



**EMPLOYERS<sup>®</sup>**

*America's small business insurance specialist.<sup>®</sup>*

NYSE: EIG  
INVESTOR PRESENTATION  
MARCH 2020

# Forward-Looking Statements

In this presentation, the Company and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations, and projections of, among other things, the Company's future performance, business growth, retention rates, loss costs, claim trends and the impact of key business initiatives, future technologies and planned investments. Certain of these statements may constitute "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and are often identified by words such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "target," "project," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," "likely," or "continue," or other comparable terminology and their negatives. The Company and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in the Company's future performance. Factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements include, among other things, those discussed or identified from time to time in the Company's public filings with the SEC, including the risks detailed in the Company's Quarterly Reports on Form 10-Q and the Company's Annual Reports on Form 10-K. Except as required by applicable securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## Filings with the U.S. Securities and Exchange Commission (the "SEC")

The Company's filings with the SEC and its quarterly investor presentations can be accessed through the "Investors" link on the Company's website, [www.employers.com](http://www.employers.com). The Company's filings with the SEC can also be accessed through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (EDGAR CIK No. 0001379041).

## Reconciliation of Non-GAAP Financial Measures to GAAP

Within this investor presentation we present various financial measures, some of which are "non-GAAP financial measures" as defined in Regulation G pursuant to Section 401 of the Sarbanes-Oxley Act of 2002. A description of these non-GAAP financial measures, as well as a reconciliation of such non-GAAP measures to our most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these non-GAAP measures are important to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. Management further believes that these measures are more relevant than comparable GAAP measures in evaluating our financial performance.

These measures should not be viewed as a substitute for those determined in accordance with GAAP. Reconciliation of these measures to their most comparable GAAP financial measures are included in the attachment to this presentation. They are also included in the earnings release Form 8-Ks filed with the Securities and Exchange Commission (SEC) and available in the "Investors" section of our website at [www.employers.com](http://www.employers.com).

| At a Glance                        |   |
|------------------------------------|---|
| Ticker                             | NYSE: EIG   |
| Headquarters                       | Reno, Nevada  |
| Stock Price*                       | \$42.96   |
| Common Shares Outstanding          | 31.4 Million  |
| Float                              | 30.5 Million  |
| Average Daily Volume*              | 130,000 shares  |
| Market Cap*                        | \$1.4 Billion   |
| Book Value per Share at 12/31/2019 | \$41.55**   |
| Analyst Coverage                   | Boenning & Scattergood<br>Dowling & Partners<br>JMP Securities<br>SunTrust Robinson<br>Humphrey<br>Buckingham<br>Research Group |

\* As of February 21, 2020

\*\* Including the Deferred Gain

# Overview

EMPLOYERS® is a mono-line writer of workers' compensation (WC) insurance focused on **low to medium hazard risk** small businesses.

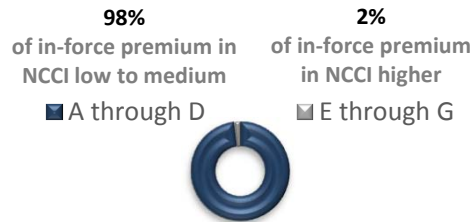
**\$697 Million**  
Gross Written Premium in 2019

**\$3.20** Adjusted EPS 2019  
**\$4.83** GAAP EPS 2019

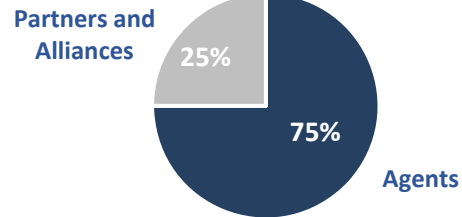
**98,684** in-force policies at 12/31/19  
**\$6,740** average policy size

## GROWTH and MARKETS

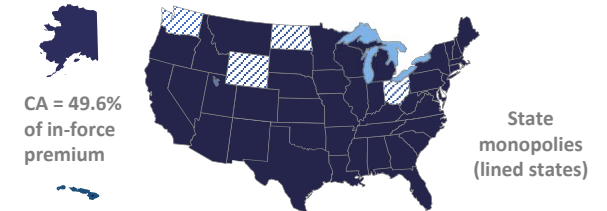
### Low Hazard Focus



### Premium Contribution



### Nationwide

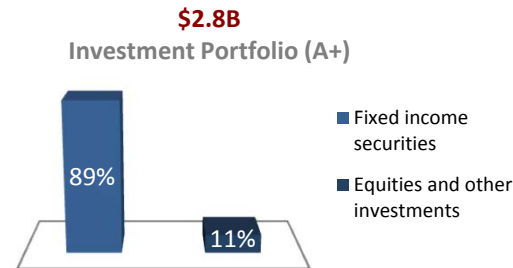


## CAPITAL STRENGTH

### Growing Statutory Surplus



### Investment Portfolio Complements Structure



### Shareholder Friendly While Focused on Long-term Stability

**\$627M** returned to shareholders since IPO in share repurchases and dividends

**Reinsurance**  
\$190 million in excess of \$10 million retention

# Highlights



## UNIQUE GROWTH DRIVERS SPECIFIC TO EMPLOYERS<sup>®</sup>

Transforming the way small businesses and insurance agents utilize digital capabilities to improve their customer experience:

(i) improving the agent experience and enhancing agent efficiency;

(ii) providing direct-to-customer workers' compensation insurance policies through Cerity, a subsidiary separate from EMPLOYERS' other insurance businesses.

# The Workers' Compensation Market...

## Background

Workers' compensation is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment.

Approximately 1,500 companies write workers' compensation in the U.S.

## Size

Approximately \$58 Billion in Direct Written Premium in 2018\*

## Trends

Industry wide Direct Written Premiums CAGR of approximately 1.5% over past 5 years

Loss Ratio declines each of last 5 years


# ...and Employers' Place in it!

| 2018 Rank            | Company                           | 2018 Direct Premiums Written (\$000) (TOTAL LINES) | 2018 Direct Premiums Written (\$000) (Workers' Comp.) | % in Workers' Compensation |  |
|----------------------|-----------------------------------|--|---|----------------------------|--|
| 1                    | Travelers                         | 26,244,172   | 4,280,547   | 16%                        |  |
| 2                    | The Hartford                      | 12,167,267   | 3,382,972   | 28%                        |  |
| 3                    | Berkshire Hathaway Inc.           | 43,869,809   | 2,750,360   | 6%                         |  |
| 4                    | Zurich                            | 12,412,211   | 2,694,390   | 22%                        |  |
| 5                    | AmTrust Financial                 | 5,915,668  | 2,635,106   | 45%                        |  |
| 6                    | Chubb                             | 22,125,338   | 2,479,397   | 11%                        |  |
| 7                    | Liberty Mutual                    | 34,605,081   | 2,473,669   | 7%                         |  |
| 8                    | State Ins Fund Workers' Comp (NY) | 2,256,138  | 2,256,138   | 100%                       | New York State Fund  |
| 9                    | AIG                               | 14,815,391   | 1,690,380   | 11%                        |  |
| 10                   | AF Group                          | 1,640,521  | 1,566,915   | 96%                        |  |
| 11                   | Old Republic Insurance            | 4,285,496  | 1,465,319   | 34%                        |  |
| 12                   | W. R. Berkley Corp.               | 5,930,760  | 1,360,656   | 23%                        |  |
| 13                   | State Compensation Ins Fund (CA)  | 1,338,989  | 1,338,989   | 100%                       | California State Fund  |
| 14                   | Great American Insurance          | 5,997,652  | 1,328,345   | 22%                        |  |
| 15                   | Texas Mutual Insurance Co.        | 1,097,244  | 1,097,244   | 100%                       | Texas State Fund   |
| 16                   | ICW                               | 1,021,169  | 958,240   | 94%                        |  |
| 17                   | Fairfax Financial                 | 6,060,748  | 928,499   | 15%                        |  |
| 18                   | CNA                               | 10,690,865   | 800,609   | 7%                         |  |
| <b>19 EMPLOYERS®</b> |                                   | <b>739,056</b>                                     | <b>739,056</b>  | <b>100%</b>                | 100% focused on Workers' Compensation Low-Medium Hazard Risk |
| 20                   | STARR Cos.                        | 2,728,912  | 649,470   | 24%                        |  |
| 21                   | Pinnacol Assurance                | 623,848  | 623,848   | 100%                       | Colorado State Fund  |
| 22                   | Arch Capital                      | 3,684,847  | 581,504   | 16%                        |  |
| 23                   | Markel                            | 5,255,185  | 530,230   | 10%                        |  |
| 24                   | NJM Insurance                     | 1,992,947  | 519,827   | 26%                        |  |
| 25                   | Everest Re                        | 2,004,332  | 512,191   | 26%                        |  |

# Market Conditions



**Markets are competitive with generally declining loss costs reflected in rates. Net investment income is challenged by low interest rates.**



**EMPLOYERS' new business submissions, quotes and binds are at all-time highs and retention remains very high.**

# Book Mix By Hazard Group

Workers' Compensation classifications that have relatively similar expected excess loss factors over a broad range of limits

98% in Hazard Groups A-D

Focus on Select Low to Medium Hazard Groups

Data shown as a % of in-force premium

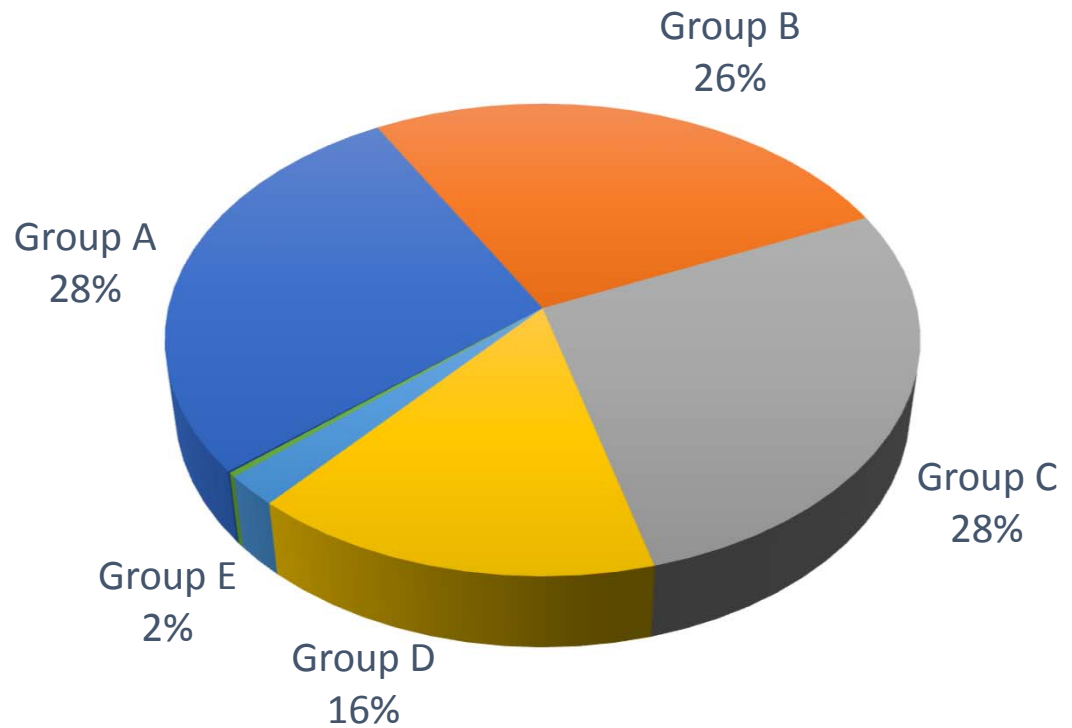
Lower Risk



Higher Risk

- Group A
- Group B
- Group C
- Group D
- Group E
- Group F
- Group G

December 31, 2019





# Employers' Target Market: Small Business / Lower Risk



## **EMPLOYERS<sup>®</sup>**

### **Top 10 types of insureds:**

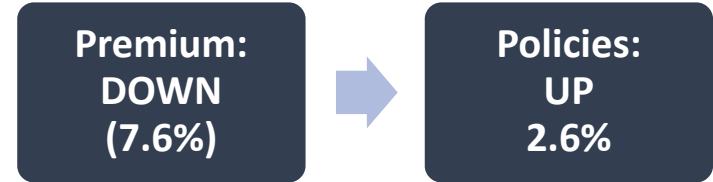
- Restaurants
- Hotels, Motels
- Clubs
- Automobile Service or Repair Shops
- Dentists, Optometrists, and Physicians
- Stores
- Real Estate Management
- Wholesale Stores
- Professional Services
- Groceries and Provisions

