

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 24, 2018

EMPLOYERS HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

NEVADA
(State or Other Jurisdiction of
Incorporation)

001-33245
(Commission
File Number)

04-3850065
(I.R.S. Employer
Identification No.)

10375 Professional Circle
Reno, Nevada
(Address of Principal Executive Offices)

89521
(Zip Code)

Registrant's telephone number including area code: (888) 682-6671

No change since last report
(Former Name or Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Section 2 – Financial Information

Item 2.02. Results of Operations and Financial Condition.

On October 24, 2018, Employers Holdings, Inc. (the “Company”) issued a press release and financial supplement announcing results for the quarter ended September 30, 2018. The press release and financial supplement are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference, and are being furnished, not filed, under Item 2.02 to this Current Report on Form 8-K.

Section 8 – Other Information

Item 8.01. Other Events.

On October 24, 2018, the Company announced that its Board of Directors declared a fourth quarter 2018 cash dividend of \$0.20 per share on the Company’s common stock. The dividend is payable on November 21, 2018 to stockholders of record as of November 7, 2018.

Section 9 – Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

- 99.1 Employers Holdings, Inc. press release, dated October 24, 2018.
- 99.2 Employers Holdings, Inc. financial supplement, dated October 24, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMPLOYERS HOLDINGS, INC.

Dated: October 24, 2018

/s/ Michael S. Paquette

Michael S. Paquette
Executive Vice President,
Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit</u>	
99.1	Employers Holdings, Inc. press release, dated	October 24, 2018
99.2	Employers Holdings, Inc. financial supplement, dated	October 24, 2018

Employers Holdings, Inc. Reports Third Quarter 2018 Results

- Net income of \$47.6 million (\$1.43 per diluted share), adjusted net income of \$32.7 million (\$0.98 per diluted share),
- Gross premiums written of \$189.2 million, up 6% year-over-year,
- Net earned premiums of \$192.9 million, up 3% year-over-year,
- Underwriting income of \$22.7 million, up 66% year-over-year,
- Combined ratio of 88.2%, combined ratio before the impact of the LPT of 89.6%.

Reno, Nevada-October 24, 2018-Employers Holdings, Inc. (“EHI” or the “Company”) (NYSE:EIG) today reported the following for the third quarter of 2018: (i) net income of \$47.6 million (\$1.43 per diluted share); (ii) net income before the impact of the LPT of \$45.0 million (\$1.35 per diluted share); and (iii) adjusted net income of \$32.7 million (\$0.98 per diluted share).

The Company's adjusted net income for the third quarter of 2018 increased \$11.1 million year-over-year. This increase primarily reflects: (i) strong underwriting results highlighted by a 62.8% current accident year loss ratio (62.5% excluding involuntary business) and \$11.9 million of favorable prior year loss reserve development, and (ii) a reduction in our effective income tax rate from 24.2% to 18.4%, primarily reflecting the favorable impact of the December 2017 Tax Cuts and Job Act.

The Company's net income and net income before the impact of the LPT for the third quarter of 2018 increased by \$25.7 million and \$25.6 million, respectively, year-over-year. These third quarter 2018 net income measures were each favorably impacted by the items previously mentioned, as well as \$11.2 million of after tax unrealized investment gains relating to the Company's equity investments. Prior to January 1, 2018, the Company's unrealized gains and losses on equity securities were not a component of its net income or net income before the impact of the LPT.

The Company's book value per share of \$30.22, book value per share including the Deferred Gain of \$34.86 and adjusted book value per share of \$35.55 increased by 6.0%, 4.0%, and 17.4% during the first nine months of 2018, respectively, each computed after taking into account dividends declared. The Company's book value per share and book value per share including the Deferred Gain at September 30, 2018 were each adversely impacted by \$55.9 million of year-to-date after tax unrealized losses relating to the Company's fixed maturity investments caused by an increase in market interest rates.

