
Employers Holdings, Inc. Results Through Q3 2015

Investor Presentation

Regulation FD

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2014, 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 2014, our Form 10-Qs and our Form 8-Ks filed with the Securities and Exchange Commission (SEC) and available in the "Investor Relations" section of our website at www.employers.com.

Forward-looking Statements

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

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

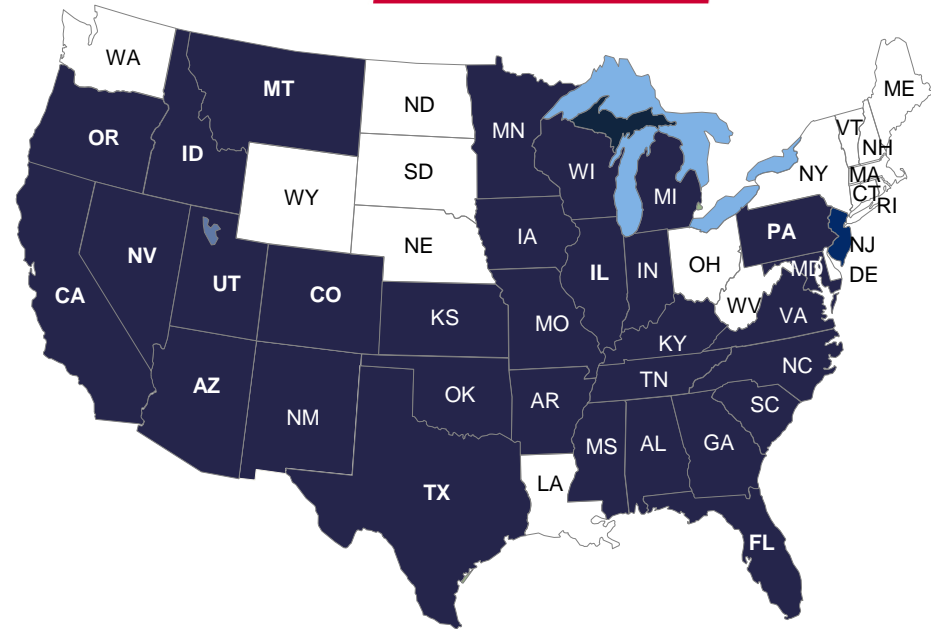
We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Copyright © 2015 EMPLOYERS. All rights reserved. EMPLOYERS® and America's small business insurance specialist.® are registered trademarks of Employers Insurance Company of Nevada. 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, through its subsidiaries, operates in 32 states and the District of Columbia. Insurance subsidiaries include Employers Insurance Company of Nevada, Employers Compensation Insurance Company, Employers Preferred Insurance Company, and Employers Assurance Company, all rated A- (Excellent) by A.M. Best Company. Additional information can be found at: <http://www.employers.com>.

Overview

- Workers' compensation mono-line writer
- Focused on small, low to medium hazard risks
- Distribution through agencies and strategic partners
 - Nearly 5,000 agencies (includes over 1,238 Anthem Blue Cross of California agencies)
 - Alternative distribution = 24% in-force premium (partners include ADP, Paychex and Anthem Blue Cross of California)
- Writing in 32 states and the District of Columbia
 - Operate in approximately three quarters of total market
 - Long-term goal to operate in all of the contiguous United States, except monopolistic states
 - Entered Michigan in Q3 2015

EMPLOYERS[®]



At September 30,

	2015	2014	YoY % Change
In-force Premiums (\$million)			
California	356.8	378.9	-5.8%
Other	<u>264.1</u>	<u>253.6</u>	4.1%
TOTAL	620.9	632.6	-1.8%
In-force Policies			
California	45,021	48,275	-6.7%
Other	<u>39,981</u>	<u>37,750</u>	5.9%
TOTAL	<u>85,002</u>	<u>86,025</u>	-1.2%

Average policy size: **\$7,304**

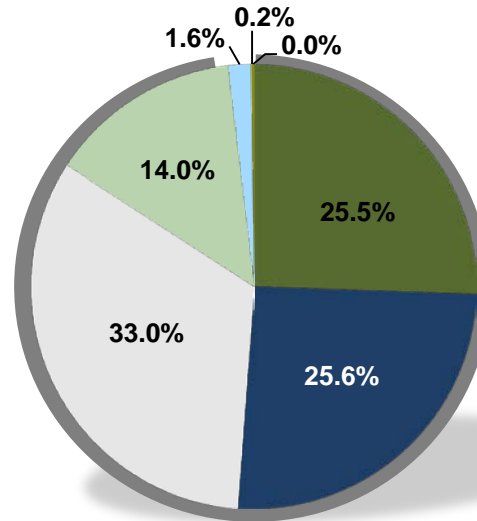
EIG
LISTED
NYSE

Low Risk Focus

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

EMPLOYERS® Top 10 types of insureds:

