



## 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.
- 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 "Investor Relations" section of our website at [www.employers.com](http://www.employers.com).

## Forward- looking Statements

- This presentation may contain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.
- These statements often include words like "believe", "expect", "anticipate", "estimate" and "intend" or future or conditional verbs such as "will", "would", "should", "could" or "may".
- All such 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. They may 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 a number of 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.

## Updates

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

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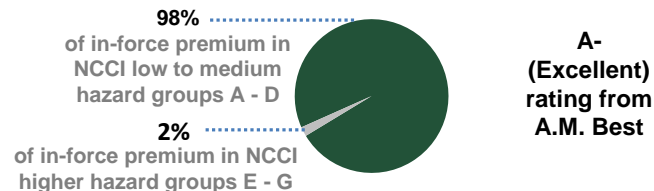
- EMPLOYERS® and America's small business insurance specialist.® are registered trademarks of Employers Insurance Company of Nevada.
- Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small 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.

# EMPLOYERS at a glance: Q3 2017

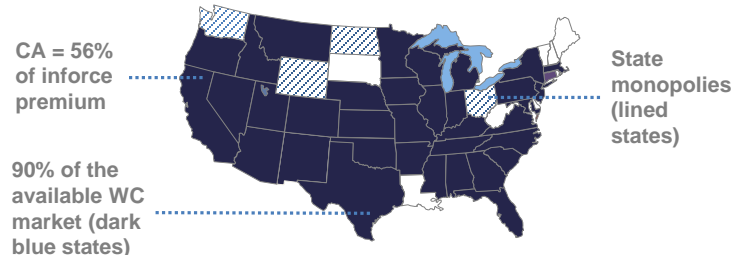
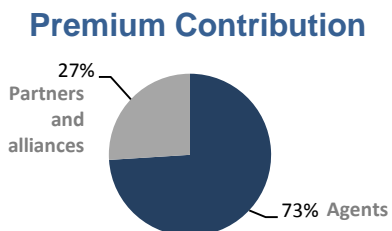
EMPLOYERS is a mono-line writer of workers' compensation (WC) insurance focused on low to medium hazard risk small businesses

**85,740 in-force policies**  
**\$7,300 average policy size**  
**Multiple insurance companies**



## GROWTH and MARKETS

**1913: State Fund of Nevada**  
**2000: Privatization**  
**2007: IPO**  
**2017: Operate in 36 states and DC**



## CAPITAL STRENGTH

### Statutory Surplus



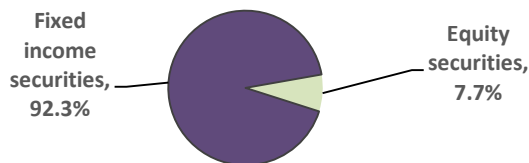
**Best's Capital Adequacy Ratio**  
**220**