Chief Executive Officer Douglas Dirks commented on the results: “EMPLOYERS has performed well throughout the first nine months of 2018. We grew premiums by 5%, lowered our current accident year loss provision versus that of a year ago and recognized favorable development on our prior year loss reserves.

As a result of our nearly-completed buildout of our nationwide platform, an enhanced sales force and greater leveraging of our partnerships and alliances, we were able to increase our top line despite declining rates in nearly all of the markets in which we do business. Loss costs and frequency trends continue to be favorable, despite highly competitive market conditions.”

Summary of Third Quarter 2018 Operating Results

(All comparisons vs. third quarter 2017, unless noted otherwise).

Gross premiums written were \$189.2 million, an increase of 6%. The increase was due primarily to new business writings, partially offset by rate declines on renewal business. Net earned premiums were \$192.9 million, an increase of 3% year-over-year.

The loss and LAE ratio before the impact of the LPT of 56.6% decreased 6.9 percentage points reflecting observed favorable paid loss trends, including those resulting from our key business initiatives including: an emphasis on settling open claims; diversifying our risk exposure across geographic markets; and leveraging data-driven strategies to target, underwrite and price profitable classes of business across all of our markets. Favorable prior year loss reserve development contributed 6.0 percentage points of the decline.

The commission expense ratio of 12.9% increased 0.3 percentage points, primarily as a result of an increase in the percentage of business produced by our partnerships and alliances, which is subject to a higher commission rate, as well as an increase in projected 2018 agency incentive commissions.

The underwriting and other operating expense ratio of 20.0% increased 2.1 percentage points due largely to expenses associated with the development and implementation of new technologies and capabilities.

Net investment income of \$20.2 million increased 9%, primarily as a result of higher pre-tax book yields.

Income tax expense was \$10.7 million (an 18.4% effective rate) versus \$7.0 million (a 24.2% effective rate). The decrease in the effective rate is due primarily to a reduction in the statutory Federal income tax rate from 35% to 21% as a result of the 2017 Tax Cuts and Job Act.

Stockholders' Equity including the Deferred Gain, Fourth Quarter 2018 Dividend Declaration

Stockholders' equity including the Deferred Gain was \$1,143.3 million, an increase of 2.9% from June 30, 2018 and 5.5% from September 30, 2017.

On October 24, 2018, the Board of Directors declared a fourth quarter 2018 dividend of \$0.20 per share. The dividend is payable on November 21, 2018 to stockholders of record as of November 7, 2018.

Conference Call and Webcast, Reports Filed with The Securities and Exchange Commission (the "SEC") and Supplemental Materials

The information in this press release should be read in conjunction with the Financial Supplement that is attached to this press release and is available on our website.

Reconciliation of Non-GAAP Financial Measures to GAAP

Within this earnings release we present various financial measures, some 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 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.

The Company will host a conference call on Thursday, October 25, 2018, at 8:30 a.m. Pacific Daylight Time. The conference call will be available via a live web cast on the Company's web site at www.employers.com. An archived version will be available several hours after the call. The conference call replay number is (404) 537-3406 or (855) 859-2056 with a pass code of 9958939.

The Company provides its filings with the Securities and Exchange Commission and its investor presentations on its website at www.employers.com.

Forward-Looking Statements

In this press release, 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. EHI and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in EHI'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 EHI'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.

The SEC filings for EHI can be accessed through the “Investors” link on the Company’s website, www.employers.com, or through the SEC’s EDGAR Database at www.sec.gov (EHI EDGAR CIK No. 0001379041).

Contact:

Media: Ty Vukelich, (775) 327-2677, tvukelich@employers.com.

Analysts: Mike Paquette, (775) 327-2562, mwoodard@employers.com.

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Additional information can be found at: <http://www.employers.com>.