# In-Force Growth (YOY)

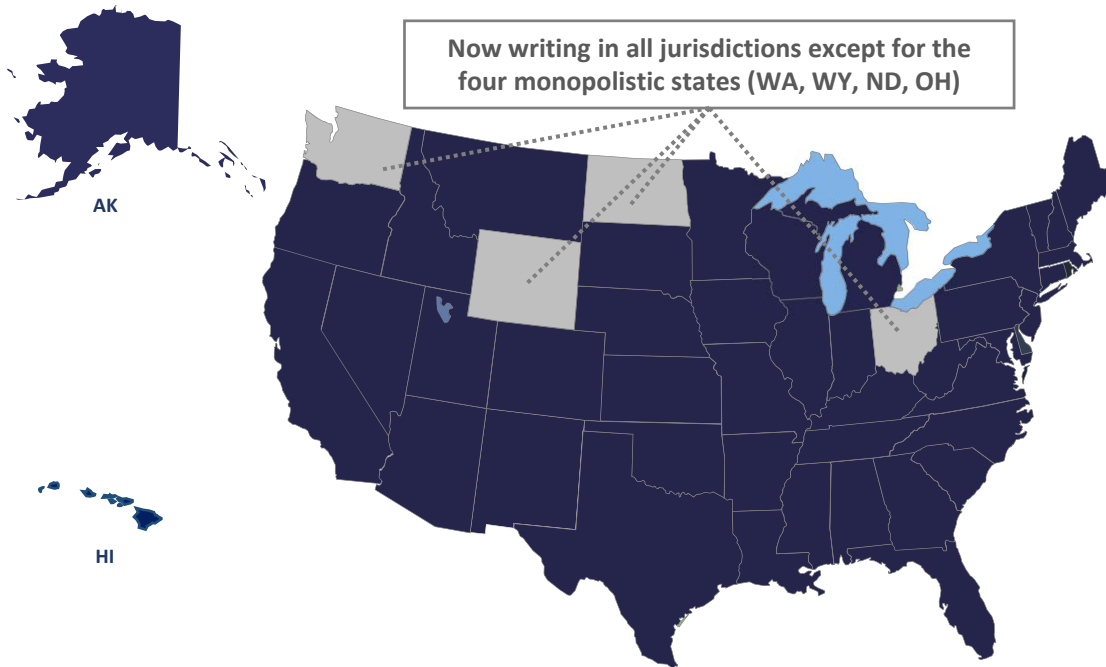
## OVERALL

- Premium **DOWN** 0.2%
- Policies **UP** 7.8%
- Average policy size **DOWN** 7.5%
- Payroll exposure **UP** 17.5%

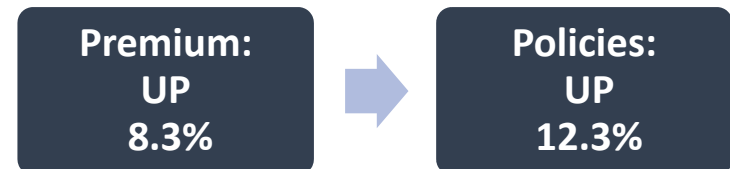
**CALIFORNIA**  
49.6%  
of total premium



Now writing in all jurisdictions except for the four monopolistic states (WA, WY, ND, OH)



**ALL OTHER STATES**  
50.4%  
of total premium

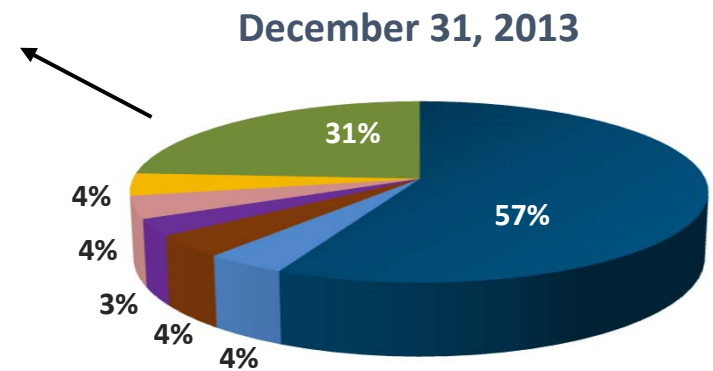
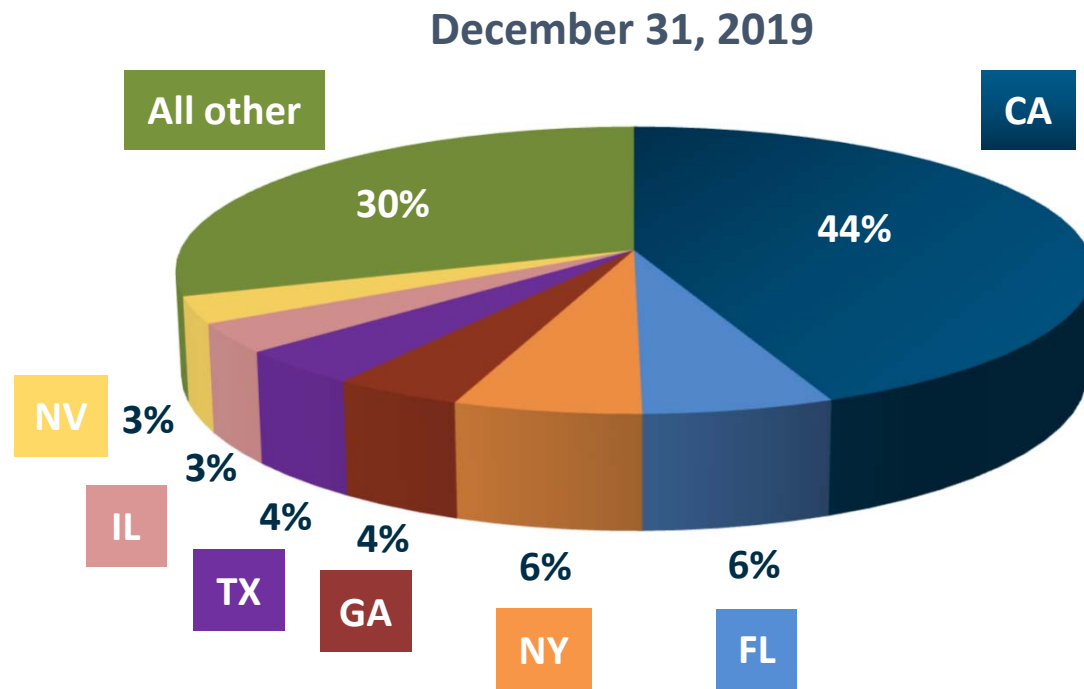


# Geographic Diversification

(by policies in-force)

## Continual diversification outside of CA

Now writing business throughout the United States  
(excluding four monopolistic states)

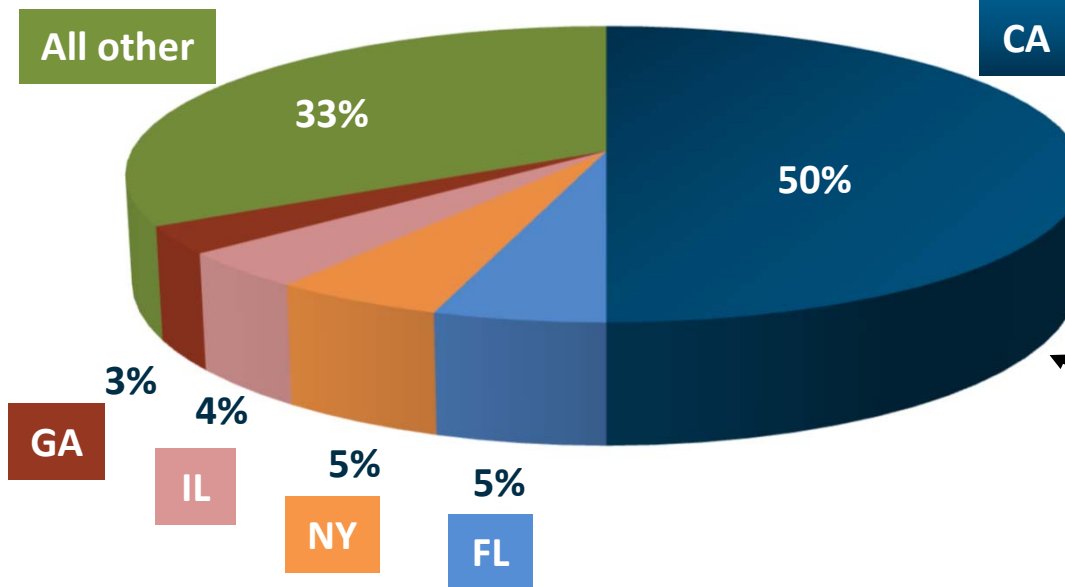


# Geographic Diversification (by in-force premium)

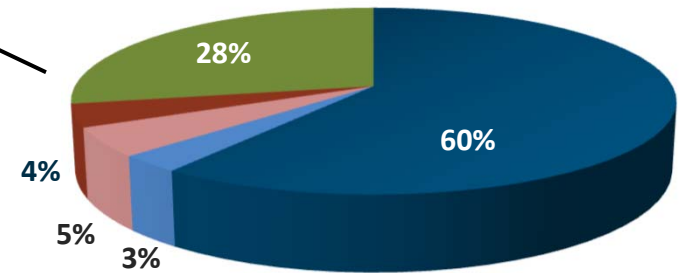
**Continual diversification  
outside of CA**

Now writing business throughout the United States  
(excluding four monopolistic states)

December 31, 2019



December 31, 2013



# History of Reserve Strength

## \$77.5 Million Favorable Reserve Development in 2019

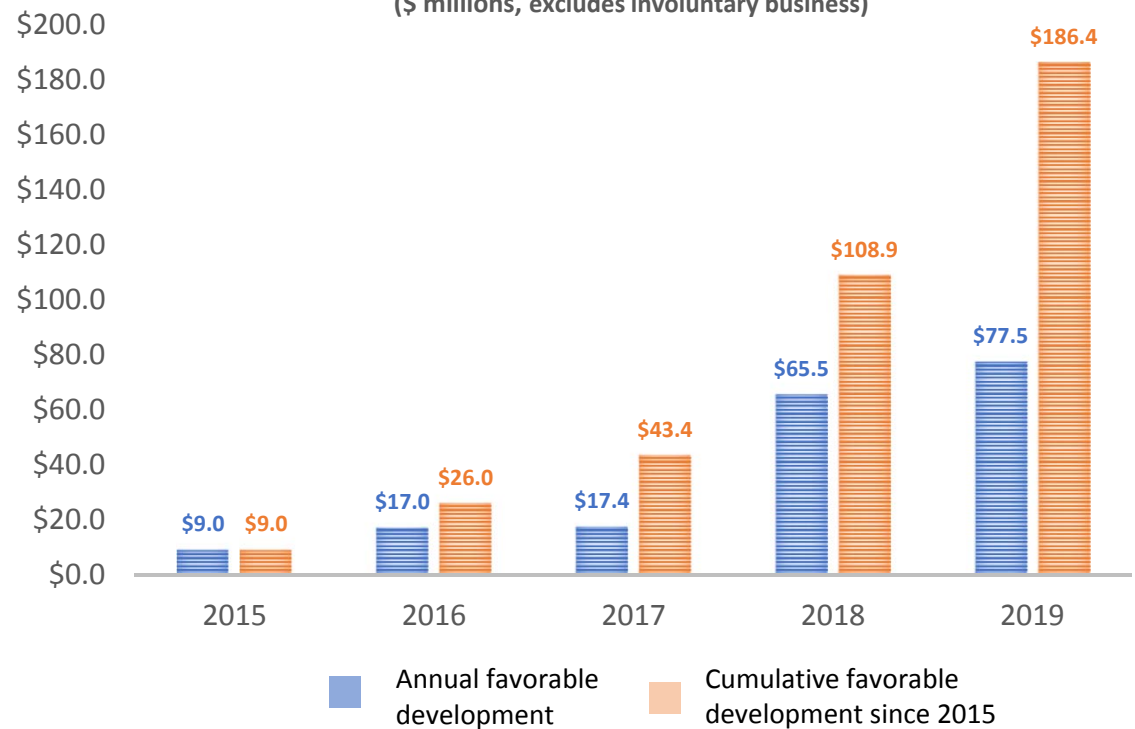
### Reserve Review

Reserves are reviewed internally each quarter

Management's best estimate is presented to the Audit Committee of the Board of Directors each quarter