**\$1.1B**

Stockholders' Equity plus LPT Deferred Gain

**\$2.6B**

**Investment Portfolio (AA-)**



**\$495M**

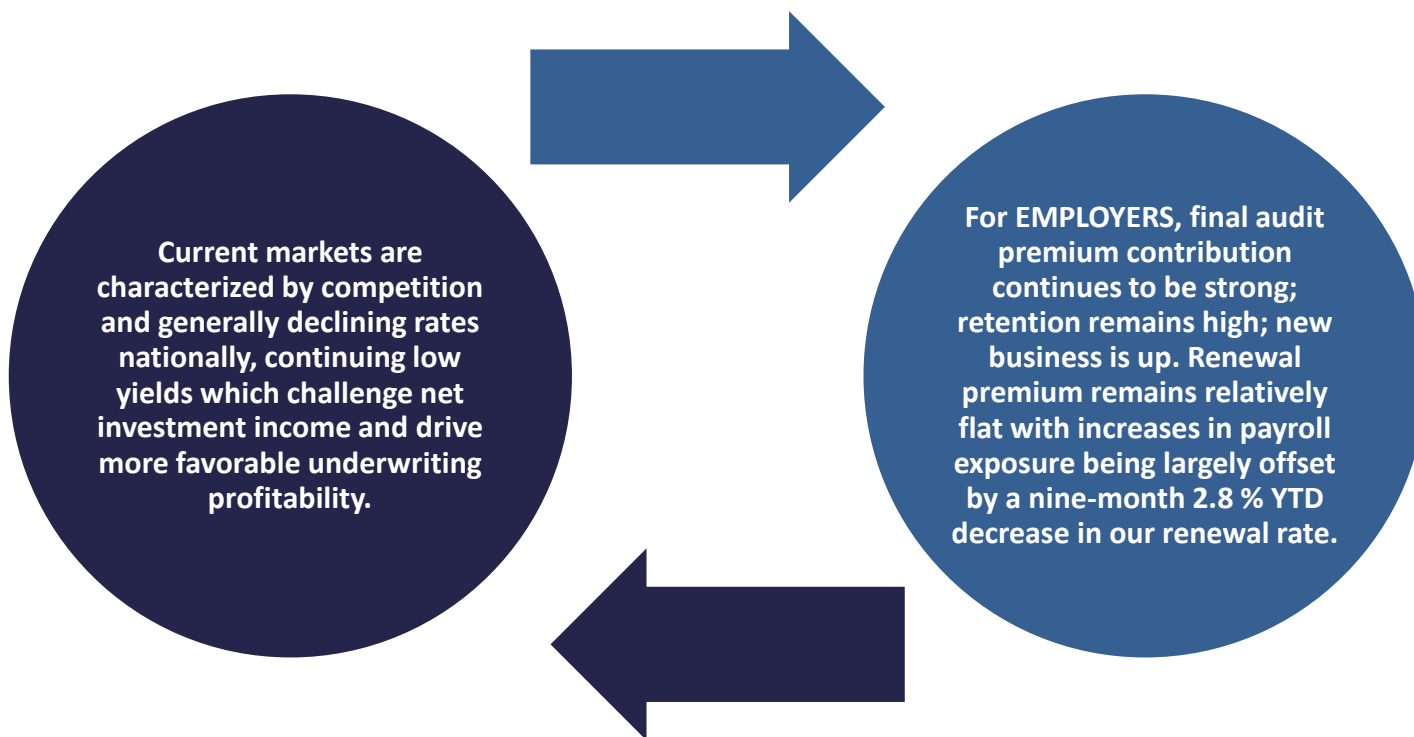
returned to shareholders since IPO in share repurchases and dividends

**Reinsurance**

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

**EIG**  
 LISTED  
 NYSE

# Market Conditions



# Business Strategies

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 and analytics

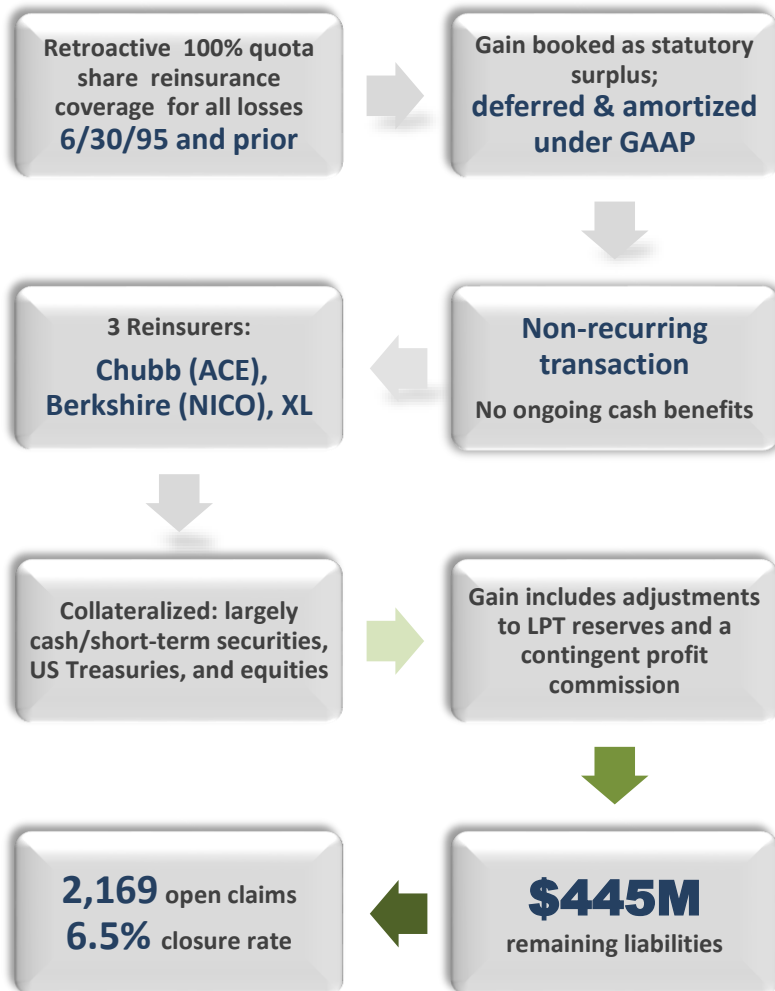
Targeting attractive classes of business

