
Employers Holdings, Inc. Results Through Q1 2017

Investor Presentation

Regulation FD

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 are included in this presentation. They are also included in our Form 10-K for the year 2016, 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, 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.

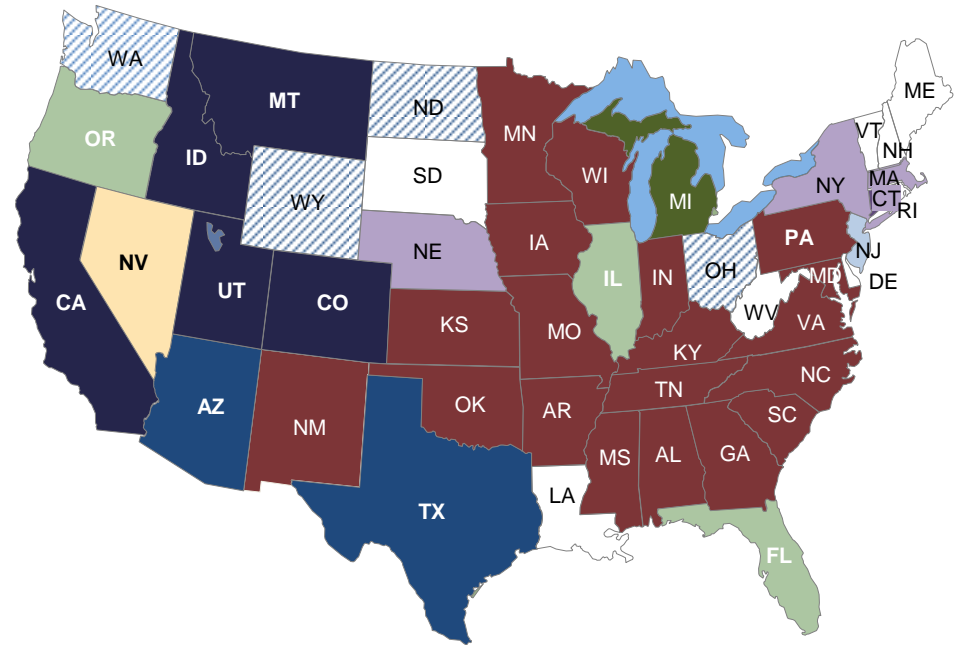
Copyright © 2017 EMPLOYERS. All rights reserved. EMPLOYERS® and America's small business insurance specialist.® are registered trademarks of Employers Insurance Company of Nevada. Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low to medium hazard industries. The company, through its subsidiaries, operates in 36 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>.

Please see the attached *Financial Supplement* for financial definitions and reconciliations to GAAP.

Overview and History

- Workers' compensation mono-line writer
- Focused on small, low to medium hazard risks
- A- (Excellent) rating from A.M. Best
- Distribution through agencies and strategic partners
 - Independent agencies generated 74% of in-force premiums at 3/31/2017
 - Strategic Partners generated 26% of in-force premiums at 3/31/2017
- Writing in 36 states and the District of Columbia
 - Operate in approximately 90% of total market
 - Long-term goal to operate in all of the contiguous United States, except monopolistic states
- **\$7,291 average policy size / 85,077 in-force policies / \$620 million in-force premium at 3/31/17**

Selectively expanding footprint



2000
 2002
 2006
 2007
 2008
 2009–2014
 2015
 2016

1913 – 1999: State WC fund in NV
2000: Privatization

Acquisition, book of business in CA, UT, ID, MT, CO

2005: Formation of mutual holding company
2006: Entry into TX, AZ

Demutualization and IPO; entry into FL, IL and OR

Acquisition of AmCOMP Incorporated, entry into IA

Focus on growth in existing states; entry into NJ

Build out national platform; entry into MI

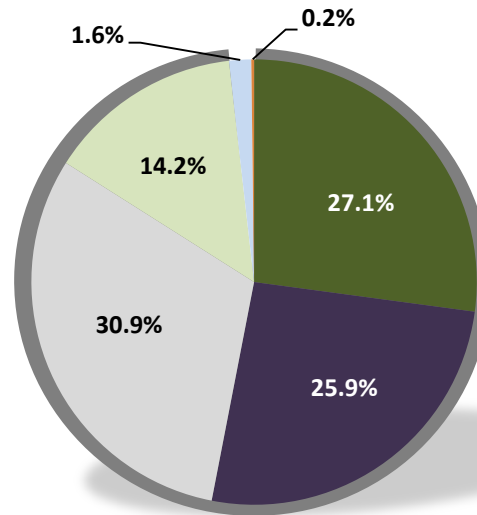
Entry into NY, MA, CT and NE

Low Risk Focus

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

EMPLOYERS® Top 10 types of insureds:









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



Hazard Group Percentage
at March 31, 2017
98.1% in Hazard Groups A – D

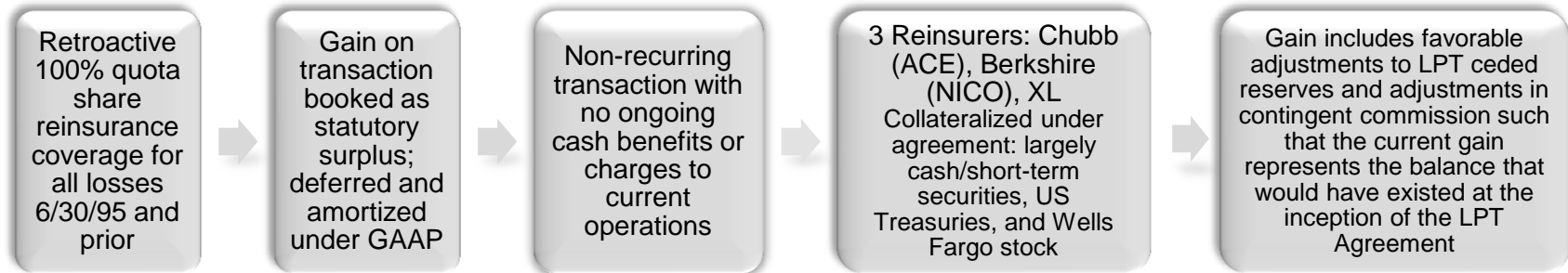
Data shown as a % of in-force premium

NCCI Hazard Groups

- | | | |
|----------------|---|--|
| Hazard Group A |  | Lower Risk

Higher Risk |
| Hazard Group B |  | |
| Hazard Group C |  | |
| Hazard Group D |  | |
| Hazard Group E |  | |
| Hazard Group F |  | |
| Hazard Group G |  | |

Unique Accounting Treatment

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	(337)
Subsequent LPT contingent commission adjustments	67
Gain at 3/31/17	\$ 481

Accounting at 3/31/17	
	(\$ million)
Statutory Surplus Created	\$ 481.0
Cumulative Amortization To Date	\$ (309.1)
GAAP: Deferred Reinsurance Gain – LPT Agreement	\$171.9

Claims 6/30/1995 and prior: 2,265 claims open as of 3/31/17 with 6.5% closing each year

Remaining liabilities at 3/31/17: \$458.6 million

Highlights

Q1 2017 results relative to Q1 2016 results unless otherwise stated

Comments

Net Income	<ul style="list-style-type: none">• \$23.2 million, up 6%• \$20.3 million before the LPT, up 9%
Operating Income	<ul style="list-style-type: none">• \$18.9 million, up 6%
Annualized Return on Equity (ROE)	<ul style="list-style-type: none">• 10.9%, stable
Annualized Operating Return on Equity (OROE)	<ul style="list-style-type: none">• 8.0%, stable
Book Values per Share (BVPS)	<ul style="list-style-type: none">• \$26.88 (GAAP equity), up 3% since year-end (YE) 2016• \$32.20 (equity plus LPT deferred gain), up 2% since YE 2016• \$29.65 (adjusted), up 2% since YE 2016
Combined Ratios	<ul style="list-style-type: none">• 94.9%, stable• 96.6% (before LPT), stable
Capital Management	<ul style="list-style-type: none">• Ordinary dividend maintained at \$0.15 per share• \$29 million remaining in share repurchase program

Higher premiums, underwriting income and investment income.

Higher shareholders' equity kept returns flat.