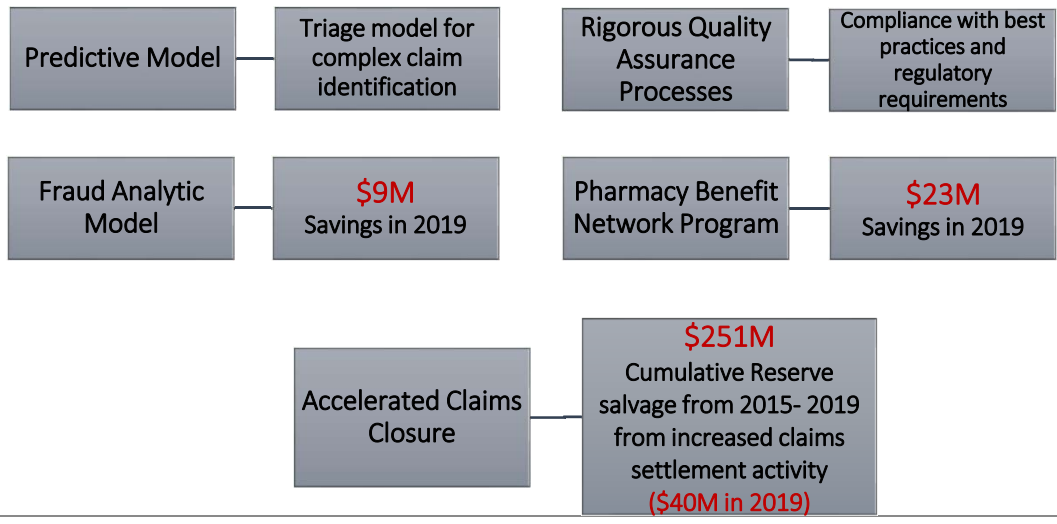
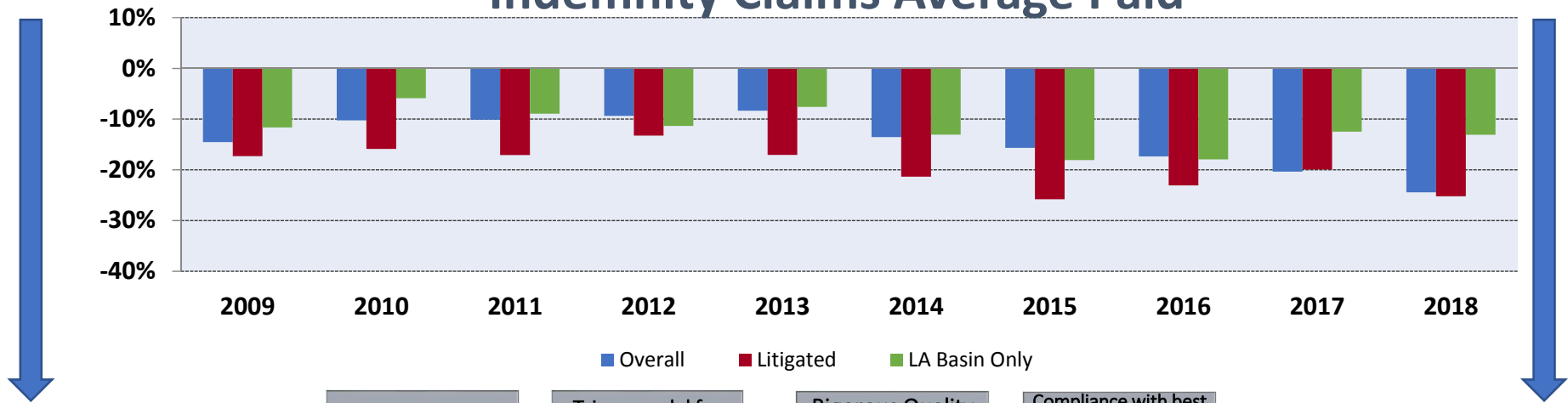
### Net Calendar Year Reserve Development in Recent Prior Accident Years

(\$ millions, excludes involuntary business)



# Superior Claims Handling

## CA - % Variance to Industry – Indemnity Claims Average Paid\*

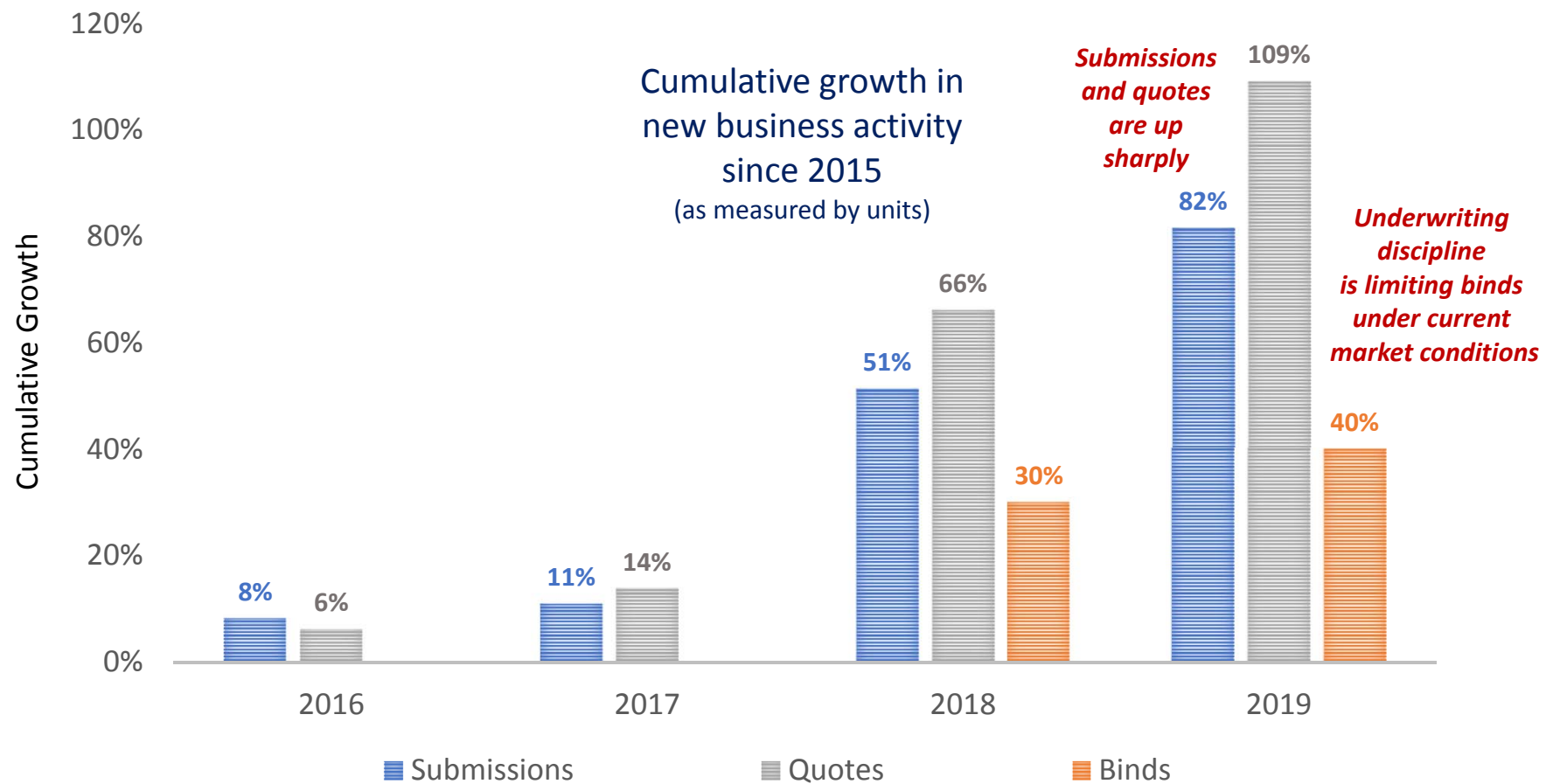




# BUSINESS FLOW AND EFFICIENCIES

# New Business Opportunities

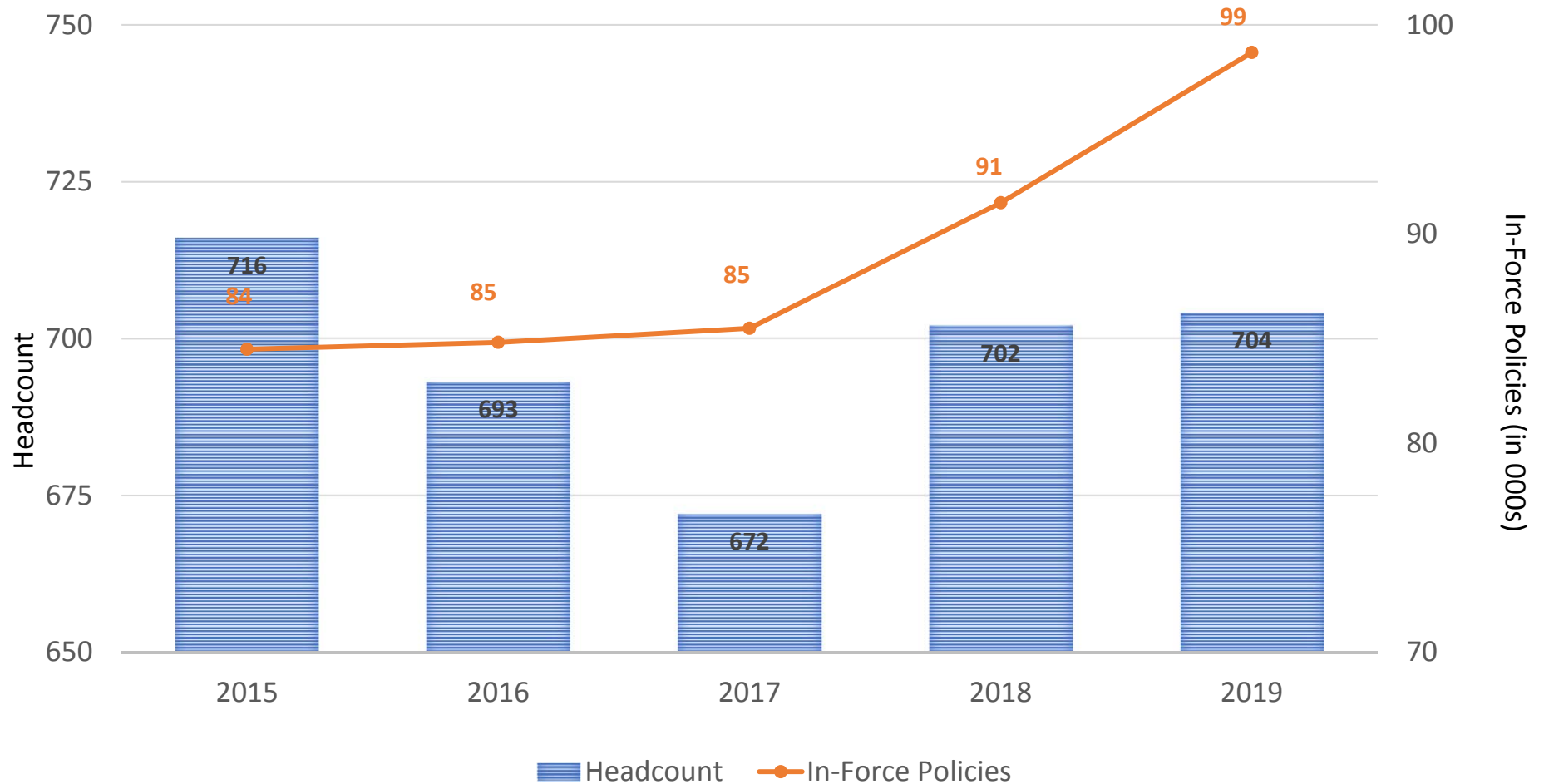
Our customer service initiatives are delivering strong new business opportunities but pricing pressures have limited binds as we maintain underwriting discipline.