National distribution expansion

Acquisition of EIC NY



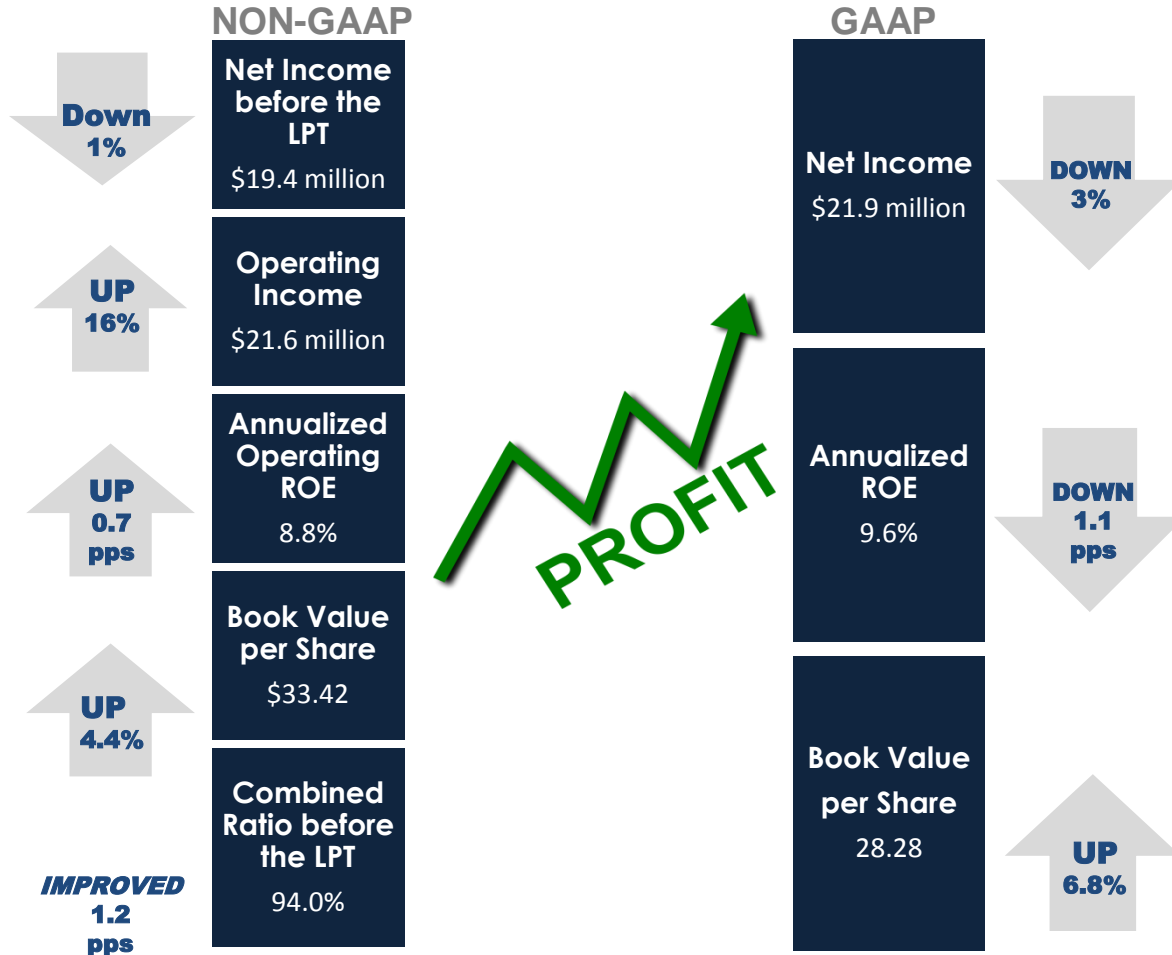
# Loss Portfolio Transfer (LPT) Accounting