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



Hazard Group Percentage
at September 30, 2015
98.1% in Hazard Groups A – D

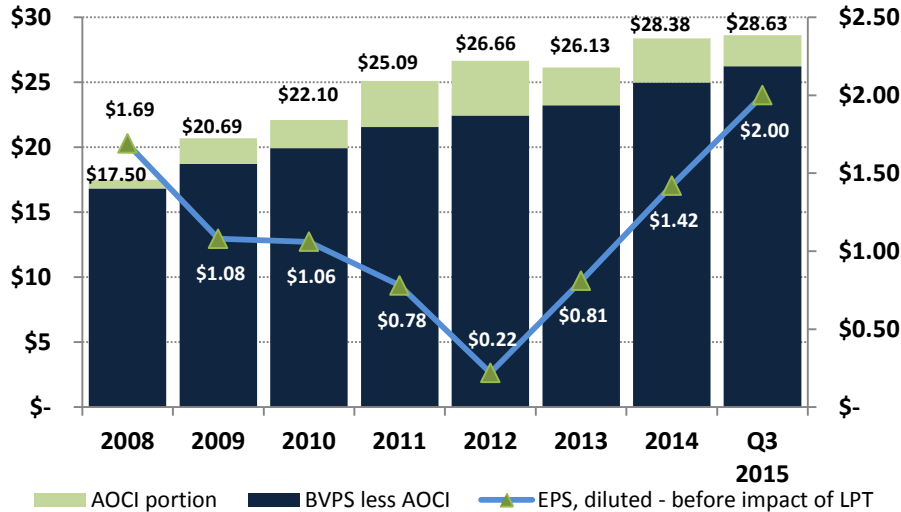
Data shown as a % of in-force premium

NCCI Hazard Groups

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

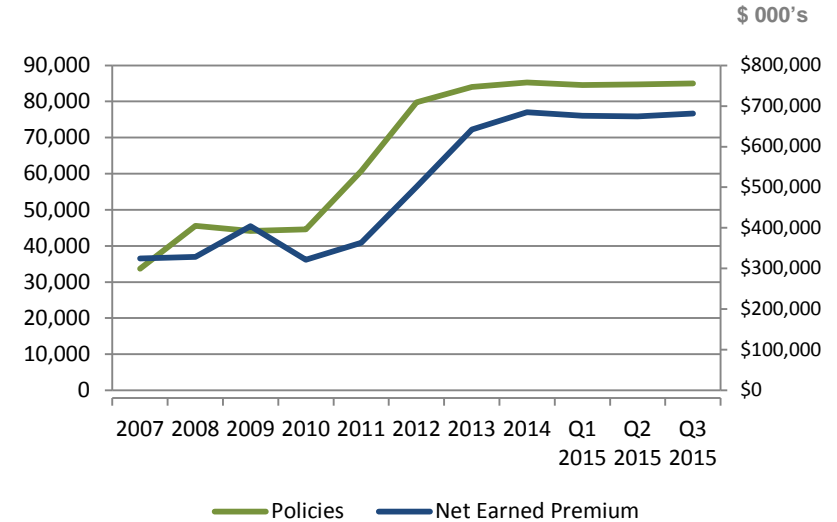
Growth and Performance

Book value and EPS (adjusted for the LPT)



- Book value per diluted share is equity plus the deferred reinsurance gain related to the LPT, and includes accumulated other comprehensive income, net (AOCI)
- Earnings per share (EPS) is net income before the LPT per diluted share and is trailing 12 months in the quarters
- Increasing EPS, reflecting increased underwriting profitability and continuing low yields
- Increasing book value per share impacted, in part, by unrealized gains year over year