Stable underlying losses, lower operating expenses and higher commission expenses.

Strategies Implemented

Markets are competitive with generally declining loss costs reflected in rates. Focus on book value and operating return on equity

Focus on pricing and risk selection

Accelerated claims settlement

Technology

Data-driven strategies

- Analytics
- Policy administration

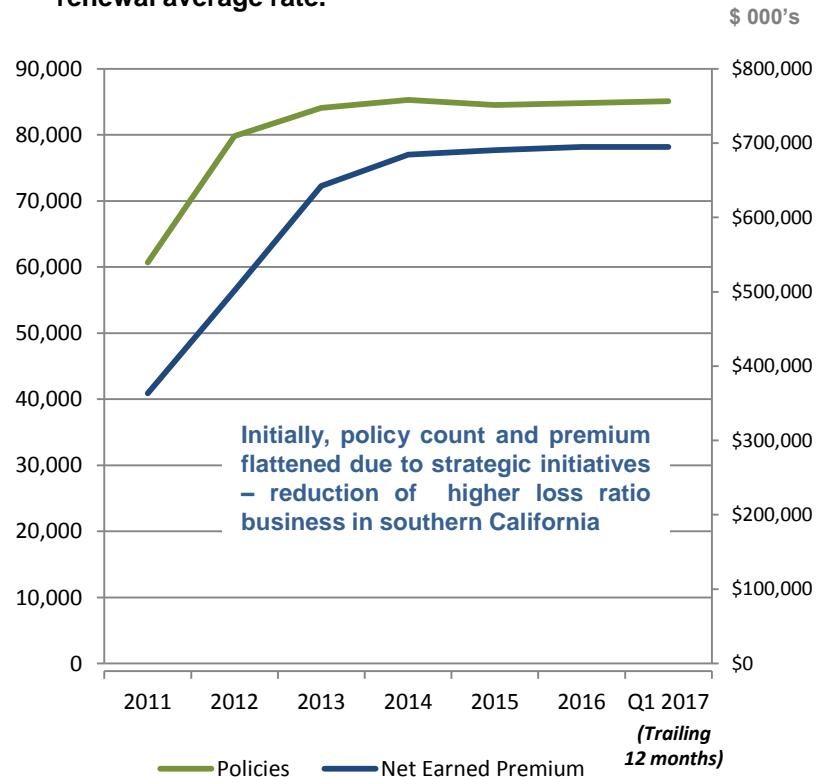
Targeting attractive classes of business

National distribution expansion

Growth and Rates

Growth: policies, net earned premium

- Current markets are characterized by competition and generally declining rates nationally, continuing low yields which challenge net investment income and drive more favorable underwriting profitability.
- Final audit premium contribution continued to be strong; retention remained high. Renewal premium remained relatively flat with increases in payroll exposure being largely offset by a 1.8% decrease in our renewal average rate.



	<u>Q1 2017</u>	<u>Q1 2016</u>	<u>YOY % Change</u>
In-force Premium (\$ million)			
California	347.2	352.5	(1.5)
Florida	37.7	30.3	24.4
Illinois	29.9	33.1	(9.7)
Other	<u>205.5</u>	<u>207.4</u>	(0.9)
TOTAL	620.3	623.3	(0.5)

In-force Policies			
California	41,657	43,843	(5.0)
Florida	5,392	4,958	8.8
Illinois	3,073	3,264	(5.9)
Other	<u>34,955</u>	<u>33,030</u>	5.8
TOTAL	85,077	85,095	0.0

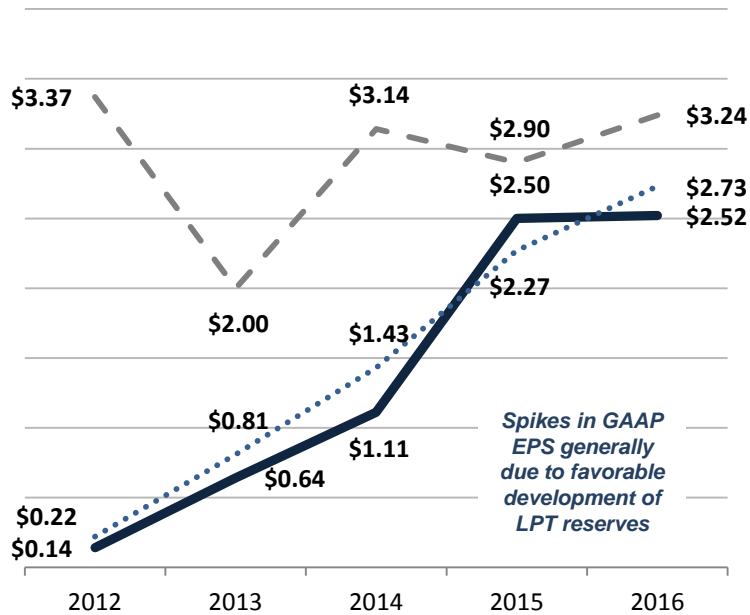
	Q1 2017		
	YOY % Change		
	<u>Overall</u>	<u>California</u>	<u>All Other</u>
In-force premium	(0.5)	(1.5)	0.8
In-force policy count	---	(5.0)	5.3
Average in-force policy size	(0.5)	3.7	(4.2)
In-force payroll exposure	0.2	0.3	0.2

Performance – Earnings Per Share

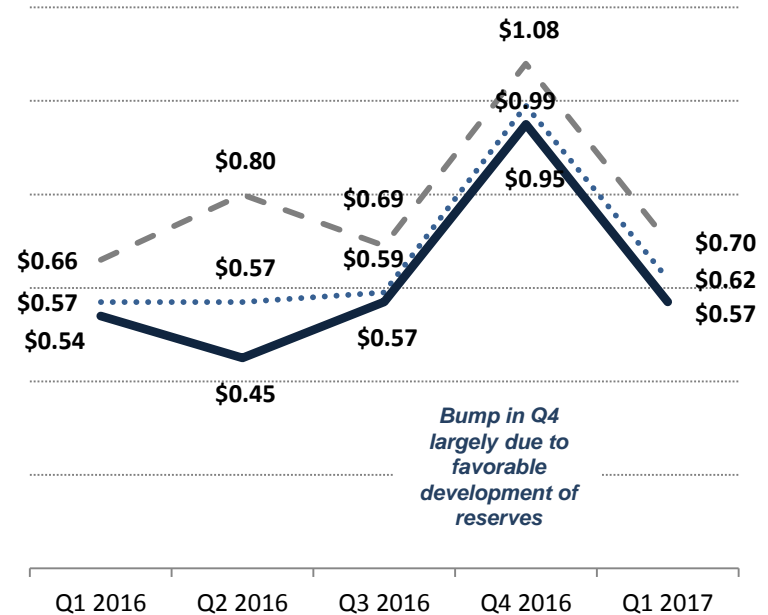
Increased EPS, reflecting increased underwriting profitability