THE LPT AGREEMENT		(\$ million)
Total coverage		\$2,000
Original reserves (liabilities) transferred		1,525
Consideration		775
Unamortized gain at 6/30/1999		750
Subsequent LPT reserve adjustments		(337)
Subsequent LPT contingent commission adjustments (profit sharing)		67
<i>Unamortized gain at 3/30/17</i>		<b>481</b>
<b>Accounting at 9/30/2017</b>		
Statutory surplus created		481
Cumulative amortization to date		315
<b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>		<b>\$166</b>

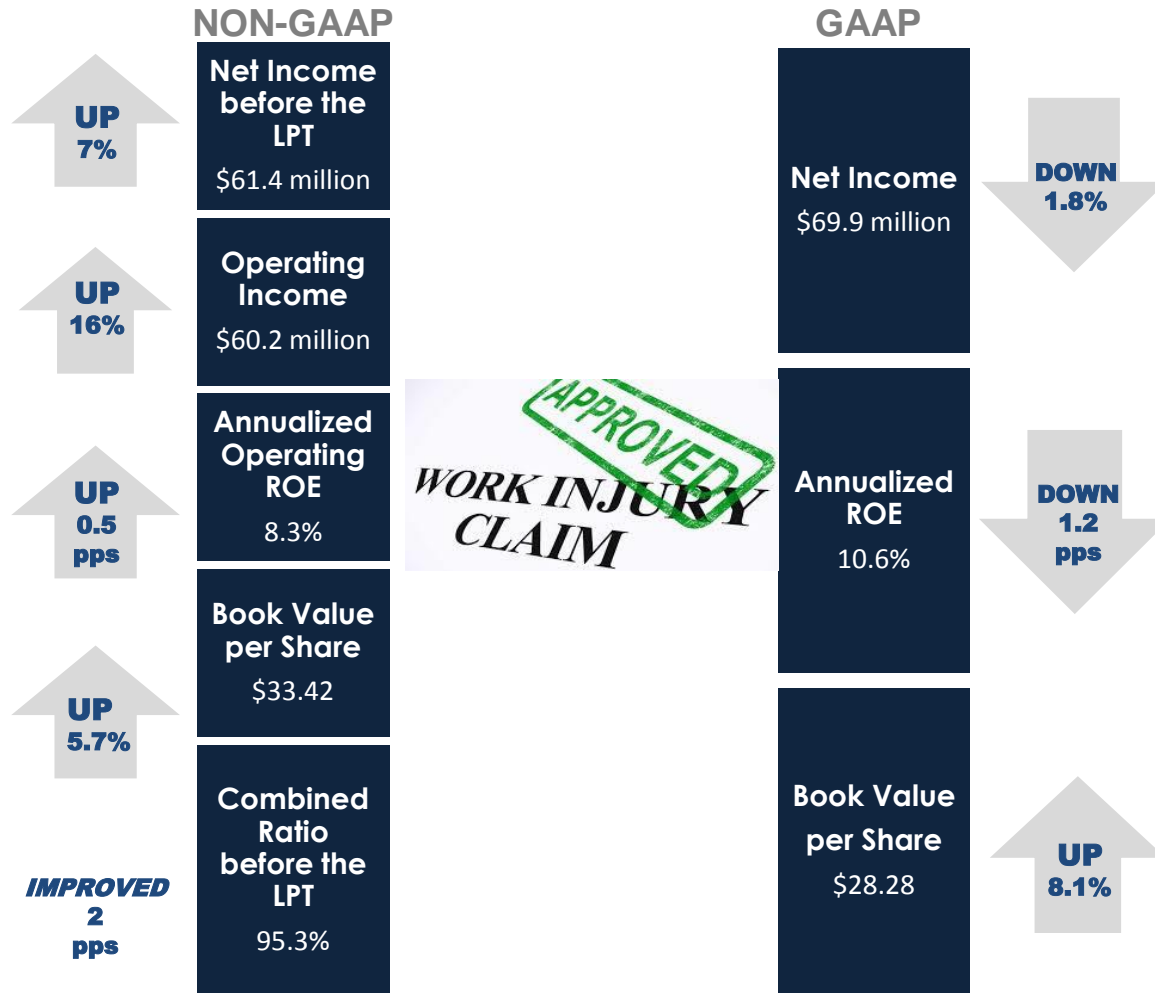
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement.

