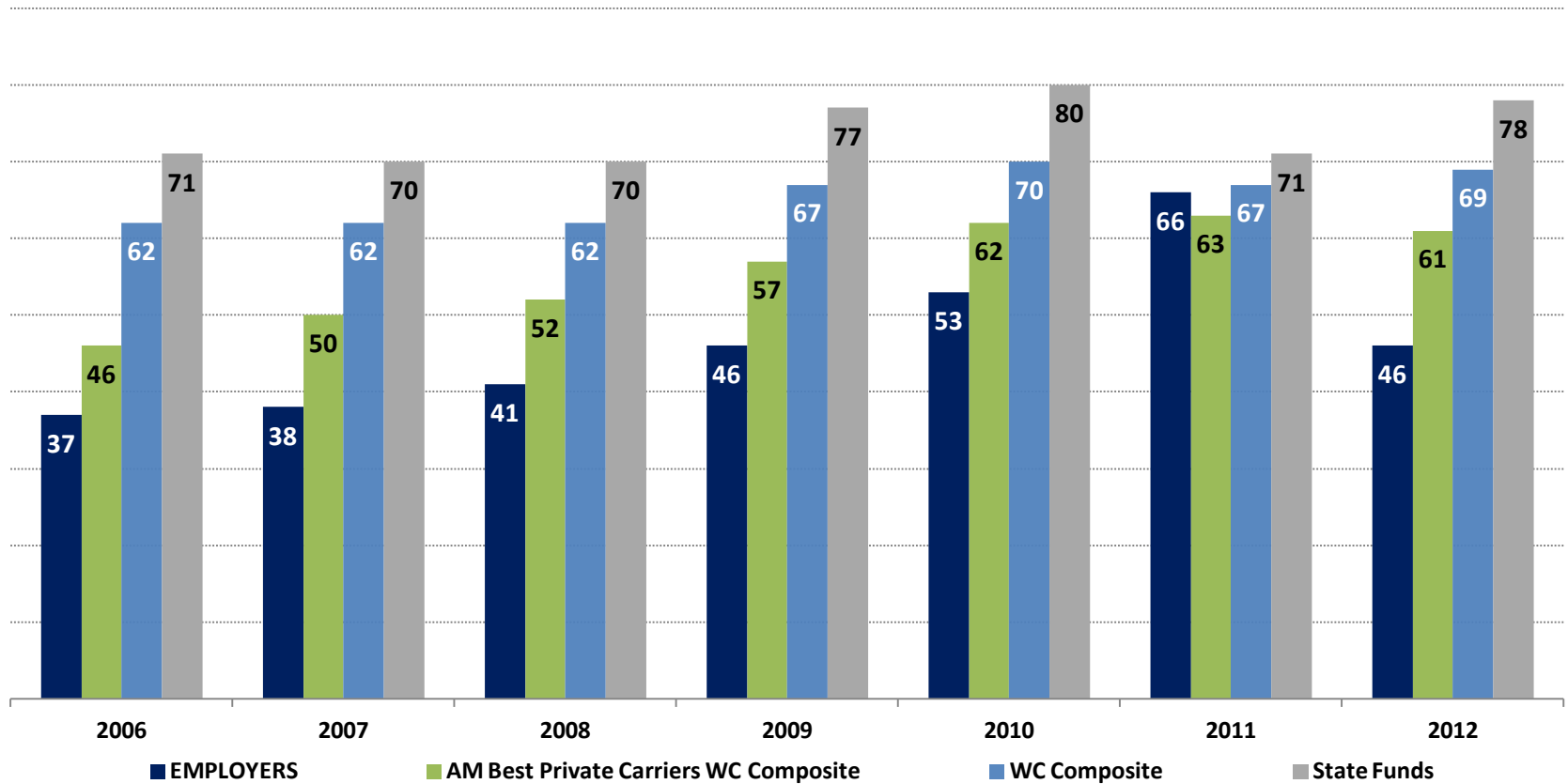
% of In-Force Premium by Hazard Group

Groups A - G, 12/31/2008 – 12/31/2012



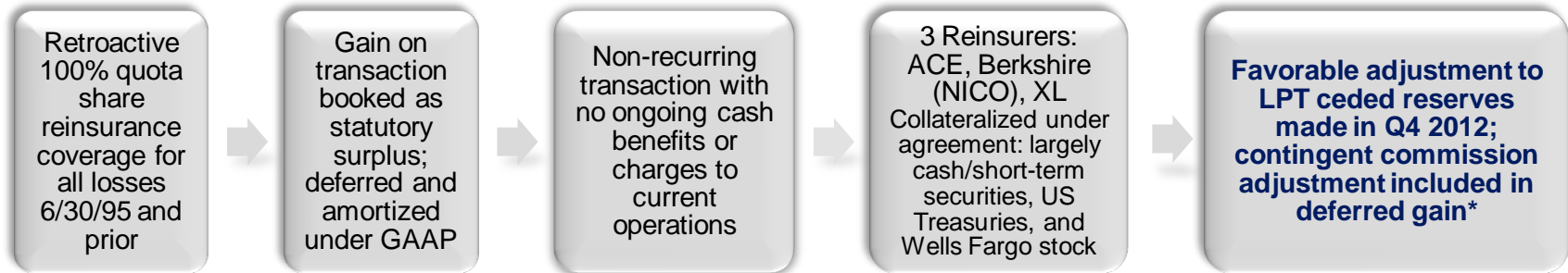
Statutory Loss Ratios

EMPLOYERS: Historically low loss ratios (%)



A.M. Best data, or derived from A.M. Best data

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 adjustments to the gain*	\$ (204)
Gain at 3/31/13	\$ 546

Accounting at 3/31/13	
	(\$ million)
Statutory Surplus Created	\$546
Cumulative Amortization To Date	(268.5)
GAAP: Deferred Reinsurance Gain – LPT Agreement	\$277.5

Claims 6/30/1995 and prior – approximately 3,028 claims open as of 3/31/13 with 4.5% closing each year

Remaining liabilities at 3/31/13: \$663.9 million

**Any adjustment to the estimated reserves ceded under the LPT Agreement or any adjustment to the contingent profit commission under the LPT Agreement results in cumulative adjustments to the Deferred Gain, which are also included in losses and LAE incurred in the consolidated statement of income and comprehensive income, such that the Deferred Gain reflects the balance that would have existed had the revised reserves and/or the revised contingent profit commission been recognized at the inception of the LPT Agreement.*

Selected Results

Income Statement (\$ million)	12 Months Ended December 31,	