GAAP EPS, EPS Before the LPT, Operating EPS

Annual



Quarterly



Operating EPS before the LPT per Diluted Share

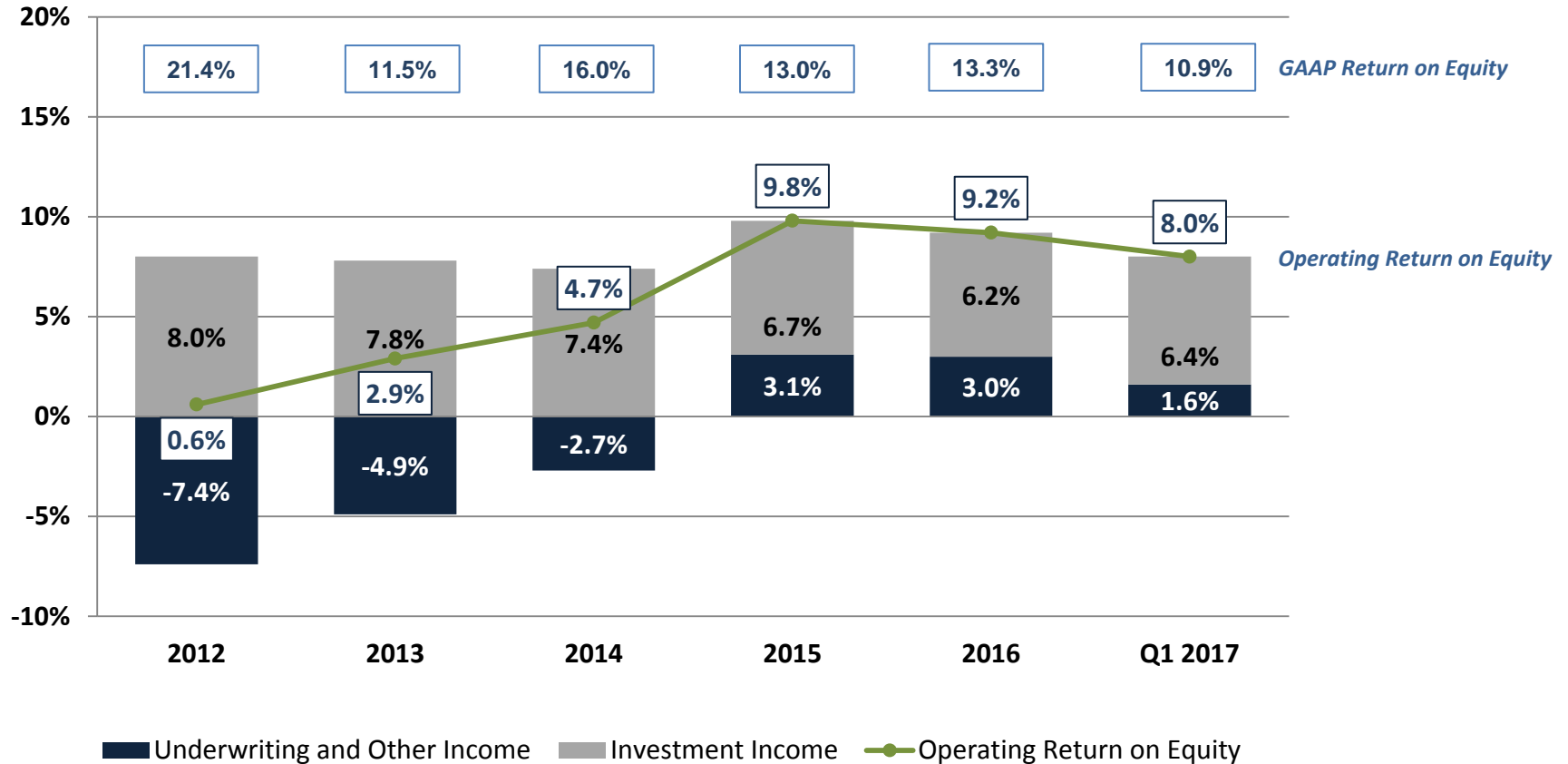
GAAP Earnings per Diluted Share

Earnings before the LPT per Diluted Share



GAAP and Operating Returns on Adjusted Equity

Returns generally reflect improved underwriting profitability and historically low yields on investments

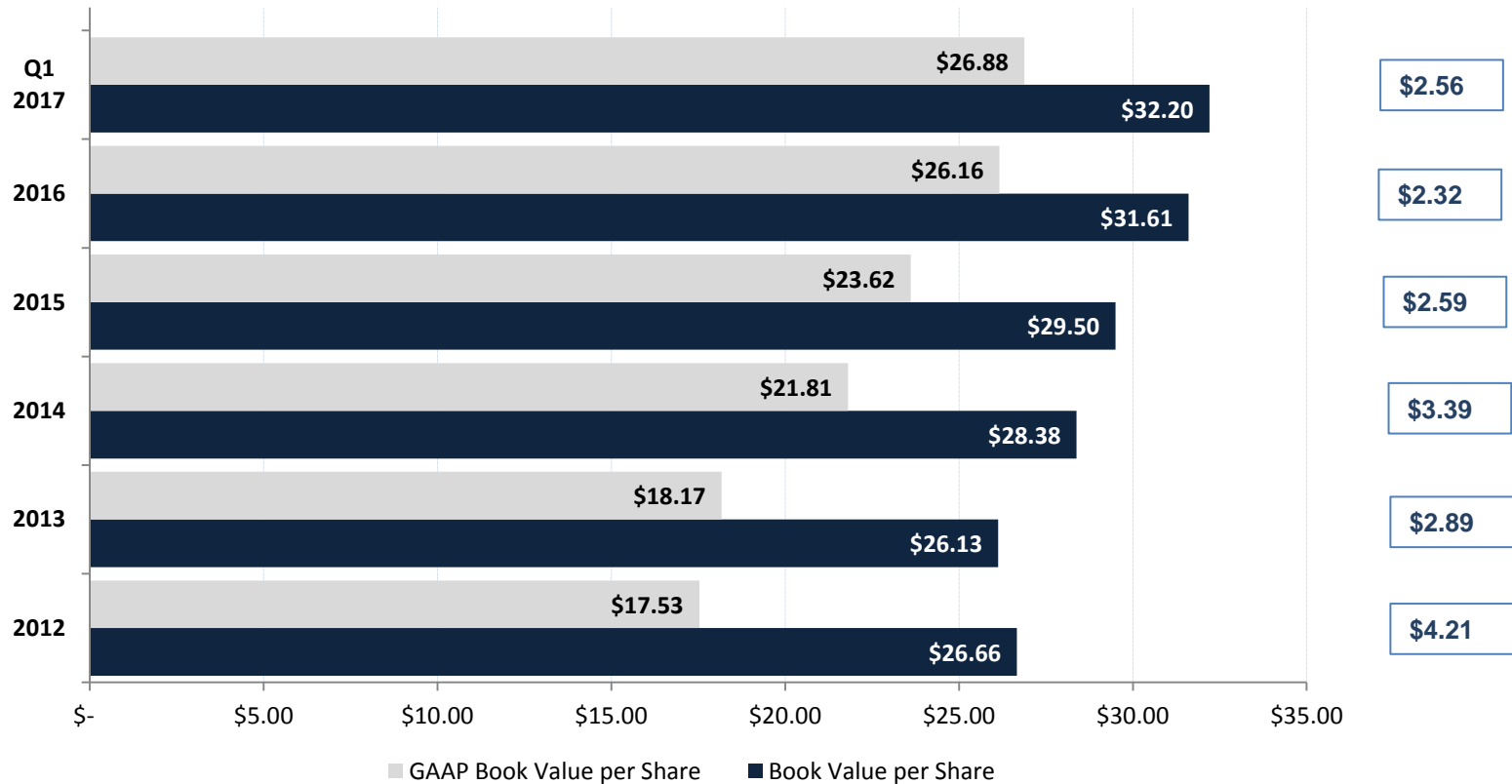


NOTE: Quarterly operating returns on adjusted equity are annualized.

Performance – Book Values Per Share (BVPS)

BVPS (using GAAP equity), BVPS (including deferred reinsurance gain – LPT) and AOCI Portion