# Q3 2017 Highlights



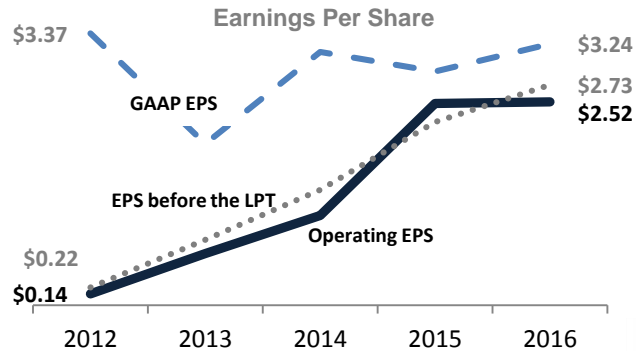
# YTD 2017 Highlights

Results largely impacted by favorable LPT adjustments and four large losses, all in Q2 2016

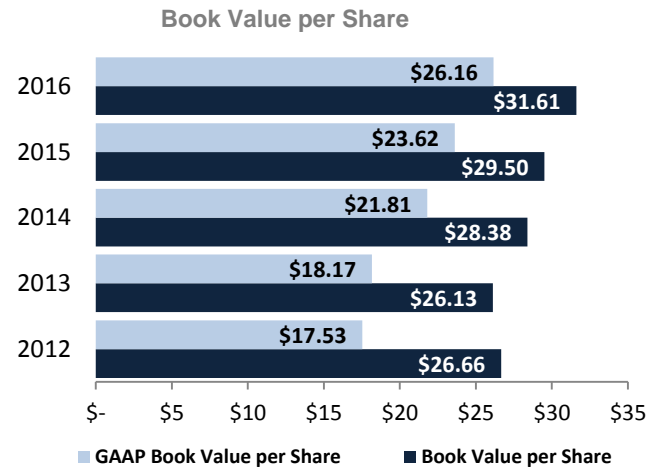
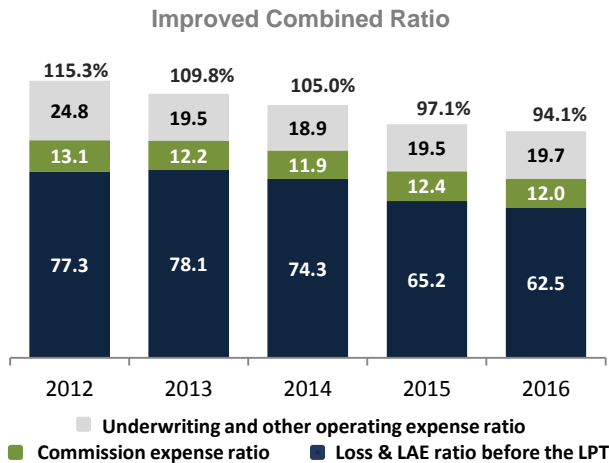
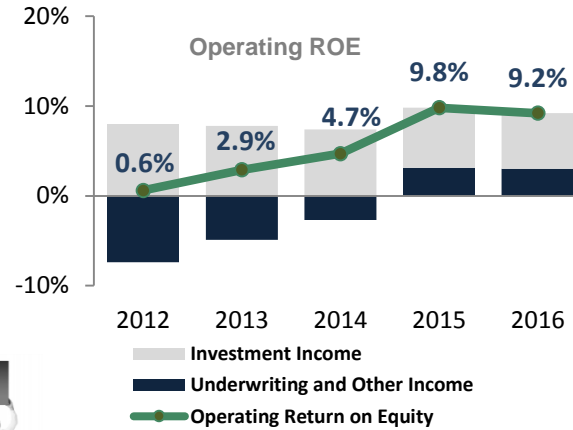