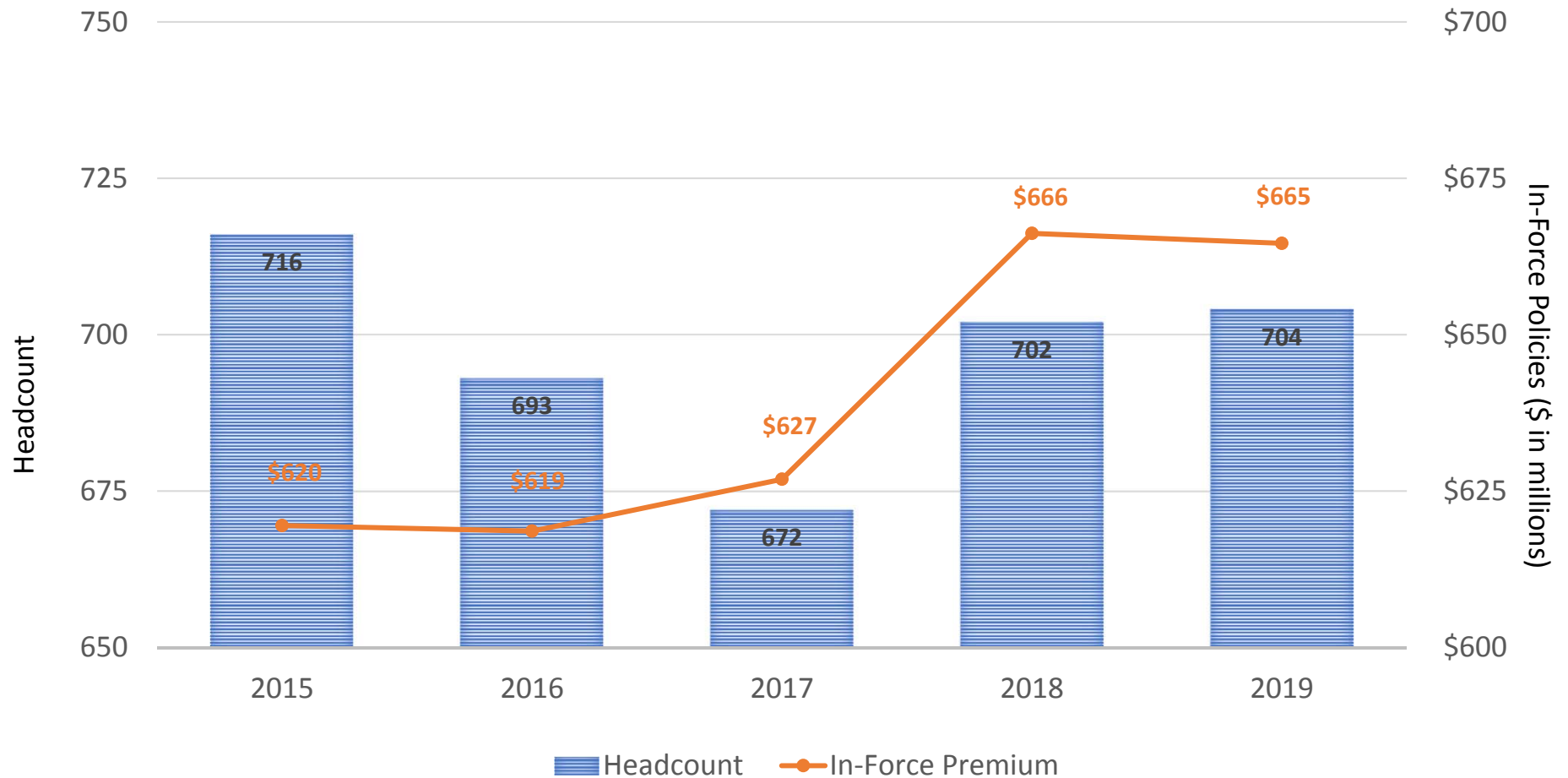
# Operating Efficiency

Our policy count per employee continues to rise and is at an all-time high.



# Operating Efficiency

Our premium per employee has risen in recent years and is near an all-time high.





Workers' comp  
insurance for small  
business



# What is Cerity?



- Headquartered in Austin, TX, Cerity is a digital, direct-to-customer company dedicated to providing small/micro businesses with workers' compensation insurance policies that meet their specific needs.
- Cerity's Mission: Reimagine the way small business owners purchase and maintain their workers' compensation insurance
- Cerity's Vision: Make protecting small business easy



# How is Certy Different?

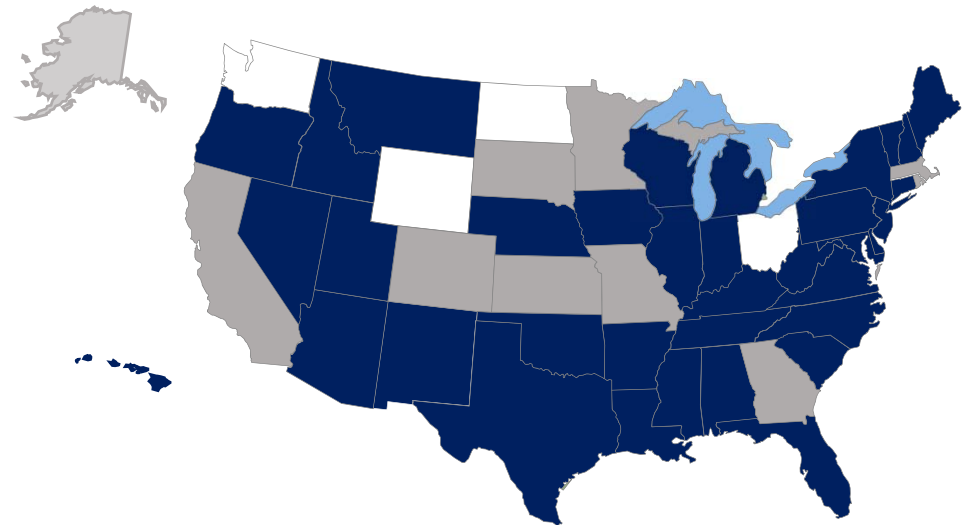


- Built from scratch with a focus exclusively on small business.
- Leverages modern technology and advanced data and analytics including a predictive model with up to 100 price points, making it fast and precise.
- Gives small businesses the ability to get a quote and purchase a policy ***in less than five minutes***.
- Enables small business owners to quote, purchase and maintain a policy from one organization.

# To Whom Will Certy Sell?



- Certy is currently open for business in 35 states and the District of Columbia, with the intention of expanding to all non-monopolistic markets.
- Certy currently covers the following businesses:
  - Food & beverage
  - Tech and Scientific services
  - Legal and Financial services
  - General retail
  - Educational services
  - Manufacturing
  - Personal and Therapeutic services
  - Clothing retail
  - Personal product retail
  - Medical professions
  - Architecture and Engineering services
  - Financial services
  - Office, Home and Garden
  - Certy plans to expand into other classes of business in the future



# Target Customer



- 76% of small business owners within Cerity's target market indicate they would like to purchase commercial insurance online, reinforcing our belief customer buying behaviors are changing and the market is ready for a simple, digital purchasing solution.
- There are nearly 30 million small businesses in the United States and Cerity believes this number will continue to grow.
- Cerity's focus is on low-hazard business with 25 or less employees.

How will the U.S. Small Business Owner buy workers' compensation over the next 5, 10, 20 years???





# FINANCIAL PERFORMANCE



# 2019 Highlights

## Pricing Discipline / Strong Bottom Line

- The Company's customer service initiatives are delivering strong new business opportunities, as evidenced by record levels of submissions, quotes and binds.
- Net income per diluted share of \$4.83, the highest reported result in the Company's history.
- Net income of \$157.1 million, the highest result since the Company's 2007 IPO.

## Expansion

### *Operations*

- The Company now offers insurance through the EMPLOYERS brand (its traditional business) as well as the Cerity brand (its digital insurance platform introduced in 2019 which offers direct-to-customer business).
- With the acquisition of Cerity Insurance Company in July 2019, the Company now operates through five multi-state insurance companies.
- Production per employee is at or near an all-time high.

### *Geographic*

- With the licensing of the states of Alaska and Hawaii, the Company now operates throughout the United States with the exception of four states that are served exclusively by their state funds.
- Through geographic U.S. expansion efforts, California business now represents less than 50% of the Company's in-force premium and policies for the first time since the Company's 2007 IPO.

## Solid Balance Sheet

- Total investments and cash at December 31, 2019 of greater than \$2.9 billion, the highest in the Company's history.
- Ending Shareholders' equity including the Deferred Gain of \$1.3 billion and Statutory surplus of \$1.0 billion, the highest in the Company's history.
- Common shares outstanding of 31.4 million at December 31, 2019, down 25.8 million shares since the Company's 2007 IPO.

# 2019 Highlights (YoY) continued

|  | NON-GAAP  | GAAP                                      |  |
|--|---|---|--|
| <i>DOWN</i><br>24%                           | <b>Adjusted Net Income</b><br>\$104.0 million                     | <b>Net Income</b><br>\$157.1 million      | <i>UP</i><br>11%                             |
| <i>DOWN</i><br>3.9<br><i>ppts</i>            | <b>Annualized Adjusted ROE</b><br>8.6%                            | <b>Annualized ROE</b><br>14.4%            | <i>Unchanged</i>                             |
| <i>UP</i><br>19.1% incl.<br><i>dividends</i> | <b>Book Value per Share</b><br>Including Deferred Gain<br>\$41.55 | <b>Book Value per Share</b><br>\$37.18    | <i>UP</i><br>22.5% incl.<br><i>dividends</i> |
| <i>UP</i><br>14%                             | <b>Net Income before the LPT</b><br>\$144.4 million               | <b>Effective Income Tax Rate</b><br>18.9% | <i>UP</i><br>2.3<br><i>ppts</i>              |

# Adjusted Net Income

| \$ In Millions                      | Years ended December 31, |                 |                |                |
|-------------------------------------|--------------------------|-----------------|----------------|----------------|
|                                     | 2019                     | 2018            | 2017           | 2016           |
| Net investment income               | \$ 88.1                  | \$ 81.2         | \$ 74.6        | \$ 73.2        |
| Underwriting result (CAY ex LPT)    | (35.9)                   | 21.6            | 39.0           | 23.7           |
| Underwriting result (PAY vol. dev.) | 77.5                     | 65.5            | 17.4           | 17.0           |
| Other operating items               | <u>0.3</u>               | <u>(0.1)</u>    | <u>(0.3)</u>   | <u>(0.6)</u>   |
| Adjusted income (pretax)            | 130.0                    | 168.2           | 130.7          | 113.3          |
| Income taxes                        | <u>(26.0)</u>            | <u>(31.4)</u>   | <u>(35.2)</u>  | <u>(30.3)</u>  |
| Adjusted net income                 | <u>\$ 104.0</u>          | <u>\$ 136.8</u> | <u>\$ 95.5</u> | <u>\$ 83.0</u> |

# Investment Portfolio

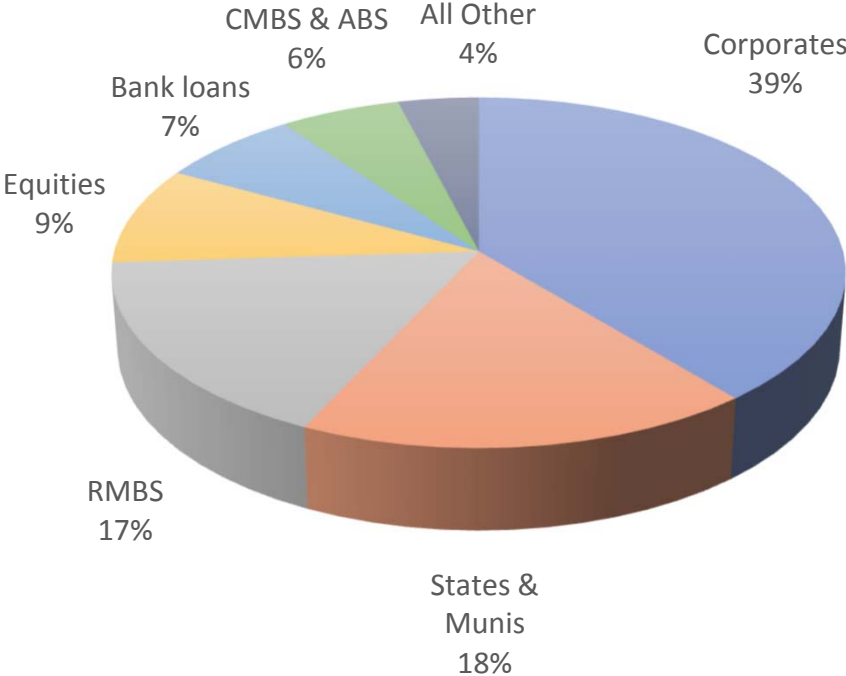
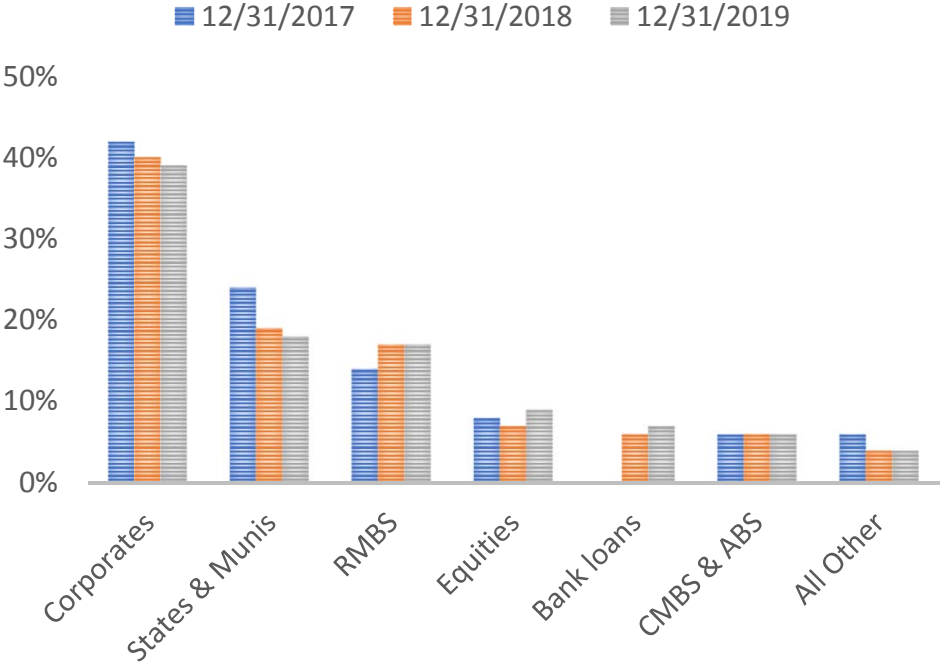
**\$2.8 billion fair market value (\$2.9 billion including cash)**