	2011* (As Restated)	2012*
Gross written premium	418.5	580.3
Net written premium	410.0	569.7
Net earned premium	363.4	501.5
Net investment income	80.1	72.4
Net income	48.6	106.9
Net income before LPT	29.3	7.0
Balance Sheet (\$ million except per share data)	2011	2012
Total investments	1,950.7	2,149.5
Cash and cash equivalents	258.6	146.0
Total assets	3,482.3	3,511.3
Reserves for losses and LAE	2,272.4	2,231.5
Shareholders' equity	462.0	539.4
Equity including LPT deferred gain	827.9	820.4
Book value (equity plus LPT deferred gain) per share	25.09	26.66

- Includes adjustments to the LPT Agreement for favorable prior period development of ceded reserves (2012) and the LPT contingent profit commission (see Forms 8-K dated February 27, 2013 and Form 10-K for the period ending December 31, 2012)

Superior Claims Management

In-house medical management staff

- Coordinate care and manage medical costs

Comprehensive fraud program

- \$2.9 million savings in 2012

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Dedicated subrogation unit

- Recoveries over \$2.0 million in 2012

Pharmacy benefit management program

- \$3.4 million savings in 2012

Claims professionals average over a decade of experience

Filed Rate Changes: 06/01/12 thru 05/31/13