Growth: policies, net earned premium

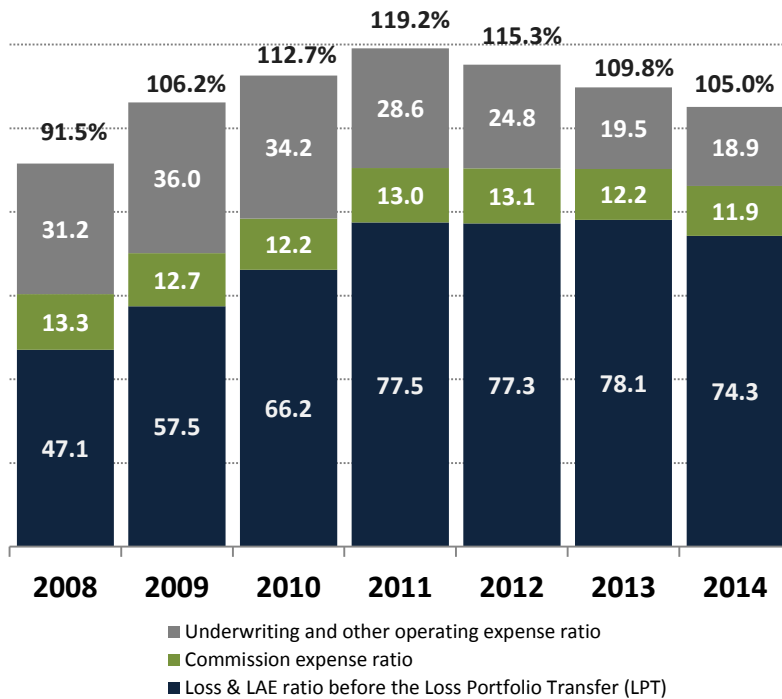


- Net earned premium is trailing twelve months in the quarters
- Decline in policies due to pricing/underwriting initiatives – reduction of higher loss ratio business in southern California
- Q3 2015 –nationally, rates flattening to declining along with loss costs

Improving Calendar Year Combined Ratio

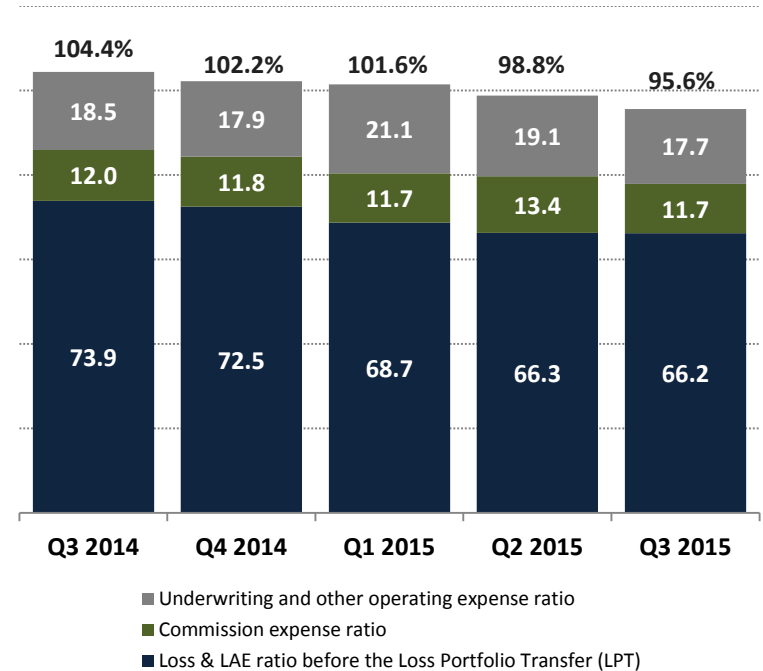
Annual

Improvement of 4.8 percentage points: 2014 vs. 2013



Quarterly

Improvement of 8.8 percentage points: Q3 2015 vs. Q3 2014



- ✓ Calendar year combined ratio before the impact of LPT
- ✓ Loss and LAE ratio excludes LPT Agreement adjustments for favorable prior period development of ceded reserves and the LPT contingent profit commission

Initiatives: Restructuring / Underwriting

Underwriting/pricing strategies implemented

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

Results:

	<u>As of September 30,</u>	
	<u>YOY % Change</u>	
	<u>Overall</u>	<u>California</u>
In-force premium	(1.8)	(5.8)
In-force policy count	(1.2)	(6.7)
Average in-force policy size	(0.7)	1.0
In-force payroll exposure	(0.3)	(9.8)
Net rate	(1.6)	4.4

Superior Claims Management

In-house medical management staff

- Manage care and medical costs

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Comprehensive fraud program

- \$8.6 million savings in 2014 (increase of \$4.6 million over 2013)