- High quality (average credit quality of A+)
- Highly liquid (\$1.6 billion is unencumbered and available within 3 business days)
- Duration of 3.3 years
- 2019 total investment return of 8.7%
- 3.3% average ending pre-tax book yield

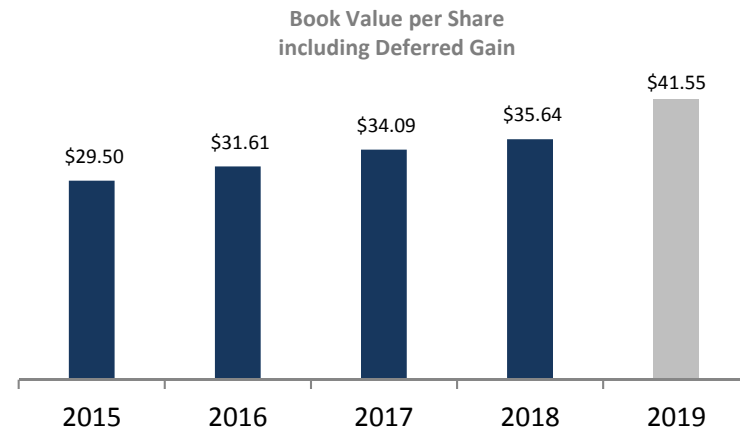
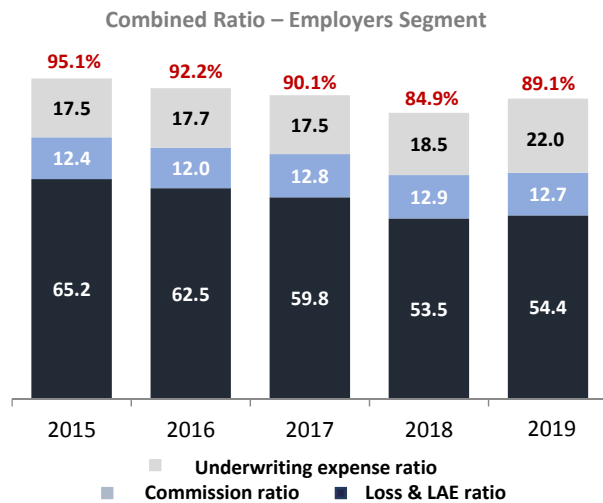
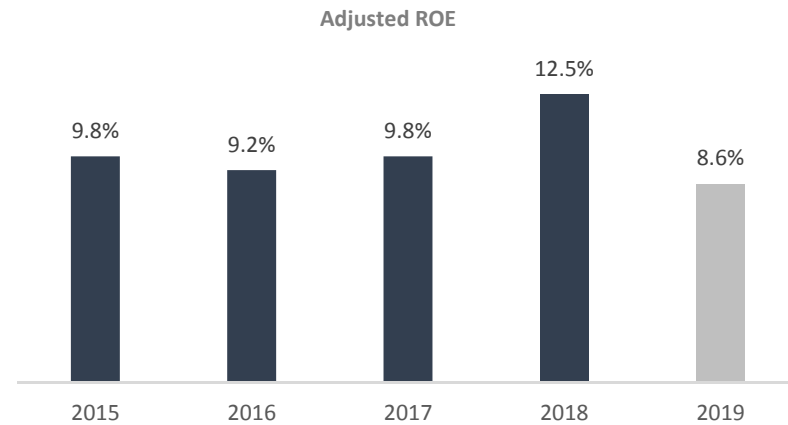
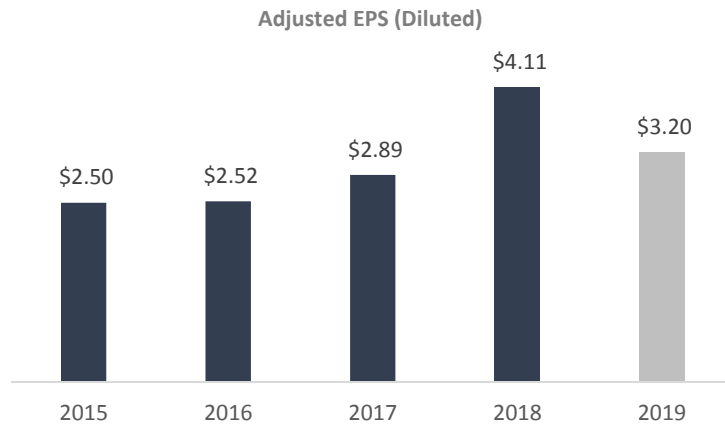
## Investment Portfolio Allocation

*Last Three Years*

*At 12/31/2019*



# Five-Year Performance



# The History of the LPT

In 1999, the Nevada State Industrial Insurance System (our predecessor) entered into a retroactive 100% quota share reinsurance agreement for all losses incurred 6/30/95 and prior through a loss portfolio transfer transaction with third party reinsurers (LPT Agreement).

Upon entry into the LPT Agreement, an initial deferred reinsurance gain (Deferred Gain) was recorded as a liability on our GAAP Balance Sheets which is being periodically amortized to income as a reduction to our losses and loss adjustment expenses.



## ***So What Does that Mean?***

Pursuant to the LPT Agreement, through 2024 we are entitled to receive a contingent profit commission which is based on both actual paid results to-date and projections of expected paid losses under the LPT Agreement.

The LPT Agreement is a non-recurring transaction that provides us with no significant ongoing cash benefits.

As a result of the LPT Agreement, within each of our non-GAAP measures we include the remaining Deferred Gain in our book value calculations and exclude the current period amortization of the Deferred Gain from our operating results and underwriting ratios.

# LPT Status

Retroactive 100% quota share reinsurance coverage for all losses 6/30/95 and prior



Gain booked as statutory surplus; deferred & amortized under GAAP



Non-recurring transaction  
No significant ongoing cash benefits



Gain includes ITD adjustments to LPT reserves and a contingent profit commission



Collateralized: largely cash/short-term securities, US Treasuries, and equities



Counterparties:  
**Chubb (ACE), Berkshire (NICO), XL Group**

**\$380M**  
remaining liabilities

**1,819**  
open claims

| THE LPT AGREEMENT   | (\$ million)  |
|---|---------------|
| Total coverage  | \$2,000       |
| Original reserves (liabilities) transferred                       | 1,525         |
| Consideration   | <u>775</u>    |
| Unamortized gain at 9/30/1999                                     | 750           |
| Subsequent LPT reserve adjustments                                | (348)         |
| Subsequent LPT contingent commission adjustments (profit sharing) | 69            |
| <i>Unamortized gain at 12/31/19</i>                               | <b>\$ 470</b> |
| Accounting at 12/31/19  |               |
| Statutory surplus created   | \$ 470        |
| Cumulative amortization to date                                   | (333)         |
| <b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>              | <b>\$ 137</b> |

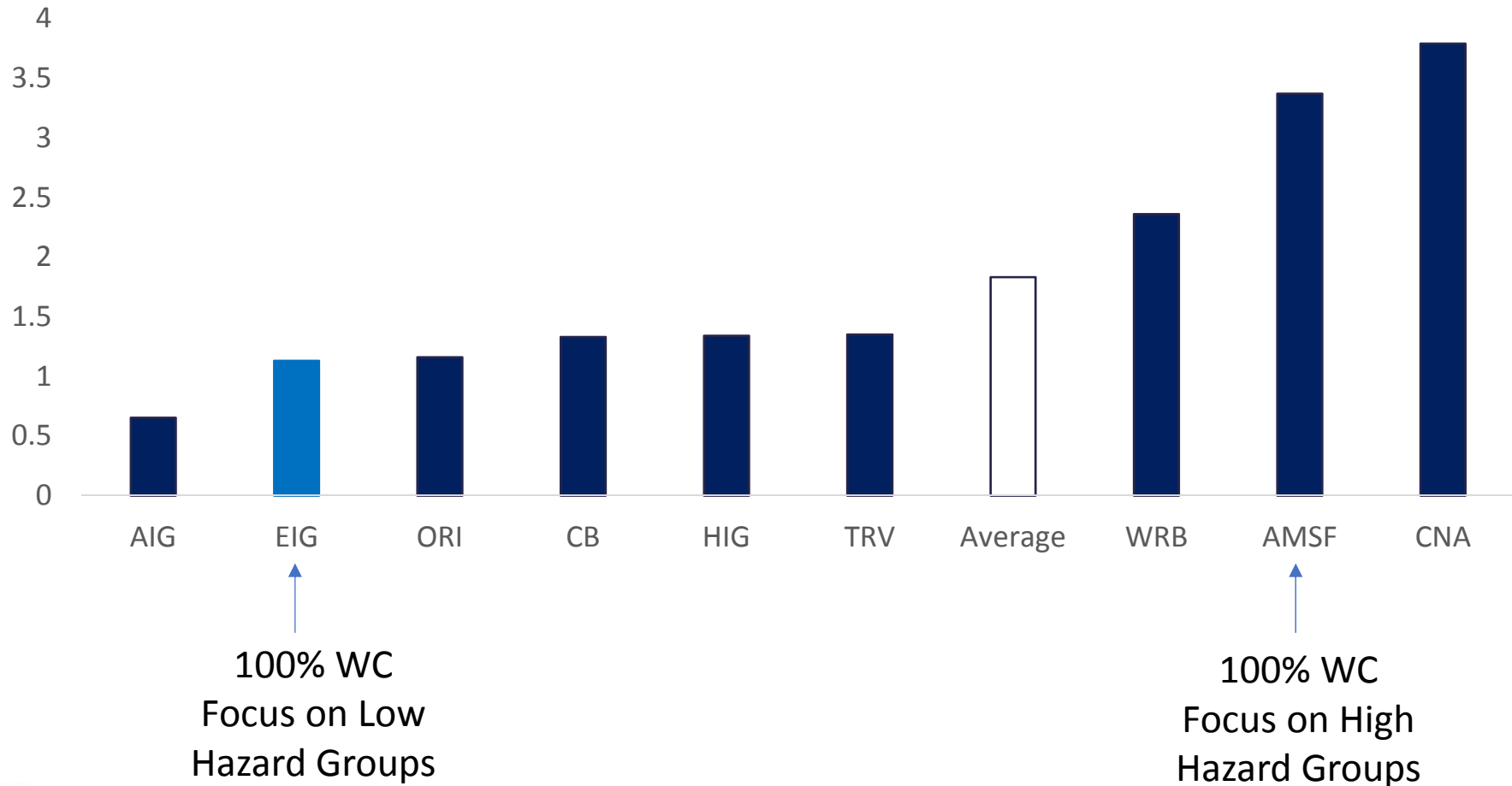
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement had all subsequent adjustments been known at that time.

# Valuation and Comparing Public Comps

Price to Book ratios as of 2/21/2020 for top 20 publicly-held workers' compensation writers

(EIG and AMSF are the only pure play publicly traded workers' compensation writers)

(based on 12/31/2019 GAAP book value)







America's small business insurance specialist.®

## Douglas D. Dirks

President and  
Chief Executive Officer

## Stephen V. Festa

Executive Vice President and  
Chief Operating Officer

## Michael Paquette

Executive Vice President and  
Chief Financial Officer

### About Employers Holdings, Inc.

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EMPLOYERS® and *America's small business insurance specialist*® are registered trademarks of EIG Services, Inc. Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low-to-medium hazard industries. The Company operates throughout the United States, with the exception of four states that are served exclusively by their state funds. Insurance is offered through Employers Insurance Company of Nevada, Employers Compensation Insurance Company, Employers Preferred Insurance Company, Employers Assurance Company and Cerity Insurance Company, all rated A- (Excellent) by the A.M. Best Company. Not all companies do business in all jurisdictions. See [www.employers.com](http://www.employers.com) and [www.cerity.com](http://www.cerity.com) for coverage availability.