AOCI Portion



Improved Calendar Year Combined Ratios

Annually

Quarterly

Combined Ratio using GAAP data

95.3%

103.9%

97.0%

94.1%

91.8%

95.0%

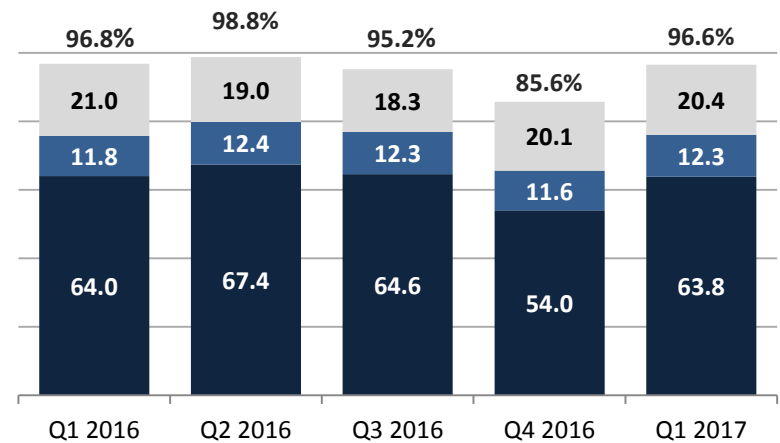
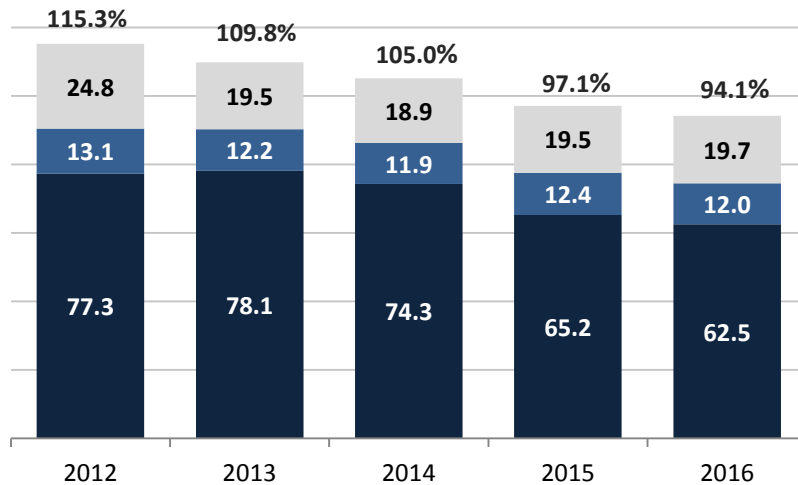
94.5%

93.5%

84.0%

94.9%

Combined Ratio before the LPT



Underwriting and other operating expense ratio

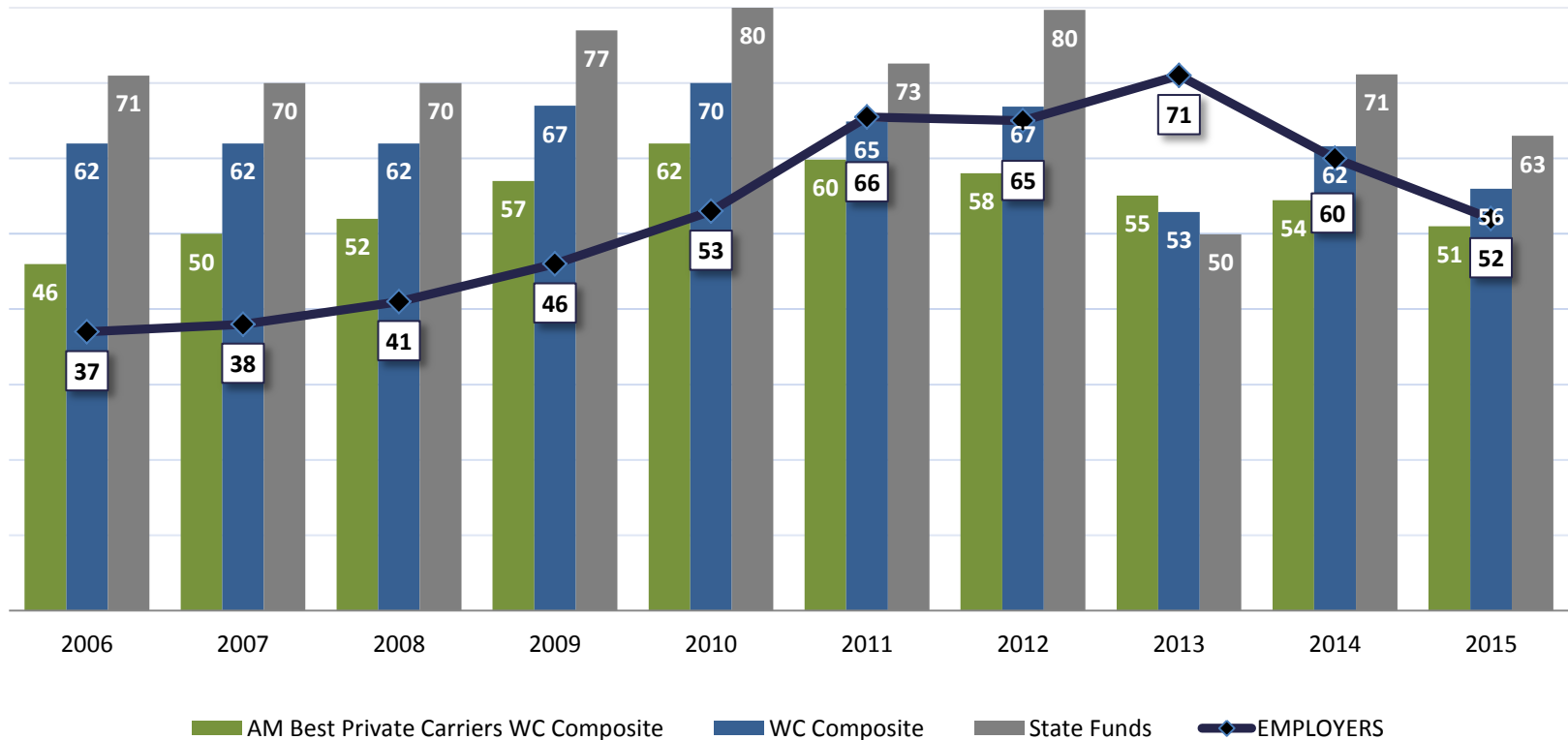
Commission expense ratio

Loss & LAE ratio before the LPT

Statutory Calendar Year Pure Loss Ratios

EMPLOYERS® long history of historically low loss ratios (%)

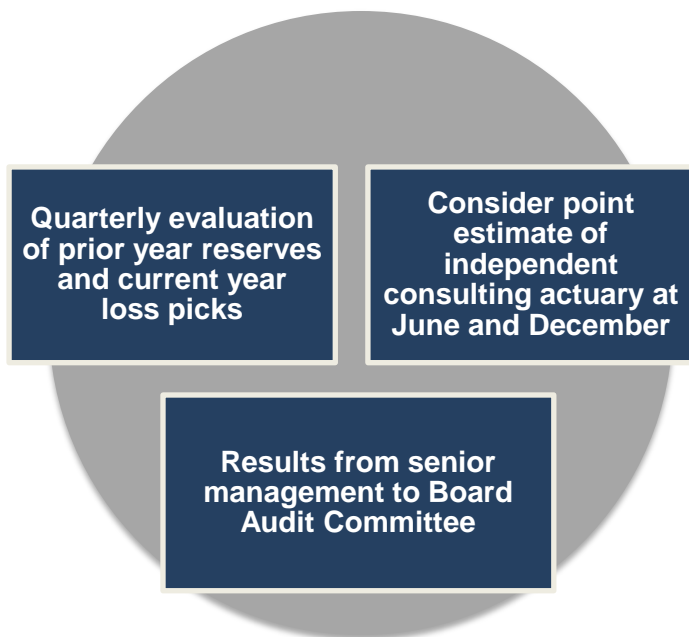
(Excluding accounting impacts of the LPT)



A.M. Best data, or derived from A.M. Best data --- 2013 data is an anomaly.