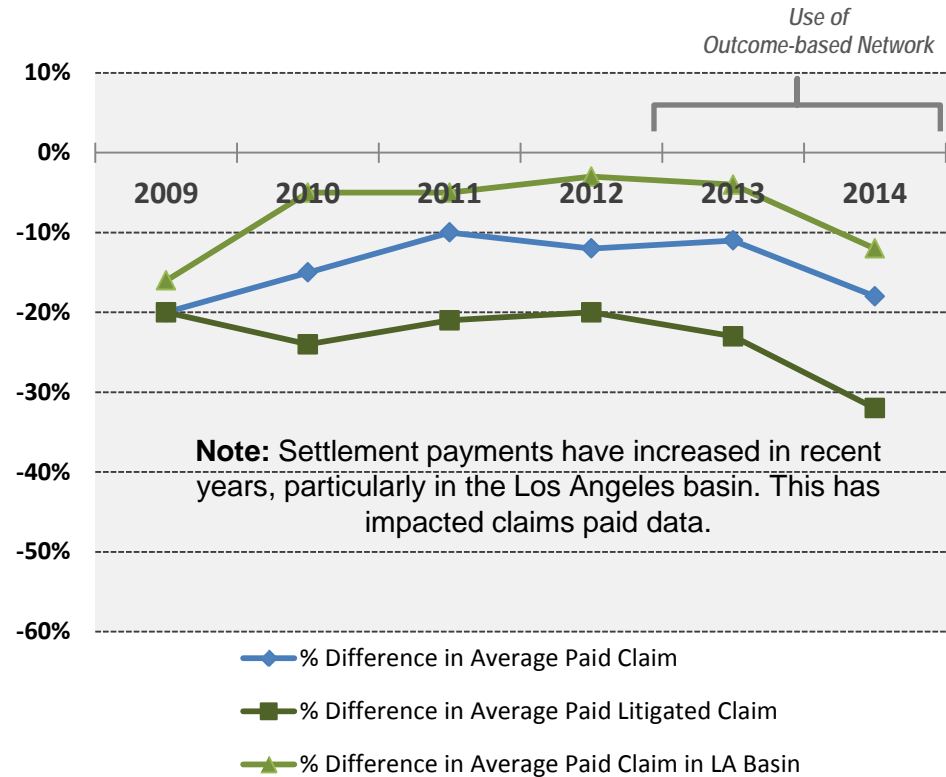
Pharmacy benefit management program

- \$5.3 million savings in 2014

Claims professionals average over a decade of experience

- Increased claims settlement activity

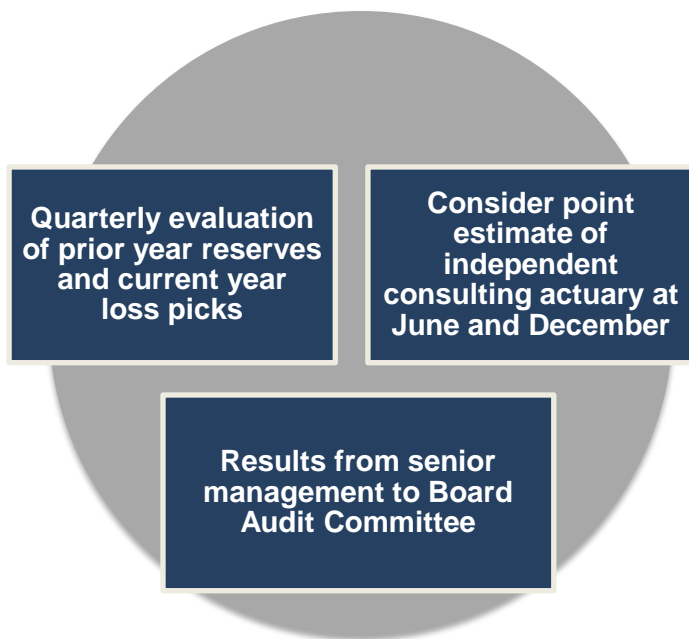
Percent difference in the average cost per paid claim in **California** for EMPLOYERS® compared to the California industry average