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# APPENDIX

## Q4 AND YEAR-END 2019 FINANCIAL SUPPLEMENT

EIG  
LISTED  
NYSE

[www.employers.com](http://www.employers.com)

# EMPLOYERS HOLDINGS, INC.

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**EMPLOYERS HOLDINGS, INC.**  
**Consolidated Financial Highlights (unaudited)**  
**\$ in millions, except per share amounts**

|  | <u>Three Months Ended</u><br><u>December 31,</u> |             |                 | <u>Years Ended</u><br><u>December 31,</u> |             |                 |
|--|--|-------------|-----------------|---|-------------|-----------------|
|  | <u>2019</u>                                      | <u>2018</u> | <u>% change</u> | <u>2019</u>                               | <u>2018</u> | <u>% change</u> |
| <b><i>Selected financial highlights:</i></b>                       |  |             |                 |   |             |                 |
| Gross premiums written   | \$ 143.8   | \$ 161.7    | (11)%           | \$ 696.9                                  | \$ 748.9    | (7)%            |
| Net premiums written   | 142.4  | 160.4       | (11)            | 691.5                                     | 742.8       | (7)             |
| Net premiums earned  | 169.7  | 183.6       | (8)             | 695.8                                     | 731.1       | (5)             |
| Net investment income  | 22.6   | 21.3        | 6               | 88.1                                      | 81.2        | 8               |
| Net income before impact of the LPT <sup>(1)</sup>                 | 29.6   | 23.1        | 28              | 144.4                                     | 126.7       | 14              |
| Adjusted net income <sup>(1)</sup>                                 | 15.5   | 43.6        | (64)            | 104.0                                     | 136.8       | (24)            |
| Net income before income taxes                                     | 41.4   | 30.5        | 36              | 193.8                                     | 169.5       | 14              |
| Net income   | 31.8   | 25.6        | 24              | 157.1                                     | 141.3       | 11              |
| Comprehensive income   | 29.0   | 34.4        | (16)            | 236.1                                     | 94.2        | 151             |
| Total assets   |  |             |                 | 4,004.1                                   | 3,919.2     | 2               |
| Stockholders' equity   |  |             |                 | 1,165.8                                   | 1,018.2     | 14              |
| Stockholders' equity including the Deferred Gain <sup>(2)</sup>    |  |             |                 | 1,302.9                                   | 1,167.8     | 12              |
| Adjusted stockholders' equity <sup>(2)</sup>                       |  |             |                 | 1,237.6                                   | 1,181.5     | 5               |
| Annualized adjusted return on stockholders' equity <sup>(3)</sup>  | 5.0%   | 14.9%       | (66)%           | 8.6%                                      | 12.5%       | (31)            |
| <b><i>Amounts per share:</i></b>                                   |  |             |                 |   |             |                 |
| Cash dividends declared per share                                  | \$ 0.22  | \$ 0.20     | 10 %            | \$ 0.88                                   | \$ 0.80     | 10 %            |
| Earnings per diluted share <sup>(4)</sup>                          | 0.99   | 0.77        | 29              | 4.83                                      | 4.24        | 14              |
| Earnings per diluted share before impact of the LPT <sup>(4)</sup> | 0.92   | 0.69        | 33              | 4.44                                      | 3.80        | 17              |
| Adjusted earnings per diluted share <sup>(4)</sup>                 | 0.48   | 1.31        | (63)            | 3.20                                      | 4.11        | (22)            |
| Book value per share <sup>(2)</sup>                                |  |             |                 | 37.18                                     | 31.08       | 20              |
| Book value per share including the Deferred Gain <sup>(2)</sup>    |  |             |                 | 41.55                                     | 35.64       | 17              |
| Adjusted book value per share <sup>(2)</sup>                       |  |             |                 | 39.47                                     | 36.06       | 9               |
| <b><i>Financial information by Segment<sup>(5)</sup>:</i></b>      |  |             |                 |   |             |                 |
| Net income (loss) before income taxes:                             |  |             |                 |   |             |                 |
| Employers  | \$ 46.9  | \$ 35.5     | 32 %            | \$ 208.0                                  | \$ 174.8    | 19 %            |
| Cerity   | (4.2)  | (2.0)       | (110)           | (15.6)                                    | (5.7)       | (174)           |
| Corporate and Other  | (1.3)  | (3.0)       | 57              | 1.4                                       | 0.4         | 250             |

(1) See Page 5 for calculations and Page 15 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 13 for calculations and Page 15 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 10 for calculations and Page 15 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 14 for calculations and Page 15 for information regarding our use of Non-GAAP Financial Measures.

(5) See Pages 6-9 for details and Page 16 for a description of our reportable segments.

**EMPLOYERS HOLDINGS, INC.**  
**Summary Consolidated Balance Sheets (unaudited)**  
**\$ in millions, except per share amounts**

|  | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--|------------------------------|------------------------------|
| <b>ASSETS</b>  |                              |                              |
| Investments, cash and cash equivalents                                 | \$ 2,933.6                   | \$ 2,829.7                   |
| Accrued investment income  | 16.4                         | 18.0                         |
| Premiums receivable, net   | 285.7                        | 333.1                        |
| Reinsurance recoverable on paid and unpaid losses                      | 539.7                        | 511.1                        |
| Deferred policy acquisition costs                                      | 47.9                         | 48.2                         |
| Deferred income taxes, net   | —                            | 26.9                         |
| Contingent commission receivable—LPT Agreement                         | 13.2                         | 32.0                         |
| Other assets   | 167.6                        | 120.2                        |
| <b>Total assets</b>  | <b>\$ 4,004.1</b>            | <b>\$ 3,919.2</b>            |
| <b>LIABILITIES</b>   |                              |                              |
| Unpaid losses and LAE  | \$ 2,192.8                   | \$ 2,207.9                   |
| Unearned premiums  | 337.1                        | 336.3                        |
| Commissions and premium taxes payable                                  | 48.6                         | 57.3                         |
| Deferred Gain  | 137.1                        | 149.6                        |
| Notes payable  | —                            | 20.0                         |
| Other liabilities  | 122.7                        | 129.9                        |
| <b>Total liabilities</b>   | <b>\$ 2,838.3</b>            | <b>\$ 2,901.0</b>            |
| <b>STOCKHOLDERS' EQUITY</b>  |                              |                              |
| Common stock and additional paid-in capital                            | \$ 397.0                     | \$ 389.4                     |
| Retained earnings  | 1,158.8                      | 1,030.7                      |
| Accumulated other comprehensive income (loss), net                     | 65.3                         | (13.7)                       |
| Treasury stock, at cost  | (455.3)                      | (388.2)                      |
| <b>Total stockholders' equity</b>                                      | <b>1,165.8</b>               | <b>1,018.2</b>               |
| <b>Total liabilities and stockholders' equity</b>                      | <b>\$ 4,004.1</b>            | <b>\$ 3,919.2</b>            |
| <b>Stockholders' equity including the Deferred Gain <sup>(1)</sup></b> | <b>\$ 1,302.9</b>            | <b>\$ 1,167.8</b>            |
| <b>Adjusted stockholders' equity <sup>(1)</sup></b>                    | <b>1,237.6</b>               | <b>1,181.5</b>               |
| <b>Book value per share <sup>(1)</sup></b>                             | <b>\$ 37.18</b>              | <b>\$ 31.08</b>              |
| <b>Book value per share including the Deferred Gain <sup>(1)</sup></b> | <b>41.55</b>                 | <b>35.64</b>                 |
| <b>Adjusted book value per share <sup>(1)</sup></b>                    | <b>39.47</b>                 | <b>36.06</b>                 |

(1) See Page 13 for calculations and Page 15 for information regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Summary Consolidated Income Statements (unaudited)**  
**\$ in millions**

|   | <b>Three Months Ended<br/>December 31,</b> |                | <b>Years Ended<br/>December 31,</b> |                 |
|---|--|----------------|-------------------------------------|-----------------|
|   | <b>2019</b>                                | <b>2018</b>    | <b>2019</b>                         | <b>2018</b>     |
| <b>Revenues:</b>  |  |                |                                     |                 |
| Net premiums earned   | \$ 169.7                                   | \$ 183.6       | \$ 695.8                            | \$ 731.1        |
| Net investment income   | 22.6                                       | 21.3           | 88.1                                | 81.2            |
| Net realized and unrealized gains (losses) on investments <sup>(1)</sup>  | 17.8                                       | (26.4)         | 51.1                                | (13.1)          |
| Other income  | 0.2  | 0.9            | 0.9                                 | 1.2             |
| <b>Total revenues</b>   | <b>210.3</b>                               | <b>179.4</b>   | <b>835.9</b>                        | <b>800.4</b>    |
| <b>Expenses:</b>  |  |                |                                     |                 |
| Losses and LAE incurred   | (97.6)                                     | (86.9)         | (365.9)                             | (376.7)         |
| Commission expense  | (20.4)                                     | (21.2)         | (88.1)                              | (94.2)          |
| Underwriting and general and administrative expenses  | (50.9)                                     | (40.4)         | (187.5)                             | (158.5)         |
| Interest and financing expenses   | —  | (0.4)          | (0.6)                               | (1.5)           |
| <b>Total expenses</b>   | <b>(168.9)</b>                             | <b>(148.9)</b> | <b>(642.1)</b>                      | <b>(630.9)</b>  |
| Net income before income taxes  | 41.4                                       | 30.5           | 193.8                               | 169.5           |
| Income tax expense  | (9.6)                                      | (4.9)          | (36.7)                              | (28.2)          |
| <b>Net income</b>   | <b>31.8</b>                                | <b>25.6</b>    | <b>157.1</b>                        | <b>141.3</b>    |
| Unrealized AFS investment (losses) gains arising during the period, net of tax <sup>(2)</sup>                   | (2.0)                                      | 7.8            | 82.1                                | (48.5)          |
| Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax <sup>(2)</sup> | (0.8)                                      | 1.0            | (3.1)                               | 1.4             |
| <b>Total Comprehensive income</b>   | <b>\$ 29.0</b>                             | <b>\$ 34.4</b> | <b>\$ 236.1</b>                     | <b>\$ 94.2</b>  |
| Net income  | \$ 31.8                                    | \$ 25.6        | \$ 157.1                            | \$ 141.3        |
| Amortization of the Deferred Gain - losses  | (1.8)                                      | (2.1)          | (8.9)                               | (9.9)           |
| Amortization of the Deferred Gain - contingent commission   | (0.4)                                      | (0.4)          | (1.8)                               | (2.0)           |
| LPT reserve adjustment  | —  | —              | (1.8)                               | (2.2)           |
| LPT contingent commission adjustments   | —  | —              | (0.2)                               | (0.5)           |
| <b>Net income before impact of the LPT Agreement<sup>(3)</sup></b>  | <b>\$ 29.6</b>                             | <b>\$ 23.1</b> | <b>\$ 144.4</b>                     | <b>\$ 126.7</b> |
| Net realized and unrealized (gains) losses on investments   | (17.8)                                     | 26.4           | (51.1)                              | 13.1            |
| Amortization of intangibles   | —  | —              | —                                   | 0.2             |
| Income tax expense (benefit) related to items excluded from Net income  | 3.7  | (5.5)          | 10.7                                | (2.8)           |
| Net impact of Federal tax reform  | —  | (0.4)          | —                                   | (0.4)           |
| <b>Adjusted net income<sup>(1)</sup></b>  | <b>\$ 15.5</b>                             | <b>\$ 43.6</b> | <b>\$ 104.0</b>                     | <b>\$ 136.8</b> |

(1) Includes \$16.3 million and \$(27.4) million for the three months ended December 31 2019 and 2018, respectively, and \$33.8 million and \$(25.6) million of unrealized gains and losses on equity securities and other invested assets for the year ended December 31, 2019 and 2018, respectively.

(2) AFS = Available for Sale securities

(3) See Page 15 regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment<sup>(1)</sup> (unaudited)**  
**\$ in millions**

|  | <u>Employers</u>       | <u>Cerity</u>    | <u>Corporate<br/>and Other</u> | <u>Consolidated</u> |
|--|------------------------|------------------|--------------------------------|---------------------|
| <b>Year Ended December 31, 2019</b>              | (in millions)          |                  |                                |                     |
| Gross premiums written                           | \$ 696.8               | \$ 0.1           | \$ —                           | \$ 696.9            |
| Net premiums written                             | 691.4                  | 0.1              | —                              | 691.5               |
| Net premiums earned                              | <b>A</b> 695.8         | —                | —                              | 695.8               |
| Net investment income                            | 84.1                   | 0.3              | 3.7                            | 88.1                |
| Net realized and unrealized gains on investments | 47.7                   | 0.1              | 3.3                            | 51.1                |
| Other income                                     | 0.9                    | —                | —                              | 0.9                 |
| Total revenues                                   | <u>828.5</u>           | <u>0.4</u>       | <u>7.0</u>                     | <u>835.9</u>        |
| Losses and LAE incurred                          | <b>B</b> (378.6)       | —                | 12.7                           | (365.9)             |
| Commission expense                               | <b>C</b> (88.1)        | —                | —                              | (88.1)              |
| Underwriting expenses                            | <b>D</b> (153.2)       | (16.0)           | —                              | (169.2)             |
| General and administrative expenses              | —                      | —                | (18.3)                         | (18.3)              |
| Interest and financing expenses                  | (0.6)                  | —                | —                              | (0.6)               |
| Total expenses                                   | <u>(620.5)</u>         | <u>(16.0)</u>    | <u>(5.6)</u>                   | <u>(642.1)</u>      |
| <b>Net income (loss) before income taxes</b>     | <u>\$ 208.0</u>        | <u>\$ (15.6)</u> | <u>\$ 1.4</u>                  | <u>\$ 193.8</u>     |
| <b>Underwriting income (loss)</b>                | <b>A+B+C+D</b> \$ 75.9 | \$ (16.0)        |                                |                     |
| Loss and LAE expense ratio:                      |                        |                  |                                |                     |
| Current year                                     | 65.6%                  | n/m              |                                |                     |
| Prior years                                      | <u>(11.2)</u>          | <u>—</u>         |                                |                     |
| Loss and LAE ratio                               | 54.4                   | n/m              |                                |                     |
| Commission expense ratio                         | 12.7                   | n/m              |                                |                     |
| Underwriting expense ratio                       | <u>22.0</u>            | <u>n/m</u>       |                                |                     |
| <b>Combined ratio</b>                            | <u>89.1%</u>           | <u>n/m</u>       |                                |                     |

n/m - not meaningful

(1) See Page 16 for a description of our reportable segments.