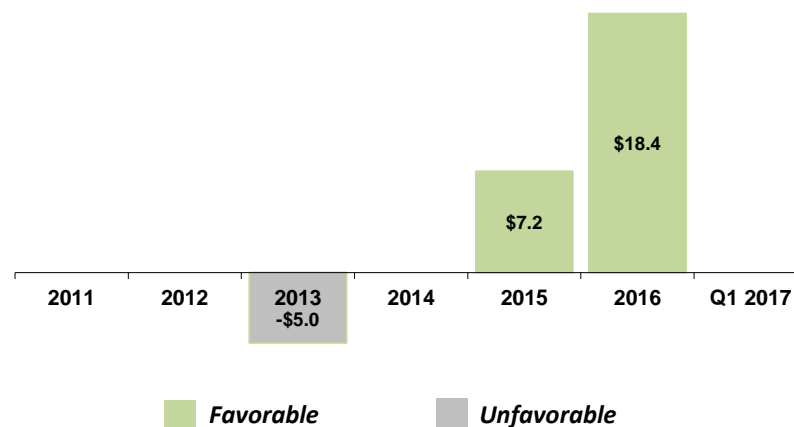
History of Reserve Strength

Reserve review



Reserve development

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



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

- \$13.3 million savings in 2016

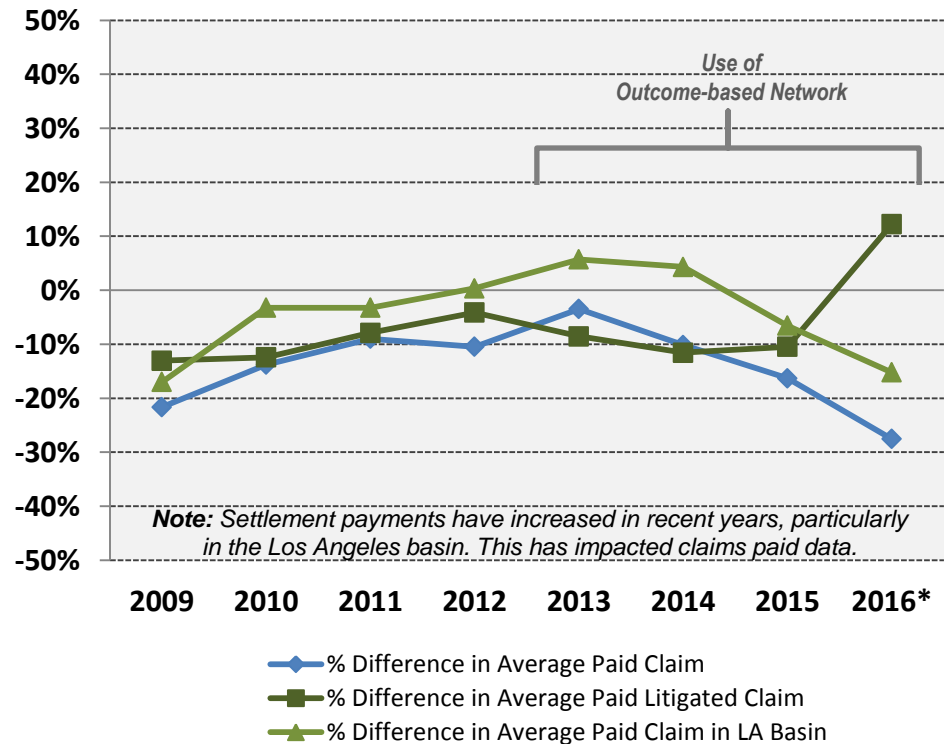
Pharmacy benefit management program

- \$16.7 million savings in 2016

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 June 30, 2016.

Strong Capital Position

ACTIVE CAPITAL MANAGEMENT

- 67% increase in cash dividend to \$0.15/share in Q1 2017, dividend maintained in Q2
- \$50 million two-year share repurchase program authorized by Board of Directors in February 2016; \$29 million remaining at 3/31/17
- Since IPO in 2007, deployed approximately \$485 million through share repurchases and dividends

FINANCIAL FLEXIBILITY

- \$60.6 million cash and securities at parent company
- Low debt ratio
- Our insurance subsidiaries are each members of the Federal Home Loan Bank of San Francisco – provides access to collateralized advances (none have advances under these credit facilities)

GROWTH IN BOOK VALUES PER SHARE

- GAAP Book value per share increase of 3% since YE 2016
- Book value per share (including deferred LPT gain) growth of 2% since YE 2016
- Adjusted book value per share (excluding AOCI) growth of 2% since YE 2016

STRONG STATUTORY CAPITAL

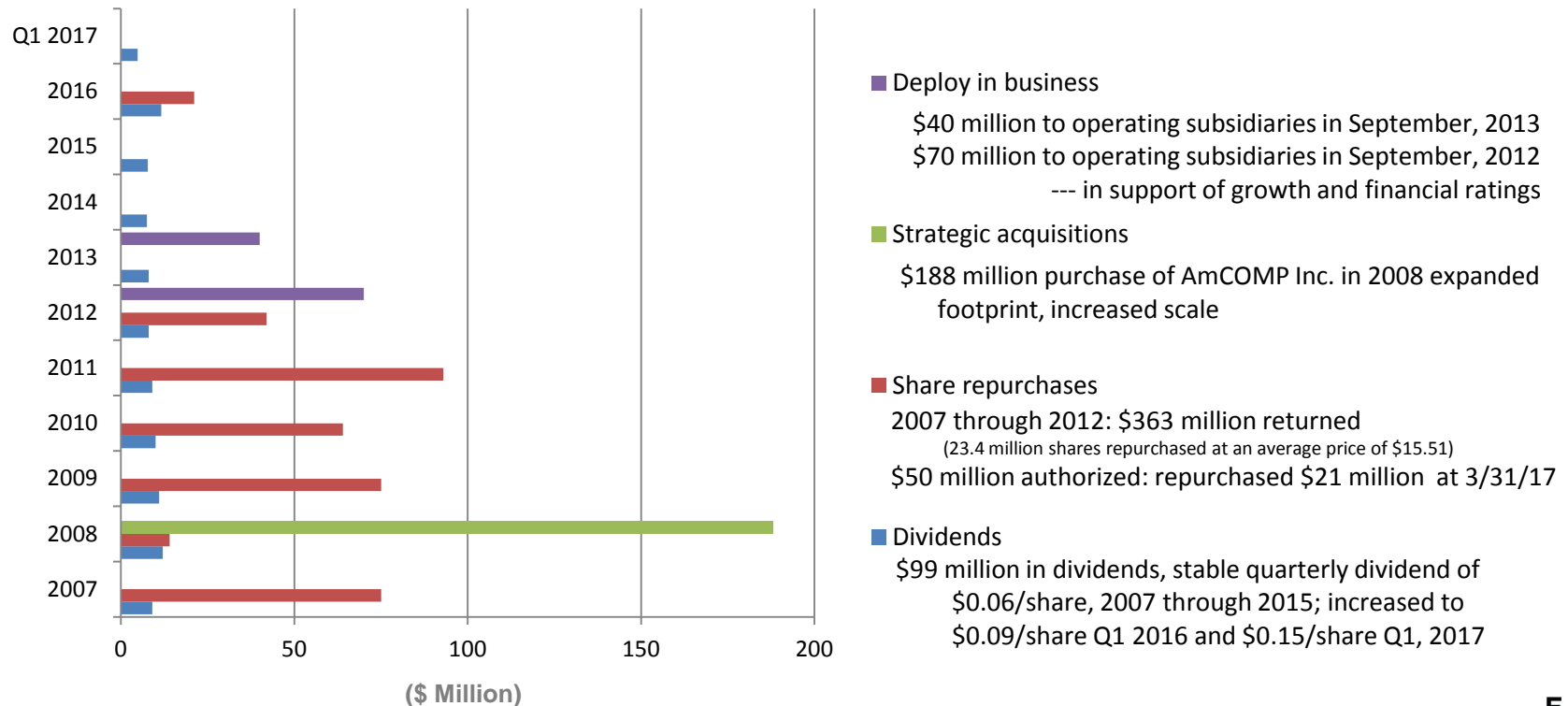
- Statutory capital of \$852 million at 3/31/17