# 5 Year Performance



Spikes in GAAP EPS generally due to favorable development of LPT reserves



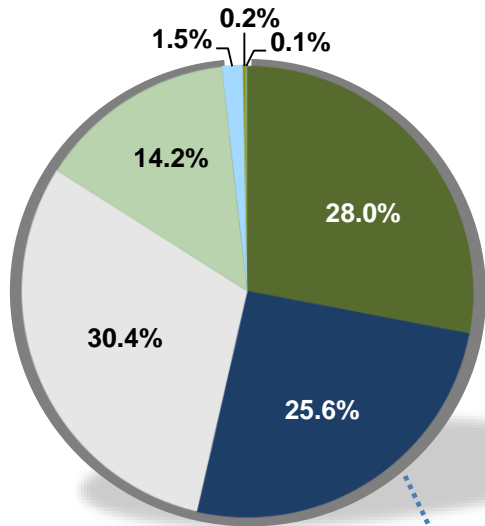
# Low Risk Focus

## Focus on Select Low to Medium Hazard Groups

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 |
- ↑  
↓



98.2% in 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

# In-force Growth and Rates

- YTD YoY renewal rate: **DOWN 2.8%**
- Premium: **UP 1.4%**
- Policies: **UP 0.9%**
- Average policy size: **UP 0.5%**
- Payroll exposure: **UP 2.9%**

## OVERALL

**ILLINOIS**  
**5%**

of total premium

Premium:  
DOWN 7.1%

Policies:  
DOWN 6.0%

**CALIFORNIA**  
**56%**

of total premium

Premium:  
UP 0.6%

Policies:  
DOWN 3.5%

State monopolies  
(lined states)

**FLORIDA**  
**6%**

of total premium

Premium:  
UP 20.1%

Policies:  
UP 8.9%

**OTHER STATES**

**33%**

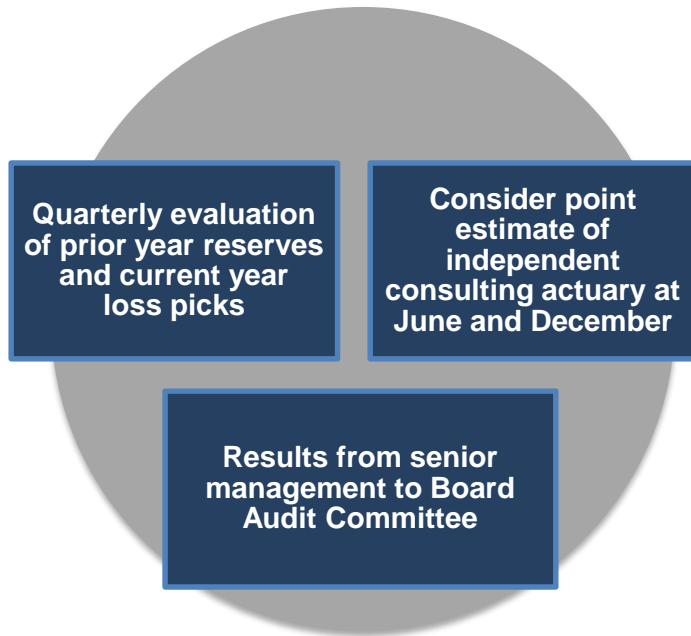
of total premium

Premium:  
UP 0.9%

Policies:  
UP 5.8%

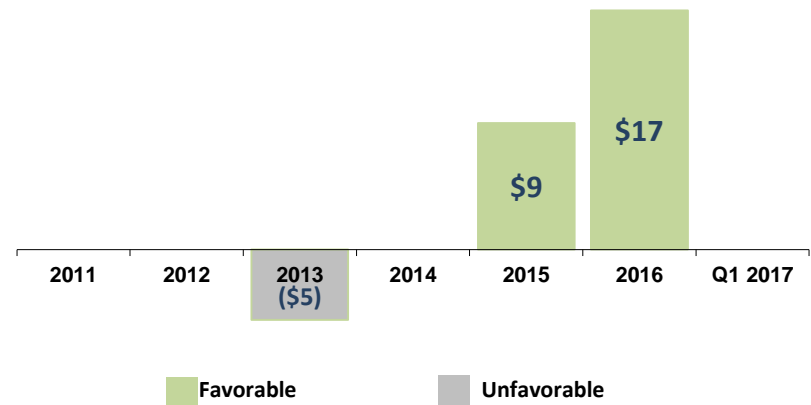
# History of Reserve Strength

## Reserve review



## Reserve development

Net Calendar Year Reserve Development for Prior Accident Years  
(\$ million, excludes involuntary business)