Source: California Workers' Compensation Institute, data – As of July 22, 2015

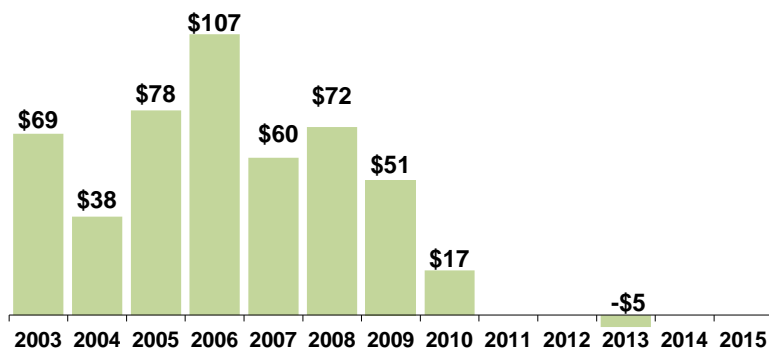
History of Reserve Strength

Reserve review



Reserve development

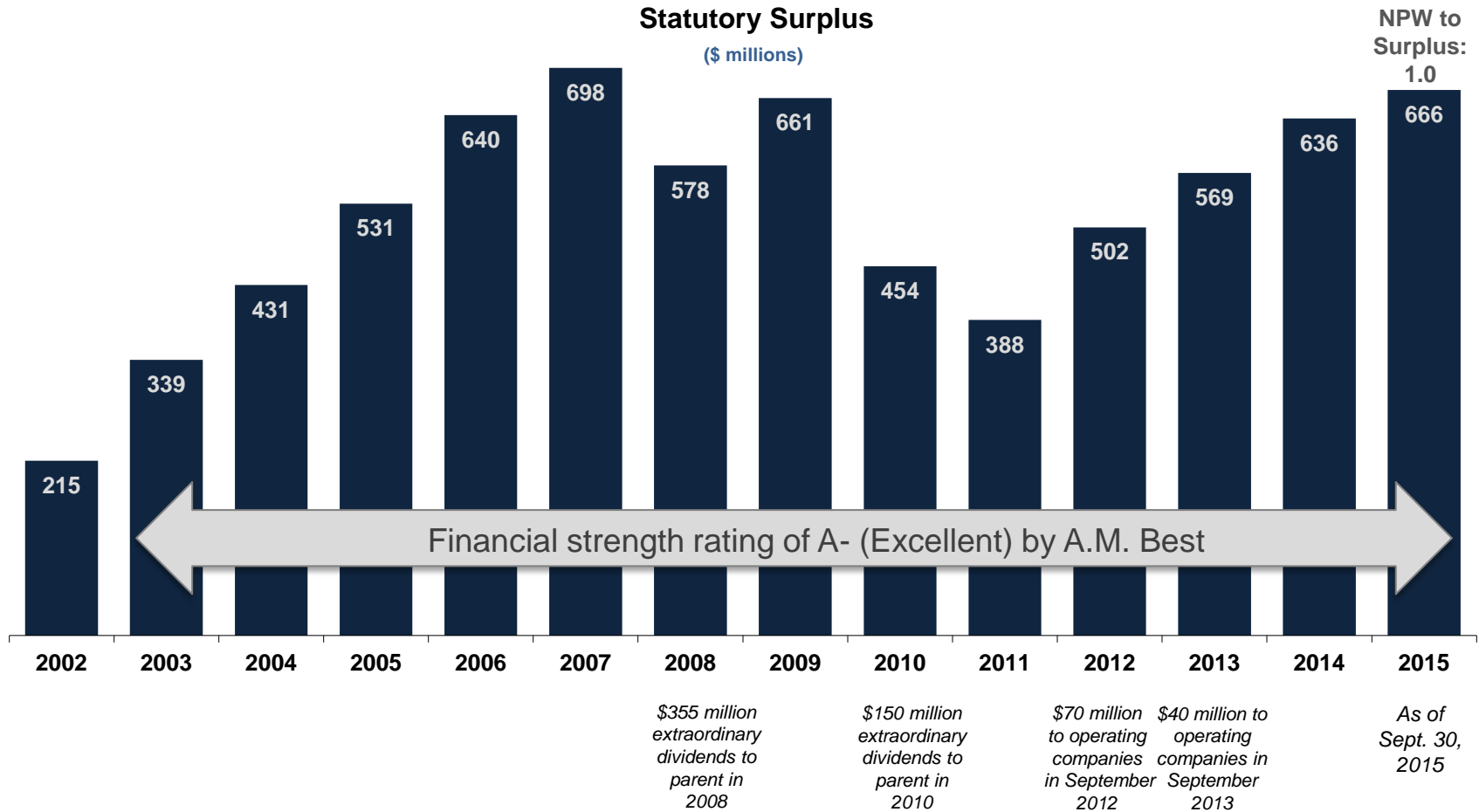
Net Calendar Year Reserve Development for Prior Accident Years
(\$ million)



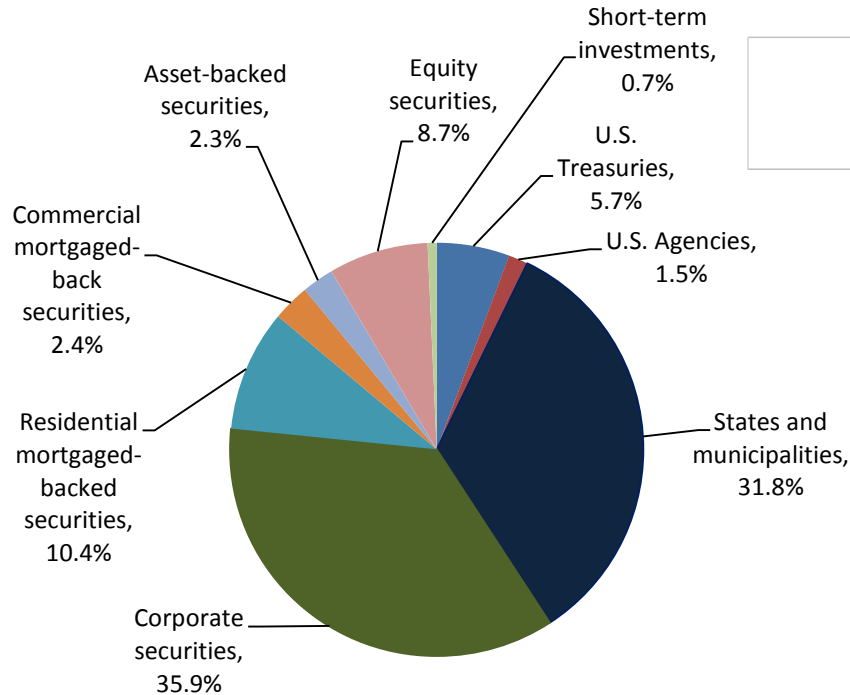
No changes to overall prior accident year reserves at September 30, 2015