\$2.6 BILLION INVESTED ASSETS

HIGH QUALITY REINSURANCE

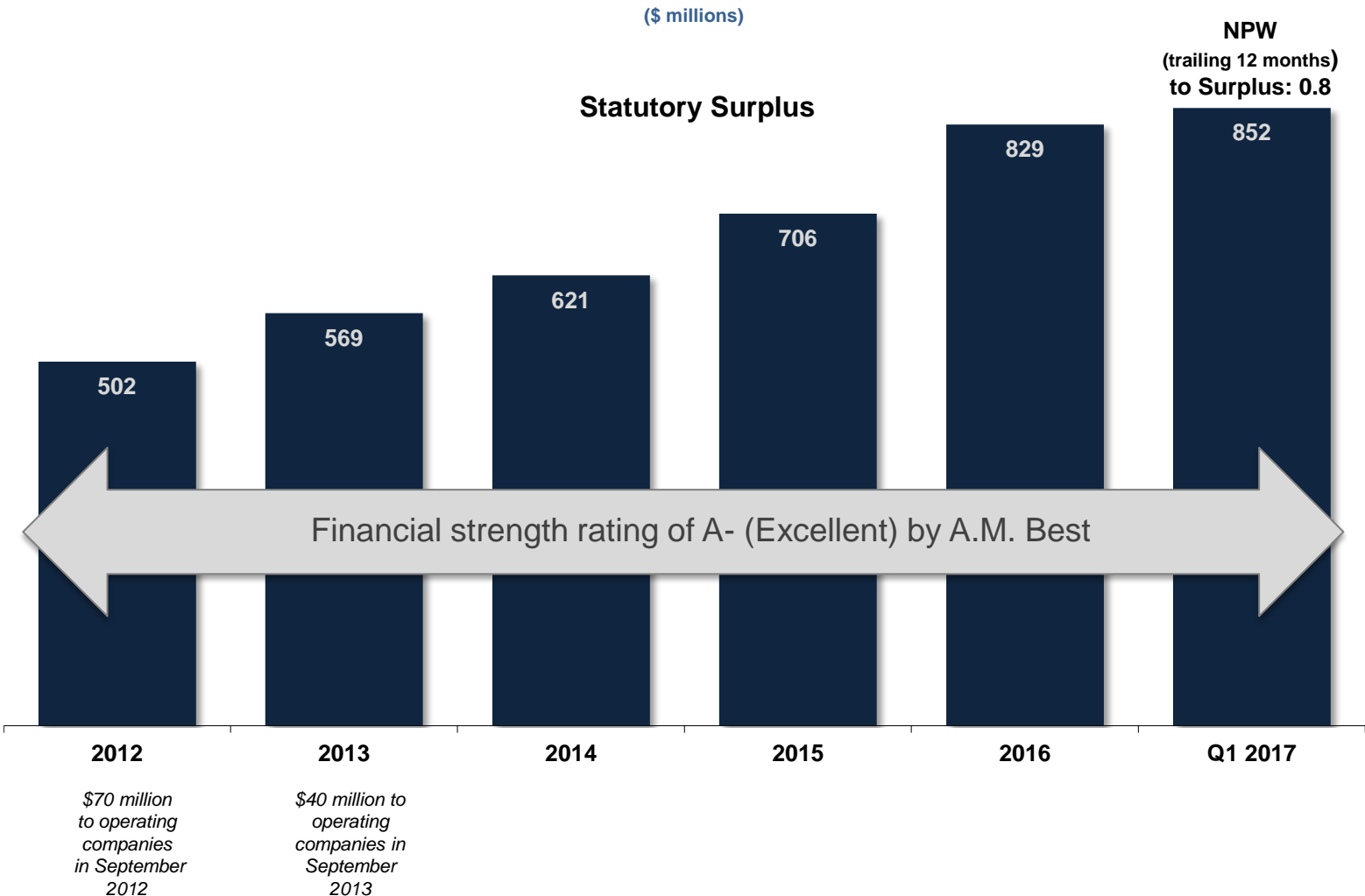
Capital Deployment

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

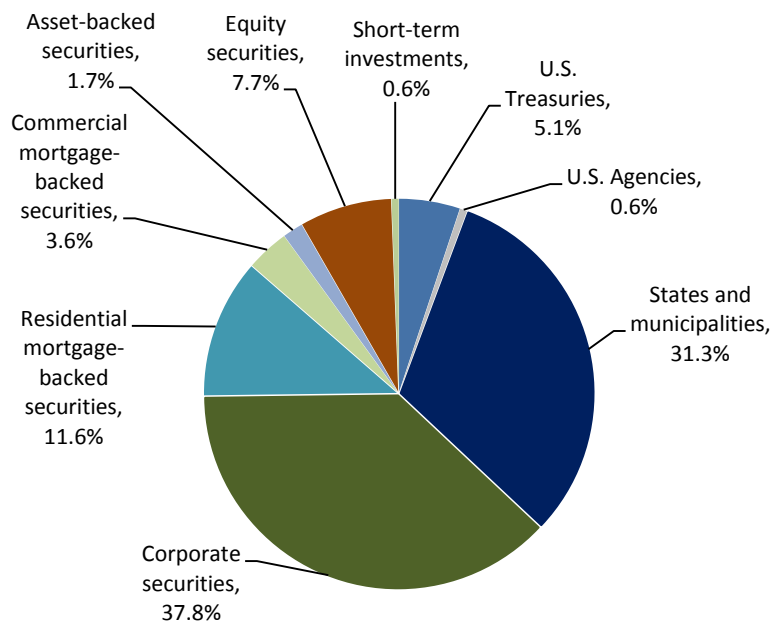


Statutory Surplus

Solid statutory surplus provides a solid basis for underwriting



High Quality Investment Portfolio



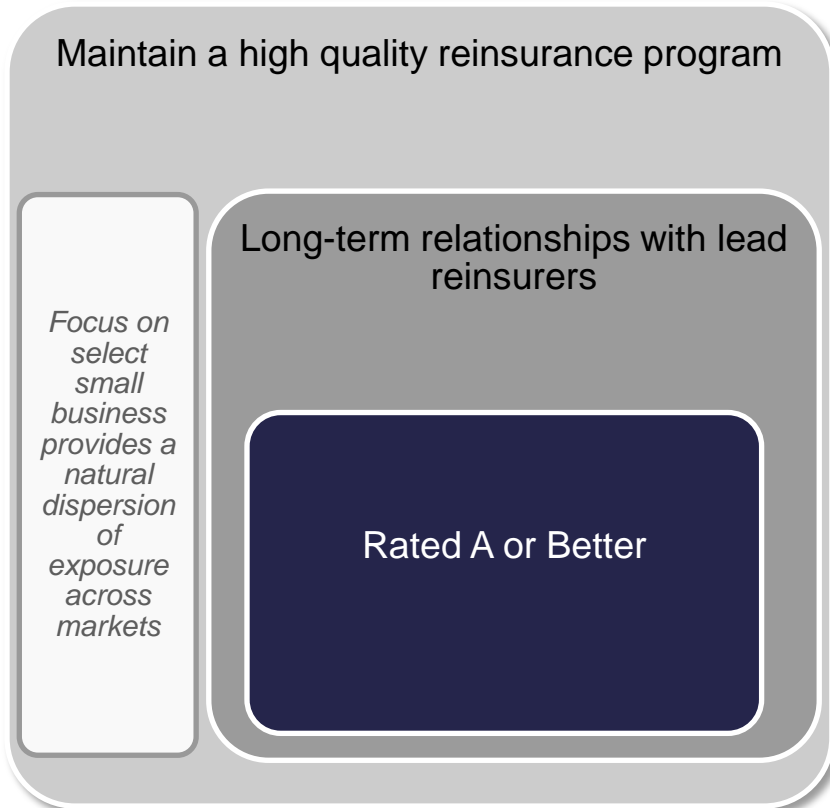
\$2.6 billion fair market value

March 31, 2017

- **Fixed maturities have an average weighted rating of AA-**
- **3.1% average pre-tax book yield**
- **3.6% tax equivalent book yield**
- **Effective duration of 4.3 years**

High Quality Reinsurance

Reinsurance management



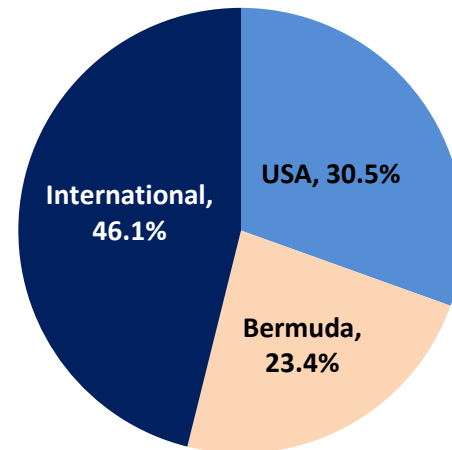
Program structure, effective 7/1/16

Limits of \$200M

Retention of \$10M (*increased from \$7 million*)

Maximum any one life - \$20 million

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.

Michael Paquette
Executive Vice President and Chief Financial Officer
Employers Holdings, Inc.

Stephen V. Festa
Executive Vice President and Chief Operating Officer
Employers Holdings, Inc.