# Superior Claims Management



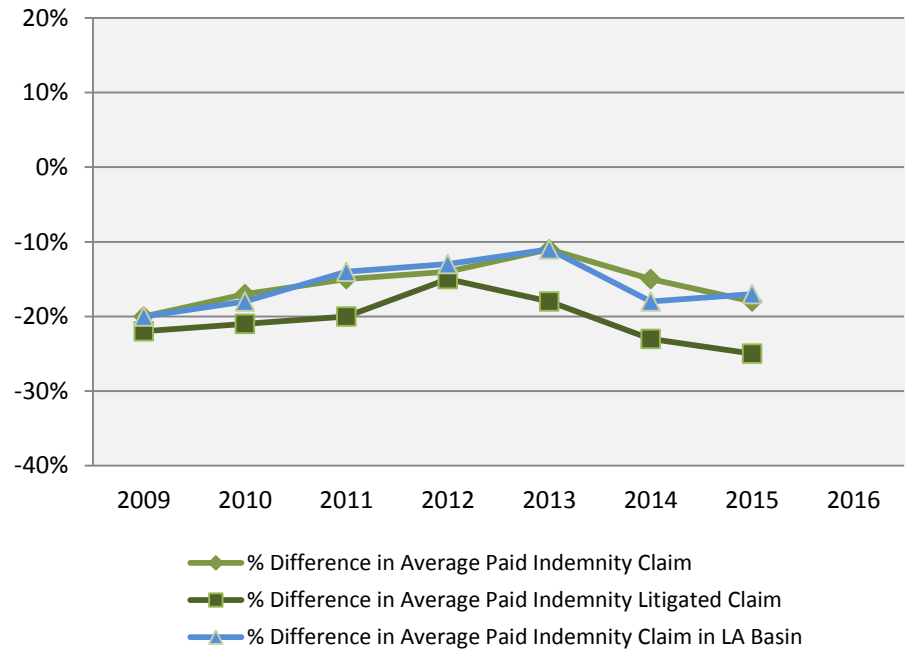
**% Difference: EMPLOYERS<sup>®</sup>  
average cost per paid claim in  
California  
vs.  
the California industry average**

- In-house medical management staff**
Manage care and medical costs
- Rigorous quality assurance processes**
Compliance with best practices and regulatory requirements
- Comprehensive fraud program**

**\$11.1M**  
savings through 3<sup>rd</sup> quarter 2017
- Pharmacy benefit management program**

**\$34.5M**  
savings through 10/17
- Claims professionals average over a decade of experience**

**\$149.5M**  
reserve salvage, 2015-10/2017, from increased claims settlement activity



**Source:** California Workers' Compensation Institute, data as of December 31, 2016.

# Strong Capital Position

- \$2.6 invested assets

## PORTFOLIO



- \$77 million at parent
- Low debt
- No advances under credit facilities at operating cos

## FINANCIAL FLEXIBILITY



- \$860 million

## STATUTORY CAPITAL



- 67% increase in cash dividend in 2017 YTD
- \$50 million share repurchase program
- \$495 million returned to shareholders since IPO

## ACTIVE CAPITAL MANAGEMENT



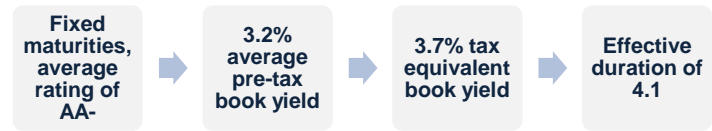
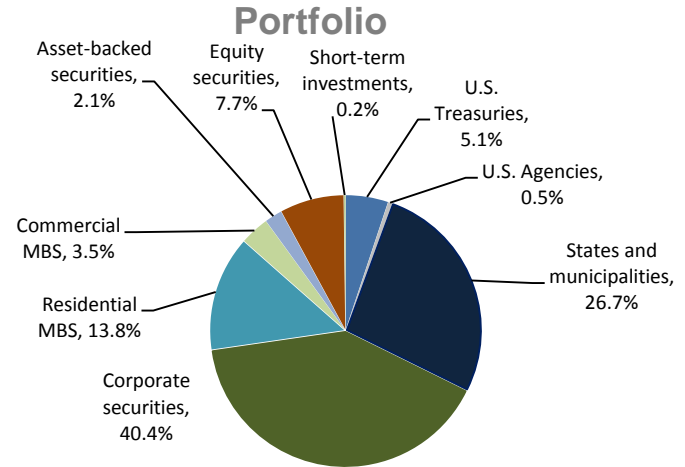
- GAAP UP 9.8%
- (Including LPT gain) UP 7.1%