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment<sup>(1)</sup> (unaudited)**  
**\$ in millions**

|   | <u>Employers</u>        | <u>Cerity</u>   | <u>Corporate<br/>and Other</u> | <u>Consolidated</u> |
|---|-------------------------|-----------------|--------------------------------|---------------------|
| <b>Year Ended December 31, 2018</b>                       | (in millions)           |                 |                                |                     |
| Gross premiums written                                    | \$ 748.9                | \$ —            | \$ —                           | \$ 748.9            |
| Net premiums written                                      | 742.8                   | —               | —                              | 742.8               |
| Net premiums earned                                       | <b>A</b> 731.1          | —               | —                              | 731.1               |
| Net investment income                                     | 78.6                    | —               | 2.6                            | 81.2                |
| Net realized and unrealized (losses) gains on investments | (13.9)                  | —               | 0.8                            | (13.1)              |
| Other income  | 1.0                     | 0.2             | —                              | 1.2                 |
| Total revenues  | <u>796.8</u>            | <u>0.2</u>      | <u>3.4</u>                     | <u>800.4</u>        |
| Losses and LAE incurred                                   | <b>B</b> (391.3)        | —               | 14.6                           | (376.7)             |
| Commission expense  | <b>C</b> (94.2)         | —               | —                              | (94.2)              |
| Underwriting expenses                                     | <b>D</b> (135.0)        | (5.9)           | —                              | (140.9)             |
| General and administrative expenses                       | —                       | —               | (17.6)                         | (17.6)              |
| Interest and financing expenses                           | (1.5)                   | —               | —                              | (1.5)               |
| Total expenses  | <u>(622.0)</u>          | <u>(5.9)</u>    | <u>(3.0)</u>                   | <u>(630.9)</u>      |
| <b>Net income (loss) before income taxes</b>              | <u>\$ 174.8</u>         | <u>\$ (5.7)</u> | <u>\$ 0.4</u>                  | <u>\$ 169.5</u>     |
| <b>Underwriting income (loss)</b>                         | <b>A+B+C+D</b> \$ 110.6 | \$ (5.9)        |                                |                     |
| Loss and LAE expense ratio:                               |                         |                 |                                |                     |
| Current year  | 62.6%                   | n/m             |                                |                     |
| Prior years   | <u>(9.1)</u>            | <u>—</u>        |                                |                     |
| Loss and LAE ratio  | 53.5                    | n/m             |                                |                     |
| Commission expense ratio                                  | 12.9                    | n/m             |                                |                     |
| Underwriting expense ratio                                | <u>18.5</u>             | <u>n/m</u>      |                                |                     |
| <b>Combined ratio</b>                                     | <u>84.9%</u>            | <u>n/m</u>      |                                |                     |

n/m - not meaningful

(1) See Page 16 for a description of our reportable segments.



**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment<sup>(1)</sup> (unaudited)**  
**\$ in millions**

|  | <u>Employers</u>      | <u>Cerity</u>     | <u>Corporate<br/>and Other</u> | <u>Consolidated</u> |
|--|-----------------------|-------------------|--------------------------------|---------------------|
| <b>Three Months Ended December 31, 2019</b>      |                       |                   |                                |                     |
|  | (in millions)         |                   |                                |                     |
| Gross premiums written                           | \$ 143.8              | \$ —              | \$ —                           | \$ 143.8            |
| Net premiums written                             | 142.4                 | —                 | —                              | 142.4               |
| Net premiums earned                              | <b>A</b> 169.7        | —                 | —                              | 169.7               |
| Net investment income                            | 21.8                  | 0.1               | 0.7                            | 22.6                |
| Net realized and unrealized gains on investments | 17.4                  | —                 | 0.4                            | 17.8                |
| Other income                                     | 0.1                   | —                 | 0.1                            | 0.2                 |
| Total revenues                                   | <u>209.0</u>          | <u>0.1</u>        | <u>1.2</u>                     | <u>210.3</u>        |
| Losses and LAE incurred                          | <b>B</b> (99.9)       | —                 | 2.3                            | (97.6)              |
| Commission expense                               | <b>C</b> (20.4)       | —                 | —                              | (20.4)              |
| Underwriting expenses                            | <b>D</b> (41.8)       | (4.3)             | —                              | (46.1)              |
| General and administrative expenses              | —                     | —                 | (4.8)                          | (4.8)               |
| Total expenses                                   | <u>(162.1)</u>        | <u>(4.3)</u>      | <u>(2.5)</u>                   | <u>(168.9)</u>      |
| <b>Net income (loss) before income taxes</b>     | <b>\$ 46.9</b>        | <b>\$ (4.2)</b>   | <b>\$ (1.3)</b>                | <b>\$ 41.4</b>      |
| <b>Underwriting income (loss)</b>                | <b>A+B+C+D</b> \$ 7.6 | <b>\$ (4.3)</b>   |                                |                     |
| Loss and LAE expense ratio:                      |                       |                   |                                |                     |
| Current year                                     | 65.6%                 | n/m               |                                |                     |
| Prior years                                      | <u>(6.7)</u>          | <u>—</u>          |                                |                     |
| Loss and LAE ratio                               | 58.9                  | n/m               |                                |                     |
| Commission expense ratio                         | 12.0                  | n/m               |                                |                     |
| Underwriting expense ratio                       | <u>24.6</u>           | <u>n/m</u>        |                                |                     |
| <b>Combined ratio</b>                            | <b><u>95.5%</u></b>   | <b><u>n/m</u></b> |                                |                     |

n/m - not meaningful

(1) See Page 16 for a description of our reportable segments.

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment<sup>(1)</sup> (unaudited)**  
**\$ in millions**

|   | <u>Employers</u>       | <u>Cerity</u>   | <u>Corporate<br/>and Other</u> | <u>Consolidated</u> |
|---|------------------------|-----------------|--------------------------------|---------------------|
| (in millions)                                     |                        |                 |                                |                     |
| <b>Three Months Ended December 31, 2018</b>       |                        |                 |                                |                     |
| Gross premiums written                            | \$ 161.7               | \$ —            | \$ —                           | \$ 161.7            |
| Net premiums written                              | 160.4                  | —               | —                              | 160.4               |
| Net premiums earned                               | <b>A</b> 183.6         | —               | —                              | 183.6               |
| Net investment income                             | 20.4                   | —               | 0.9                            | 21.3                |
| Net realized and unrealized losses on investments | (25.1)                 | —               | (1.3)                          | (26.4)              |
| Other income                                      | 0.7                    | 0.2             | —                              | 0.9                 |
| Total revenues                                    | <u>179.6</u>           | <u>0.2</u>      | <u>(0.4)</u>                   | <u>179.4</u>        |
| Losses and LAE incurred                           | <b>B</b> (89.4)        | —               | 2.5                            | (86.9)              |
| Commission expense                                | <b>C</b> (21.2)        | —               | —                              | (21.2)              |
| Underwriting expenses                             | <b>D</b> (33.1)        | (2.2)           | —                              | (35.3)              |
| General and administrative expenses               | —                      | —               | (5.1)                          | (5.1)               |
| Interest and financing expenses                   | (0.4)                  | —               | —                              | (0.4)               |
| Total expenses                                    | <u>(144.1)</u>         | <u>(2.2)</u>    | <u>(2.6)</u>                   | <u>(148.9)</u>      |
| <b>Net income (loss) before income taxes</b>      | <u>\$ 35.5</u>         | <u>\$ (2.0)</u> | <u>\$ (3.0)</u>                | <u>\$ 30.5</u>      |
| <b>Underwriting income (loss)</b>                 | <b>A+B+C+D</b> \$ 39.9 | \$ (2.2)        |                                |                     |
| Loss and LAE expense ratio:                       |                        |                 |                                |                     |
| Current year                                      | 62.5%                  | n/m             |                                |                     |
| Prior years                                       | <u>(13.8)</u>          | <u>—</u>        |                                |                     |
| Loss and LAE ratio                                | 48.7                   | n/m             |                                |                     |
| Commission expense ratio                          | 11.5                   | n/m             |                                |                     |
| Underwriting expense ratio                        | <u>18.0</u>            | <u>n/m</u>      |                                |                     |
| <b>Combined ratio</b>                             | <u>78.2%</u>           | <u>n/m</u>      |                                |                     |

n/m - not meaningful

(1) See Page 16 for a description of our reportable segments.

**EMPLOYERS HOLDINGS, INC.**  
**Return on Equity (unaudited)**  
**\$ in millions**

|   | <b>Three Months Ended<br/>December 31,</b> |             | <b>Years Ended<br/>December 31,</b> |             |
|---|--|-------------|-------------------------------------|-------------|
|   | <b>2019</b>                                | <b>2018</b> | <b>2019</b>                         | <b>2018</b> |
| <b>Net income</b>   | <b>A</b> \$ 31.8                           | \$ 25.6     | \$ 157.1                            | \$ 141.3    |
| Impact of the LPT Agreement   | (2.2)                                      | (2.5)       | (12.7)                              | (14.6)      |
| Net realized and unrealized (gains) losses on investments                           | (17.8)                                     | 26.4        | (51.1)                              | 13.1        |
| Amortization of intangibles   | —  | —           | —                                   | 0.2         |
| Income tax expense (benefit) related to items excluded from Net income              | 3.7  | (5.5)       | 10.7                                | (2.8)       |
| Net impact of Federal tax reform  | —  | (0.4)       | —                                   | (0.4)       |
| <b>Adjusted net income<sup>(1)</sup></b>  | <b>B</b> \$ 15.5                           | \$ 43.6     | \$ 104.0                            | \$ 136.8    |
| Stockholders' equity - end of period  | \$ 1,165.8                                 | \$ 1,018.2  | \$ 1,165.8                          | \$ 1,018.2  |
| Stockholders' equity - beginning of period  | 1,160.4                                    | 991.2       | 1,018.2                             | 947.7       |
| <b>Average stockholders' equity</b>   | <b>C</b> \$ 1,163.1                        | \$ 1,004.7  | \$ 1,092.0                          | \$ 983.0    |
| Stockholders' equity - end of period  | \$ 1,165.8                                 | \$ 1,018.2  | \$ 1,165.8                          | \$ 1,018.2  |
| Deferred Gain - end of period   | 137.1                                      | 149.6       | 137.1                               | 149.6       |
| Accumulated other comprehensive (income) loss, before taxes - end of period         | (82.6)                                     | 17.3        | (82.6)                              | 17.3        |
| Income tax related to accumulated other comprehensive income (loss) - end of period | 17.3                                       | (3.6)       | 17.3                                | (3.6)       |
| Adjusted stockholders' equity - end of period                                       | 1,237.6                                    | 1,181.5     | 1,237.6                             | 1,181.5     |
| Adjusted stockholders' equity - beginning of period                                 | 1,231.7                                    | 1,165.8     | 1,181.5                             | 1,003.9     |
| <b>Average adjusted stockholders' equity<sup>(1)</sup></b>                          | <b>D</b> \$ 1,234.7                        | \$ 1,173.7  | \$ 1,209.6                          | \$ 1,092.7  |
| Return on stockholders' equity  | <b>A / C</b> 2.7%                          | 2.5%        | 14.4%                               | 14.4%       |
| <b>Annualized return on stockholders' equity</b>                                    | 10.9                                       | 10.2        |                                     |             |
| Adjusted return on stockholders' equity <sup>(1)</sup>                              | <b>B / D</b> 1.3                           | 3.7         | 8.6                                 | 12.5        |
| <b>Annualized adjusted return on stockholders' equity<sup>(1)</sup></b>             | 5.0  | 14.9        |                                     |             |

(1) See Page 15 for information regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Roll-forward of Unpaid Losses and LAE (unaudited)**  
**\$ in millions**

|   | <b>Three Months Ended</b> |                   | <b>Years Ended</b>  |                   |
|---|---------------------------|-------------------|---------------------|-------------------|
|   | <b>December 31,</b>       |                   | <b>December 31,</b> |                   |
|   | <b>2019</b>               | <b>2018</b>       | <b>2019</b>         | <b>2018</b>       |
| Unpaid losses and LAE at beginning of period          | \$ 2,197.3                | \$ 2,233.7        | \$ 2,207.9          | \$ 2,266.1        |
| Less reinsurance recoverable on unpaid losses and LAE | 527.1                     | 511.8             | 504.4               | 537.0             |
| Net unpaid losses and LAE at beginning of period      | <u>1,670.2</u>            | <u>1,721.9</u>    | <u>1,703.5</u>      | <u>1,729.1</u>    |
| Losses and LAE incurred:                              |                           |                   |                     |                   |
| Current year  | 111.3                     | 115.0             | 456.1               | 457.5             |
| Prior years - voluntary business                      | (11.5)                    | (25.0)            | (77.5)              | (65.5)            |
| Prior years - involuntary business                    | 0.1                       | (0.4)             | —                   | (0.7)             |
| Total losses incurred                                 | <u>99.9</u>               | <u>89.6</u>       | <u>378.6</u>        | <u>391.3</u>      |
| Losses and LAE paid:                                  |                           |                   |                     |                   |
| Current year  | 43.1                      | 36.1              | 106.6               | 93.0              |
| Prior years   | 66.7                      | 71.9              | 315.2               | 323.9             |
| Total paid losses                                     | <u>109.8</u>              | <u>108.0</u>      | <u>421.8</u>        | <u>416.9</u>      |
| Net unpaid losses and LAE at end of period            | 1,660.3                   | 1,703.5           | 1,660.3             | 1,703.5           |
| Reinsurance recoverable on unpaid losses and LAE      | 532.5                     | 504.4             | 532.5               | 504.4             |
| Unpaid losses and LAE at end of period                | <u>\$ 2,192.8</u>         | <u>\$ 2,207.9</u> | <u>\$ 2,192.8</u>   | <u>\$ 2,207.9</u> |

Total losses and LAE shown in the above table exclude amortization of the Deferred Gain, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments, which totaled \$2.2 million and \$2.5 million for the three months ended December 31, 2019 and 2018, respectively, and \$12.7 million and \$14.6 million for the year ended December 31, 2019 and 2018, respectively.