Strong Capital Position

Statutory surplus provides a solid basis for underwriting



High Quality Investment Portfolio



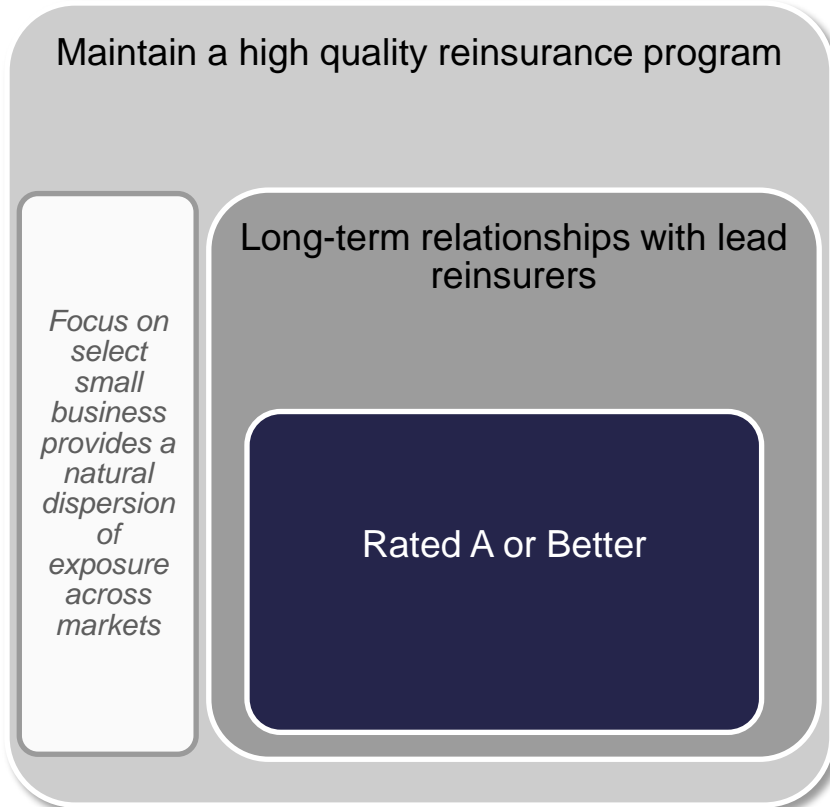
\$2.5 billion fair market value

September 30, 2015

- Fixed maturities have an average weighted rating of AA
- 3.2% average pre-tax book yield
- 3.8% tax equivalent book yield
- Effective duration of 4.2

High Quality Reinsurance

Reinsurance management



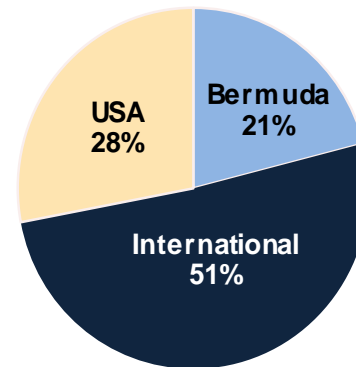
Program structure, effective 7/1/15

Limits of \$200M

Retention of \$7M

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

Reinsurers by Market



Key Strengths

EMPLOYERS[®]

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

Douglas D. Dirks
President and Chief Executive Officer
Employers Holdings, Inc.

Terry Eleftheriou
Executive Vice President and Chief Financial Officer
Employers Holdings, Inc.

Analyst Contact:

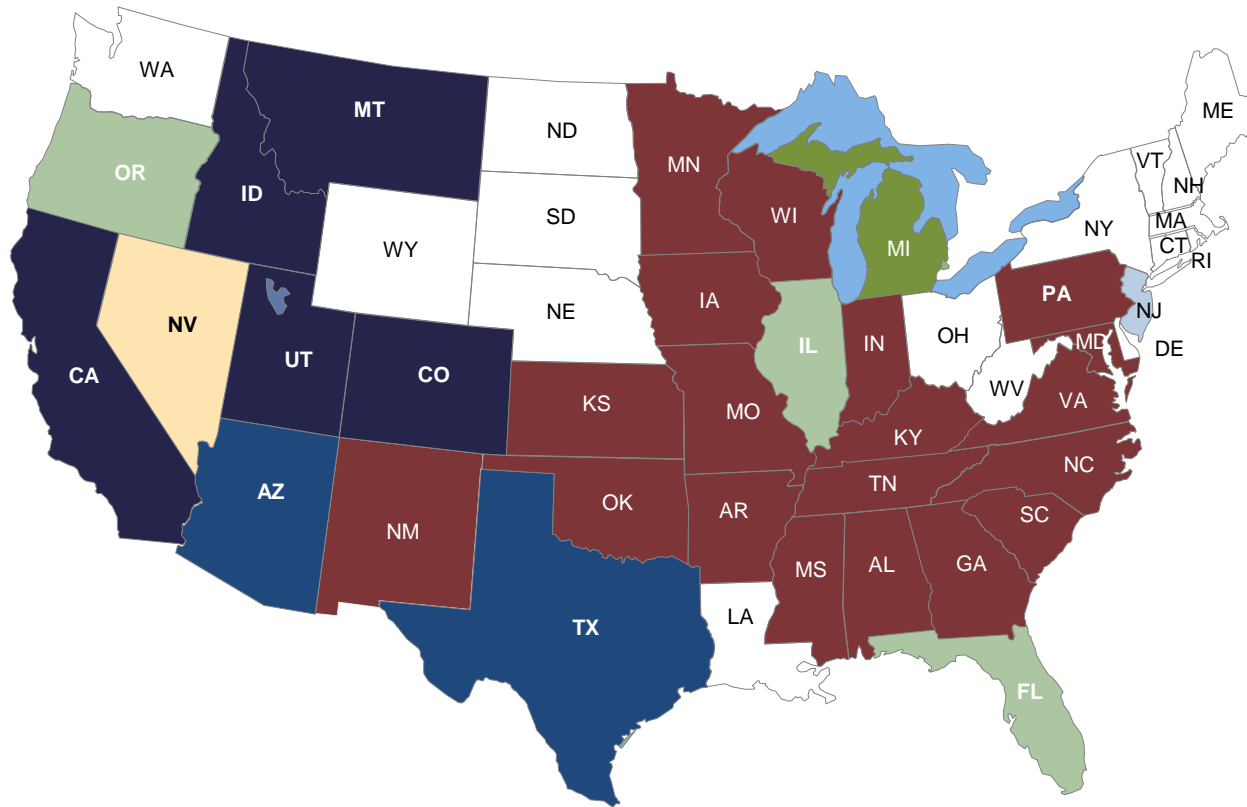
Vicki Erickson Mills
Vice President, Investor Relations
Employers Holdings, Inc.
(775) 327-2794
vericksonmills@employers.com

EMPLOYERS[®]

10375 Professional Circle
Reno, NV 89521
(775) 327-2700

Appendix

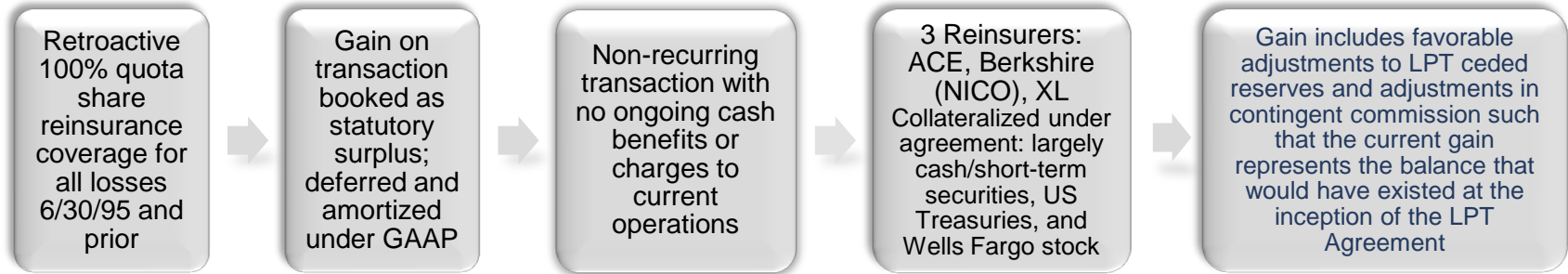
Selectively Expanding Footprint



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

HISTORY

Loss Portfolio Transfer (LPT)



Contract	
	(\$ million)
Total Coverage	\$2,000
Original Reserves (Liabilities) Transferred	\$1,525
Consideration	775
Gain at 6/30/1999	\$ 750
Subsequent LPT reserve adjustments	(332)
Subsequent LPT contingent commission adjustments	66
Gain at 9/30/15	\$ 484

Accounting at 9/30/15	
	(\$ million)
Statutory Surplus Created	\$ 484.0
Cumulative Amortization To Date	\$ (291.6)
GAAP: Deferred Reinsurance Gain – LPT Agreement	\$192.4

Claims 6/30/1995 and prior: 2,576 claims open as of 9/30/15 with 6.5% closing each year