## BVPS (YTD Change)



- Select small business provides a natural dispersion of exposure across markets
- Long term relationships
- Rated A or better

## HIGH QUALITY REINSURANCE

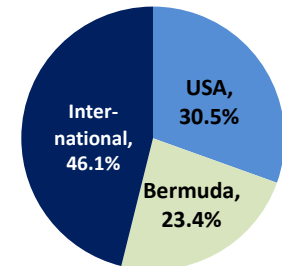


## Reinsurance: renews 7/1

Limits of \$200M

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

Maximum any one life - \$20 million





**OVER 100 YEAR OPERATING HISTORY**

**Strong underwriting franchise with established presence in attractive markets**

**Realized growth, expense management, improving operating ratios**

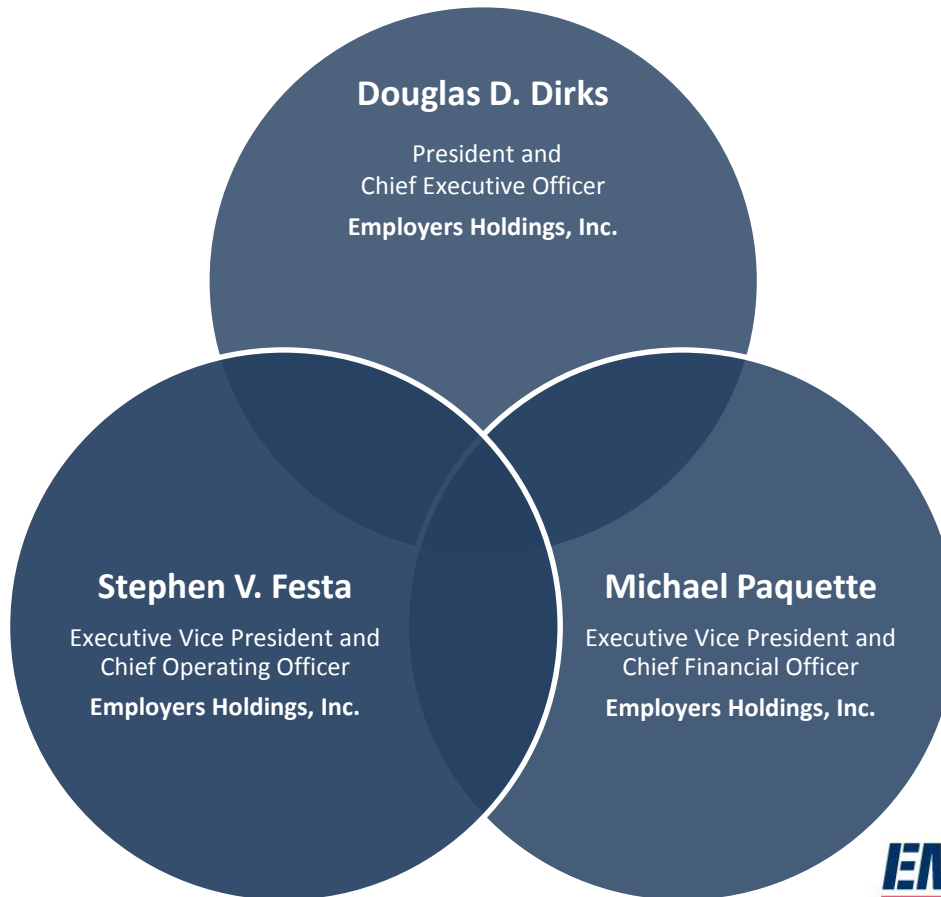
**Unique, long-standing strategic distribution relationships**

**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**



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# 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.