**EMPLOYERS HOLDINGS, INC.**  
**Consolidated Investment Portfolio (unaudited)**  
**\$ in millions**

|                                      | December 31, 2019            |                         |                   |             | December 31, 2018 |             |
|--------------------------------------|------------------------------|-------------------------|-------------------|-------------|-------------------|-------------|
|                                      | Cost or<br>Amortized<br>Cost | Net Unrealized<br>Gains | Fair Value        | %           | Fair Value        | %           |
| <b>Investment Positions:</b>         |                              |                         |                   |             |                   |             |
| Fixed maturities                     | \$ 2,403.3                   | \$ 82.6                 | \$ 2,485.9        | 85%         | \$ 2,496.4        | 88%         |
| Equity securities                    | 162.3                        | 101.1                   | 263.4             | 9           | 206.3             | 7           |
| Other invested assets                | 28.4                         | 0.7                     | 29.1              | 1           | —                 | —           |
| Short-term investments               | —                            | —                       | —                 | —           | 25.0              | 1           |
| Cash and cash equivalents            | 154.9                        | —                       | 154.9             | 5           | 101.4             | 4           |
| Restricted cash and cash equivalents | 0.3                          | —                       | 0.3               | —           | 0.6               | —           |
| <b>Total investments and cash</b>    | <b>\$ 2,749.2</b>            | <b>\$ 184.4</b>         | <b>\$ 2,933.6</b> | <b>100%</b> | <b>\$ 2,829.7</b> | <b>100%</b> |
| <b>Breakout of Fixed Maturities:</b> |                              |                         |                   |             |                   |             |
| U.S. Treasuries and Agencies         | \$ 86.5                      | \$ 2.0                  | \$ 88.5           | 4%          | \$ 117.8          | 5%          |
| States and Municipalities            | 458.2                        | 26.3                    | 484.5             | 19          | 528.0             | 21          |
| Corporate Securities                 | 1,038.6                      | 40.4                    | 1,079.0           | 43          | 1,090.4           | 44          |
| Mortgage-Backed Securities           | 579.1                        | 11.9                    | 591.0             | 24          | 545.8             | 22          |
| Asset-Backed Securities              | 60.4                         | 0.8                     | 61.2              | 2           | 64.5              | 3           |
| Other                                | 180.5                        | 1.2                     | 181.7             | 7           | 149.9             | 6           |
| <b>Total fixed maturities</b>        | <b>\$ 2,403.3</b>            | <b>\$ 82.6</b>          | <b>\$ 2,485.9</b> | <b>100%</b> | <b>\$ 2,496.4</b> | <b>100%</b> |
| Weighted average ending book yield   |                              |                         |                   | 3.3%        |                   | 3.4%        |
| Average credit quality (S&P)         |                              |                         |                   | A+          |                   | AA-         |
| Duration                             |                              |                         |                   | 3.3         |                   | 4.1         |

**EMPLOYERS HOLDINGS, INC.**  
**Book Value Per Share (unaudited)**  
**\$ in millions, except per share amounts**

|   |              | <u>December 31,</u><br><u>2019</u> | <u>December 31,</u><br><u>2018</u> |
|---|--------------|------------------------------------|------------------------------------|
| <b>Numerators:</b>  |              |                                    |                                    |
| <b>Stockholders' equity</b>   | <b>A</b>     | \$ 1,165.8                         | \$ 1,018.2                         |
| Plus: Deferred Gain   |              | 137.1                              | 149.6                              |
| <b>Stockholders' equity including the Deferred Gain<sup>(1)</sup></b>                               | <b>B</b>     | 1,302.9                            | 1,167.8                            |
| Accumulated other comprehensive (income) loss, before taxes   |              | (82.6)                             | 17.3                               |
| Income tax expense (benefit) related to accumulated other comprehensive (income) loss, before taxes |              | 17.3                               | (3.6)                              |
| <b>Adjusted stockholders' equity<sup>(1)</sup></b>  | <b>C</b>     | \$ 1,237.6                         | \$ 1,181.5                         |
| <b>Denominator (shares outstanding)</b>   | <b>D</b>     | 31,355,378                         | 32,765,792                         |
| Book value per share <sup>(1)</sup>   | <b>A / D</b> | \$ 37.18                           | \$ 31.08                           |
| Book value per share including the Deferred Gain <sup>(1)</sup>                                     | <b>B / D</b> | 41.55                              | 35.64                              |
| Adjusted book value per share <sup>(1)</sup>  | <b>C / D</b> | 39.47                              | 36.06                              |
| Cash dividends declared per share   |              | \$ 0.88                            | \$ 0.80                            |
| <b>YTD Change in:<sup>(2)</sup></b>   |              |                                    |                                    |
| Book value per share  |              | 22.5%                              | 9.7%                               |
| Book value per share including the Deferred Gain  |              | 19.1                               | 6.9                                |
| Adjusted book value per share   |              | 11.9                               | 19.7                               |

(1) See Page 15 for information regarding our use of Non-GAAP Financial Measures.

(2) Reflects the change per share after taking into account dividends declared in the period.

**EMPLOYERS HOLDINGS, INC.**  
**Earnings Per Share (unaudited)**  
**\$ in millions, except per share amounts**

|  |              | <b>Three Months Ended</b> |             | <b>Years Ended</b>  |             |
|--|--------------|---------------------------|-------------|---------------------|-------------|
|  |              | <b>December 31,</b>       |             | <b>December 31,</b> |             |
|  |              | <b>2019</b>               | <b>2018</b> | <b>2019</b>         | <b>2018</b> |
| <b>Numerators:</b>   |              |                           |             |                     |             |
| <b>Net income</b>  | <b>A</b>     | \$ 31.8                   | \$ 25.6     | \$ 157.1            | \$ 141.3    |
| Impact of the LPT Agreement  |              | (2.2)                     | (2.5)       | (12.7)              | (14.6)      |
| <b>Net income before impact of the LPT <sup>(1)</sup></b>              | <b>B</b>     | \$ 29.6                   | \$ 23.1     | \$ 144.4            | \$ 126.7    |
| Net realized and unrealized (gains) losses on investments              |              | (17.8)                    | 26.4        | (51.1)              | 13.1        |
| Amortization of intangibles  |              | —                         | —           | —                   | 0.2         |
| Income tax expense (benefit) related to items excluded from Net income |              | 3.7                       | (5.5)       | 10.7                | (2.8)       |
| Net impact of Federal tax reform                                       |              | —                         | (0.4)       | —                   | (0.4)       |
| <b>Adjusted net income <sup>(1)</sup></b>                              | <b>C</b>     | \$ 15.5                   | \$ 43.6     | \$ 104.0            | \$ 136.8    |
| <b>Denominators:</b>   |              |                           |             |                     |             |
| Average common shares outstanding (basic)                              | <b>D</b>     | 31,700,259                | 32,926,984  | 32,120,578          | 32,884,828  |
| Average common shares outstanding (diluted)                            | <b>E</b>     | 32,120,929                | 33,390,486  | 32,539,718          | 33,311,337  |
| <b>Earnings per share:</b>   |              |                           |             |                     |             |
| Basic  | <b>A / D</b> | \$ 1.00                   | \$ 0.78     | \$ 4.89             | \$ 4.30     |
| Diluted  | <b>A / E</b> | 0.99                      | 0.77        | 4.83                | 4.24        |
| <b>Earnings per share before impact of the LPT:<sup>(1)</sup></b>      |              |                           |             |                     |             |
| Basic  | <b>B / D</b> | \$ 0.93                   | \$ 0.70     | \$ 4.50             | \$ 3.85     |
| Diluted  | <b>B / E</b> | 0.92                      | 0.69        | 4.44                | 3.80        |
| <b>Adjusted earnings per share:<sup>(1)</sup></b>                      |              |                           |             |                     |             |
| Basic  | <b>C / D</b> | \$ 0.49                   | \$ 1.32     | \$ 3.24             | \$ 4.16     |
| Diluted  | <b>C / E</b> | 0.48                      | 1.31        | 3.20                | 4.11        |

(1) See Page 15 for information regarding our use of Non-GAAP Financial Measures.

## **Non-GAAP Financial Measures**

Within this earnings release we present the following measures, each of which are "non-GAAP financial measures." A reconciliation of these measures to the Company's most directly comparable GAAP financial measures is included herein. Management believes that these non-GAAP measures are important to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. Management further believes that these measures are more relevant than comparable GAAP measures in evaluating our financial performance.

*The LPT Agreement* is a non-recurring transaction that does not result in ongoing cash benefits to the Company. Management believes that providing non-GAAP measures that exclude the effects of the LPT Agreement (amortization of deferred reinsurance gain, adjustments to LPT Agreement ceded reserves and adjustments to contingent commission receivable) is useful in providing investors, analysts and other interested parties a meaningful understanding of the Company's ongoing underwriting performance.

*Deferred reinsurance gain (Deferred Gain)* reflects the unamortized gain from the LPT Agreement. This gain has been deferred and is being amortized using the recovery method, whereby the amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries, except for the contingent profit commission, which is being amortized through June 30, 2024. Amortization is reflected in losses and LAE incurred.

*Adjusted net income* (see Page 5 for calculations) is net income excluding the effects of the LPT Agreement, net realized and unrealized gains and losses on investments (net of tax), net impact of Federal tax reform, and amortization of intangible assets (net of tax). Management believes that providing this non-GAAP measure is helpful to investors, analysts and other interested parties in identifying trends in the Company's operating performance because such items have limited significance to its ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends.

*Stockholders' equity including the Deferred Gain* (see Page 13 for calculations) is stockholders' equity including the Deferred Gain. Management believes that providing this non-GAAP measure is useful in providing investors, analysts and other interested parties a meaningful measure of the Company's total underwriting capital.

*Adjusted stockholders' equity* (see Page 13 for calculations) is stockholders' equity including the Deferred Gain, less accumulated other comprehensive income (net of tax). Management believes that providing this non-GAAP measure is useful to investors, analysts and other interested parties since it serves as the denominator to the Company's adjusted return on stockholders' equity metric.

*Return on stockholders' equity and Adjusted return on stockholders' equity* (see Page 10 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties.

*Book value per share, Book value per share including the Deferred Gain, and Adjusted book value per share* (see Page 13 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties.

*Net income before impact of the LPT* (see Page 5 for calculations). Management believes that these performance and underwriting measures are widely used by our investors, analysts and other interested parties.



## **Description of Reportable Segments**

The Company has recently made changes to its corporate structure, mainly involving the launch and further development of a new digital insurance platform offered under the Cerity brand name (Cerity), resulting in changes to its reportable segments. As of December 31, 2019, the Company has determined that it has two reportable segments: Employers and Cerity. Each of these segments represents a separate and distinct underwriting platform through which the Company conducts insurance business.

The nature and composition of each reportable segment and its Corporate and Other activities are as follows:

- The Employers segment is defined as traditional business offered through the EMPLOYERS brand name (Employers) through its agents, including business originated from its strategic partnerships and alliances;
- The Cerity segment is defined as business offered under the Cerity brand name, which includes the Company's direct-to-customer business; and
- Corporate and Other activities consist of those holding company expenses that are not considered to be underwriting in nature, the financial impact of the LPT agreement and legacy (pre-acquisition) business assumed and ceded by Cerity Insurance Company. These expenses are not considered to be part of a reportable segment and are not otherwise allocated to a reportable segment.

Prior to December 31, 2019, the Company operated under a single reportable segment and presented its Combined Ratio on that basis. In light of its change in reporting segments, the Company now presents a separate Combined Ratio for each of its reporting segments.

All periods prior to December 31, 2019 have been conformed to the current presentation.