Analyst Contact:

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

EMPLOYERS[®]

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

Definitions and Reconciliations of Non-GAAP to GAAP Measures

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 the Company's most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these non-GAAP measures are meaningful 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. These non-GAAP measures are not a substitute for GAAP measures and investors should be careful when comparing the Company's non-GAAP financial measures to similarly titled measures used by other companies. Other companies may calculate these measures differently, and, therefore, these measures may not be comparable.

Employers Holdings, Inc.

First Quarter 2017

Financial Supplement



America's small business insurance specialist®

EMPLOYERS HOLDINGS, INC.
Table of Contents

Page	
<u>1</u>	Consolidated Financial Highlights
<u>2</u>	Summary Consolidated Balance Sheets
<u>3</u>	Summary Consolidated Income Statements
<u>4</u>	Return on Equity
<u>5</u>	Combined Ratios
<u>6</u>	Roll-forward of Unpaid Losses and LAE
<u>7</u>	Consolidated Investment Portfolio
<u>8</u>	Book Value Per Share
<u>9</u>	Earnings Per Share
<u>10</u>	Non-GAAP Financial Measures

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

	Three Months Ended		% change
	March 31,		
	2017	2016*	
Selected financial highlights:			
Gross insurance premiums written	\$ 197.6	\$ 190.7	4 %
Net insurance premiums written	196.1	188.7	4 %
Net insurance premiums earned	175.3	172.6	2 %
Net investment income	18.8	17.8	6 %
Underwriting income	8.9	8.7	2 %
Net income before impact of the LPT ¹	20.3	18.7	9 %
Operating income ¹	18.9	17.8	6 %
Net income	23.2	21.8	6 %
Comprehensive income	31.2	41.6	(25)%
Total assets	3,833.6	3,796.8	1 %
Stockholders' equity	867.5	803.7	8 %
Stockholders' equity including deferred reinsurance gain ²	1,039.4	990.1	5 %
Adjusted stockholders' equity ²	956.9	886.7	8 %
Annualized operating return on adjusted stockholders' equity ³	8.0%	8.1 %	(1)%
Amounts per share:			
Cash dividends declared per share	\$ 0.15	\$ 0.09	67 %
Net income per diluted share ⁴	0.70	0.66	6 %
Net income before impact of the LPT per diluted share ⁴	0.62	0.57	9 %
Operating income per diluted share ⁴	0.57	0.54	6 %
GAAP book value per share ²	26.88	24.74	9 %
Book value per share ²	32.20	30.48	6 %
Adjusted book value per share ²	29.65	27.30	9 %
Combined ratio before impact of the LPT:⁵			
Loss and loss adjustment expense ratio:			
Current year	63.8%	64.1 %	
Prior year	—%	(0.1)%	
Loss and loss adjustment expense ratio	63.8%	64.0 %	
Commission expense ratio	12.3%	11.8 %	
Underwriting and other operating expense ratio	20.4%	21.0 %	
Combined ratio before impact of the LPT	96.6%	96.8 %	

¹ See Page 3 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

² See Page 8 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

³ See Page 4 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

⁴ See Page 9 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

⁵ See Page 5 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

*The Company adopted ASU Number 2016-9, *Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

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

	March 31, 2017	December 31, 2016
ASSETS		
Investments, cash and cash equivalents	\$ 2,673.2	\$ 2,623.4
Accrued investment income	20.1	20.6
Premiums receivable, net	323.8	304.7
Reinsurance recoverable on paid and unpaid losses	581.0	588.7
Deferred policy acquisition costs	48.1	44.3
Deferred income taxes, net	52.1	59.4
Contingent commission receivable—LPT Agreement	31.1	31.1
Other assets	104.2	101.2
Total assets	<u>\$ 3,833.6</u>	<u>\$ 3,773.4</u>
LIABILITIES		
Unpaid losses and LAE	\$ 2,298.2	\$ 2,301.0
Unearned premiums	330.8	310.3
Commissions and premium taxes payable	49.3	48.8
Deferred reinsurance gain—LPT Agreement	171.9	174.9
Notes payable	32.0	32.0
Other liabilities	83.9	65.8
Total liabilities	<u>\$ 2,966.1</u>	<u>\$ 2,932.8</u>
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 373.3	\$ 372.6
Retained earnings	795.4	777.2
Accumulated other comprehensive income, net	82.5	74.5
Treasury stock, at cost	(383.7)	(383.7)
Total stockholders' equity	<u>867.5</u>	<u>840.6</u>
Total liabilities and stockholders' equity	<u>\$ 3,833.6</u>	<u>\$ 3,773.4</u>
Stockholders' equity including deferred reinsurance gain ¹	\$ 1,039.4	\$ 1,015.5
Adjusted stockholders' equity ¹	956.9	941.0
GAAP Book Value per Share ¹	\$ 26.88	\$ 26.16
Book value per share ¹	32.20	31.61
Adjusted Book Value per Share ¹	29.65	29.29

¹ See Page 8 for calculations and Page 10 for information regarding our use of Non-GAAP Financial Measures.

EMPLOYERS HOLDINGS, INC.
Summary Consolidated Income Statements (unaudited)
\$ in millions, except per share amounts

	Three Months Ended	
	March 31,	
	2017	2016*
Underwriting revenues:		
Gross premiums written	\$ 197.6	\$ 190.7
Premiums ceded	(1.5)	(2.0)
Net premiums written	196.1	188.7
Net premiums earned	175.3	172.6
Underwriting expenses:		
Losses and LAE incurred	(109.0)	(107.3)
Commission expense	(21.5)	(20.3)
Underwriting and other operating expenses	(35.9)	(36.3)
Underwriting income	8.9	8.7
Net investment income	18.8	17.8
Other income	—	0.1
Interest expense	(0.4)	(0.4)
Net realized gains on investments	2.2	1.5
Income tax expense	(6.3)	(5.9)
Net income	23.2	21.8
Net unrealized gains on investments arising during the period, net of tax	9.4	20.8
Reclassification adj. for realized gains in net income, net of tax	(1.4)	(1.0)
Comprehensive income	\$ 31.2	\$ 41.6
<i>Add (subtract)</i>		
Amortization of deferred reinsurance gain - losses	\$ (2.4)	\$ (2.6)
Amortization of deferred reinsurance gain - contingent commission	(0.5)	(0.5)
LPT reserve adjustment	—	—
LPT contingent commission adjustments	—	—
Net income before impact of the LPT Agreement ¹	\$ 20.3	\$ 18.7
<i>Add (subtract)</i>		
Impact of the LPT Agreement	\$ (2.9)	\$ (3.1)
Net realized losses (gains) on investments, net of tax	(1.4)	(1.0)
Amortization of intangibles, net of tax	—	0.1
Operating income ¹	\$ 18.9	\$ 17.8

¹ See Page 10 regarding our use of Non-GAAP Financial Measures.

*The Company adopted ASU Number 2016-9, *Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

EMPLOYERS HOLDINGS, INC.
Return on Equity (unaudited)
\$ in millions, except per share amounts

		Three Months Ended	
		March 31,	
		2017	2016*
Net income	A	\$ 23.2	\$ 21.8
<i>Add (subtract):</i>			
Impact of LPT Agreement		(2.9)	(3.1)
Net realized losses (gains) on investments, net of tax		(1.4)	(1.0)
Amortization of intangibles, net of tax		—	0.1
Operating income ¹	B	\$ 18.9	\$ 17.8
<hr/>			
Stockholders' equity - end of period		\$ 867.5	\$ 803.7
Stockholders' equity - beginning of period		840.6	760.8
Average stockholders' equity	C	\$ 854.1	\$ 782.3
<hr/>			
Stockholders' equity - end of period		\$ 867.5	\$ 803.7
<i>Add (subtract):</i>			
Deferred reinsurance gain		171.9	186.4
Accumulated other comprehensive income, net of tax		(82.5)	(103.4)
Adjusted stockholders' equity - end of period		956.9	886.7
Adjusted stockholders' equity - beginning of period		941.0	866.7
Average adjusted stockholders' equity ¹	D	\$ 949.0	\$ 876.7
<hr/>			
Return on stockholders' equity	A / C	2.7%	2.8%
Annualized return on stockholders' equity		10.9%	11.1%
<hr/>			
Operating return on adjusted stockholders' equity ¹	B / D	2.0%	2.0%
Annualized operating return on adjusted stockholders' equity ¹		8.0%	8.1%

¹ See Page 10 for information regarding our use of Non-GAAP Financial Measures.