Remaining liabilities at 9/30/15: \$504.7 million

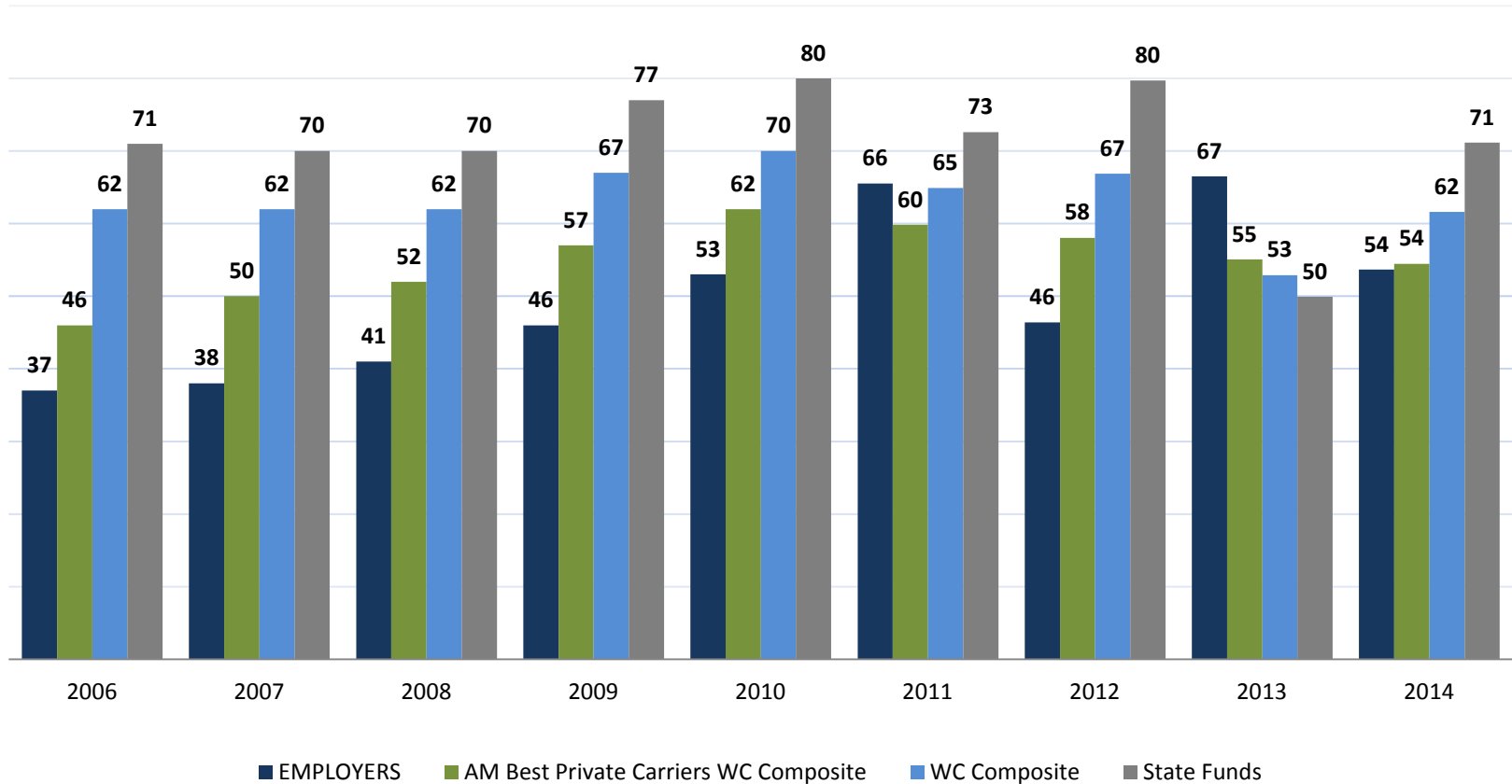
Results Overview

INCOME STATEMENT	YEAR	
Income Statement (\$ million except per share data)	2013	2014
Net written premium	678.5	687.6
Net earned premium	642.3	684.5
Net investment income	70.8	72.4
GAAP Net income	63.8	100.7
Non-GAAP: net income less amortization of the deferred gain Net income (less impacts of the Loss Portfolio Transfer or LPT)	25.9	45.7
Net income before the LPT per diluted share	\$0.81	\$1.42

BALANCE SHEET	YEAR	
Balance Sheet (\$ million except per share data)	2013	2014
Total investments	2,344.9	2,448.5
Cash and cash equivalents	34.5	103.6
Total assets	3,643.4	3,769.7
Reserves for losses and LAE	2,330.5	2,369.7
GAAP Shareholders' equity	568.7	686.8
Non-GAAP: shareholder equity (plus LPT deferred gain)	817.8	893.9
Non-GAAP book value per outstanding share	26.13	28.38

Statutory Loss Ratios

EMPLOYERS® historically low loss ratios (%)



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

Capital Deployment

- \$152 million in cash and securities at the holding company (\$76 million restricted) at 9/30/2015
- Three uses of capital:
 1. Deploy into the business
 2. Opportunistic acquisitions/mergers
 3. Return to shareholders