*The Company adopted ASU Number 2016-9, *Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

EMPLOYERS HOLDINGS, INC.
Combined Ratios (unaudited)
\$ in millions, except per share amounts

		Three Months Ended	
		March 31,	
		2017	2016
Net premiums earned	A	\$ 175.3	\$ 172.6
Losses and LAE incurred	B	109.0	107.3
Amortization of deferred reinsurance gain - losses		2.4	2.6
Amortization of deferred reinsurance gain - contingent commission		0.5	0.5
LPT reserve adjustment		—	—
LPT contingent commission adjustments		—	—
Losses and LAE before impact of the LPT ¹	C	\$ 111.9	\$ 110.4
Less: favorable prior year loss reserve development		—	(0.3)
Losses and LAE before impact of the LPT - current accident year	D	\$ 111.9	\$ 110.7
Commission expense	E	21.5	20.3
Underwriting and other operating expenses	F	35.9	36.3
GAAP combined ratio:			
Loss and LAE ratio	B/A	62.2%	62.2%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
GAAP combined ratio		94.9%	95.0%
Combined ratio before impact of the LPT: ¹			
Loss and LAE ratio before impact of the LPT	C/A	63.8%	64.0%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
Combined ratio before impact of the LPT		96.6%	96.8%
Combined ratio before impact of the LPT: current accident year ¹			
Loss and LAE ratio before impact of the LPT	D/A	63.8%	64.1%
Commission expense ratio	E/A	12.3%	11.8%
Underwriting and other operating expense ratio	F/A	20.4%	21.0%
Combined ratio before impact of the LPT: current accident year		96.6%	96.9%

¹ See Page 10 for information regarding our use of Non-GAAP Financial Measures.

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

	Three Months Ended	
	March 31,	
	2017	2016
Unpaid losses and LAE at beginning of period	\$ 2,301.0	\$ 2,347.5
Reinsurance recoverable on unpaid losses and LAE	580.0	628.2
Net unpaid losses and LAE at beginning of period	<u>1,721.0</u>	<u>1,719.3</u>
Losses and LAE incurred:		
Current year losses	111.9	110.7
Prior year losses on voluntary business	—	—
Prior year losses on involuntary business	—	(0.3)
Total losses incurred	<u>111.9</u>	<u>110.4</u>
Losses and LAE paid:		
Current year losses	4.7	4.7
Prior year losses	102.9	104.5
Total paid losses	<u>107.6</u>	<u>109.2</u>
Net unpaid losses and LAE at end of period	1,725.3	1,720.5
Reinsurance recoverable on unpaid losses and LAE	572.9	621.4
Unpaid losses and LAE at end of period	<u>\$ 2,298.2</u>	<u>\$ 2,341.9</u>

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

	March 31, 2017				December 31, 2016	
	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,350.6	\$ 44.7	\$ 2,395.3	90%	\$ 2,344.4	89 %
Equity securities	117.6	82.2	199.8	7%	192.2	7 %
Short-term investments	15.4	—	15.4	1%	16.0	1 %
Cash and cash equivalents	58.6	—	58.6	2%	67.2	3 %
Restricted cash and cash equivalents	4.1	—	4.1	—%	3.6	— %
Total investments and cash	\$ 2,546.3	\$ 126.9	\$ 2,673.2	100%	\$ 2,623.4	100 %
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 144.7	\$ 4.0	\$ 148.7	6%	\$ 140.2	6 %
States and Municipalities	794.2	23.3	817.5	34%	851.6	36 %
Corporate Securities	969.1	16.6	985.7	41%	956.7	41 %
Mortgage-Backed Securities	396.9	0.9	397.8	17%	353.5	15 %
Asset-Backed Securities	45.7	(0.1)	45.6	2%	42.4	2 %
Total fixed maturities	\$ 2,350.6	\$ 44.7	\$ 2,395.3	100%	\$ 2,344.4	100 %
<hr/>						
Weighted average book yield			3.1%		3.1%	
Weighted average tax equivalent yield			3.6%		3.6%	
Average credit quality (S&P)			AA-		AA-	
Duration			4.3years		4.3years	

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

		<u>March 31,</u> <u>2017</u>	<u>December</u> <u>31, 2016</u>	<u>March 31,</u> <u>2016</u>	<u>December</u> <u>31, 2015</u>
Numerators:					
Stockholders' equity	A	\$ 867.5	\$ 840.6	\$ 803.7	\$ 760.8
Plus: Deferred reinsurance gain		171.9	174.9	186.4	189.5
Stockholders' equity including deferred reinsurance gain¹	B	1,039.4	1,015.5	990.1	950.3
Less: Accumulated other comprehensive income, net of tax		82.5	74.5	103.4	83.6
Adjusted stockholders' equity¹	C	\$ 956.9	\$ 941.0	\$ 886.7	\$ 866.7
Denominator (shares outstanding)	D	32,276,213	32,128,922	32,483,983	32,216,480
GAAP book value per share ¹	A / D	\$ 26.88	\$ 26.16	\$ 24.74	\$ 23.62
Book value per share ¹	B / D	32.20	31.61	30.48	29.50
Adjusted book value per share ¹	C / D	29.65	29.29	27.30	26.90
Cash dividends declared per share		\$ 0.15	\$ 0.36	\$ 0.09	\$ 0.24
<u>YTD Change in:</u>²					
GAAP book value per share		3.3%		5.1%	
Book value per share		2.3%		3.6%	
Adjusted book value per share		1.7%		1.8%	

¹ See Page 10 for information regarding our use of Non-GAAP Financial Measures.

² Reflects the change in book value per share after taking into account dividends declared in the period.

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

		Three Months Ended	
		March 31,	
		2017	2016*
Numerators:			
Net income	A	\$ 23.2	\$ 21.8
<i>Add (subtract):</i>			
Impact of the LPT Agreement		(2.9)	(3.1)
Net income before impact of LPT ¹	B	\$ 20.3	\$ 18.7
Net realized losses (gains) on investments, net of tax		(1.4)	(1.0)
Amortization of intangibles, net of tax		—	0.1
Operating income ¹	C	\$ 18.9	\$ 17.8
Denominators:			
Average common shares outstanding (basic)	D	32,327,784	32,413,818
Average common shares outstanding (diluted)	E	32,965,367	32,955,232
Net income per share:			
Basic	A / D	\$ 0.72	\$ 0.67
Diluted	A / E	0.70	0.66
Net income before impact of the LPT per share: ¹			
Basic	B / D	\$ 0.63	\$ 0.58
Diluted	B / E	0.62	0.57
Operating income per share: ¹			
Basic	C / D	\$ 0.58	\$ 0.55
Diluted	C / E	0.57	0.54

¹ See Page 10 for information regarding our use of Non-GAAP Financial Measures.

*The Company adopted ASU Number 2016-9, *Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to our income tax expense for the three months ended March 31, 2016.

Glossary of Financial Measures

Within this earnings release we present the following measures, each of which are a "non-GAAP financial measure" as defined in Regulation G pursuant to Section 401 of the *Sarbanes - Oxley* Act of 2002. 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 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.

Operating income (see Page 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized gains (losses) on investments (net of tax) 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 reinsurance gain is stockholders' equity including the deferred reinsurance 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 8 for calculations) is stockholders' equity including the deferred reinsurance 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 operating return on equity metric.

Return on stockholders' equity and Operating return on stockholders' equity (see Page 4 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties.

GAAP book value per share, Book value per share and Adjusted book value per share (see Page 8 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties.

Net income, Combined ratio and Combined ratio before impact of the LPT (see Pages 3 and 5 for calculations). Management believes that these performance and underwriting measures are widely used by our investors, analysts and other interested parties.

Net rate (which is defined as total premium in-force divided by total insured payroll exposure) indicates the average increase or decrease in premiums charged from period-to-period and is a function of a variety of factors, including rate changes, underwriting risk profiles and pricing, and changes in business mix.