Employers Holdings, Inc.
Third Quarter 2018
Financial Supplement



America's small business insurance specialist®

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

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2018	2017	% change	2018	2017	% change
Selected financial highlights:						
Gross premiums written	\$ 189.2	\$ 179.2	6%	\$ 587.2	\$ 561.3	5 %
Net premiums written	187.3	177.6	5	582.5	556.8	5
Net premiums earned	192.9	187.9	3	547.5	535.0	2
Net investment income	20.2	18.5	9	59.9	55.4	8
Underwriting income ⁽¹⁾	22.7	13.7	66	66.6	34.2	95
Net income before impact of the LPT ⁽¹⁾	45.0	19.4	132	103.7	61.4	69
Adjusted net income ⁽¹⁾	32.7	21.6	51	93.4	60.2	55
Net income	47.6	21.9	117	115.7	69.9	66
Comprehensive income	38.4	22.2	73	59.8	86.0	(30)
Total assets				3,898.5	3,835.4	2
Stockholders' equity				991.2	917.1	8
Stockholders' equity including the Deferred Gain ⁽²⁾				1,143.3	1,083.5	6
Adjusted stockholders' equity ⁽²⁾				1,165.8	992.9	17
Annualized adjusted return on stockholders' equity ⁽³⁾	11.4 %	8.8 %	30%	11.5 %	8.3 %	39 %
Amounts per share:						
Cash dividends declared per share	\$ 0.20	\$ 0.15	33%	\$ 0.60	\$ 0.45	33 %
Earnings per diluted share ⁽⁴⁾	1.43	0.66	117	3.48	2.12	64
Earnings per diluted share before impact of the LPT ⁽⁴⁾	1.35	0.59	129	3.12	1.86	68
Adjusted earnings per diluted share ⁽⁴⁾	0.98	0.65	51	2.81	1.82	54
Book value per share ⁽²⁾				30.22	28.28	7
Book value per share including the Deferred Gain ⁽²⁾				34.86	33.42	4
Adjusted book value per share ⁽²⁾				35.55	30.62	16
Combined ratio before impact of the LPT:⁽⁵⁾						
Loss and loss adjustment expense ratio:						
Current year	62.8 %	63.7 %		62.6 %	63.7 %	
Prior year	(6.2)	(0.2)		(7.5)	(0.1)	
Loss and loss adjustment expense ratio	56.6 %	63.5 %		55.1 %	63.6 %	
Commission expense ratio	12.9	12.6		13.4	12.4	
Underwriting and other operating expenses ratio	20.0	17.9		21.5	19.1	
Combined ratio before impact of the LPT	89.6 %	94.0 %		90.0 %	95.2 %	

(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.

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

	September 30, 2018	December 31, 2017
ASSETS		
Investments, cash and cash equivalents	\$ 2,795.6	\$ 2,752.0
Accrued investment income	19.0	19.6
Premiums receivable, net	352.7	326.7
Reinsurance recoverable on paid and unpaid losses and LAE	519.7	544.2
Deferred policy acquisition costs	50.8	45.8
Deferred income taxes, net	20.6	28.7
Contingent commission receivable—LPT Agreement	32.0	31.4
Other assets	108.1	91.7
Total assets	<u>\$ 3,898.5</u>	<u>\$ 3,840.1</u>
LIABILITIES		
Unpaid losses and LAE	\$ 2,233.7	\$ 2,266.1
Unearned premiums	356.0	318.3
Commissions and premium taxes payable	59.8	55.3
Deferred Gain	152.1	163.6
Notes payable	20.0	20.0
Other liabilities	85.7	69.1
Total liabilities	<u>\$ 2,907.3</u>	<u>\$ 2,892.4</u>
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 385.8	\$ 381.8
Retained earnings ⁽²⁾	1,011.9	842.2
Accumulated other comprehensive (loss) income, net ⁽²⁾	(22.5)	107.4
Treasury stock, at cost	(384.0)	(383.7)
Total stockholders' equity	<u>991.2</u>	<u>947.7</u>
Total liabilities and stockholders' equity	<u>\$ 3,898.5</u>	<u>\$ 3,840.1</u>
Stockholders' equity including the Deferred Gain ⁽¹⁾	<u>\$ 1,143.3</u>	<u>\$ 1,111.3</u>
Adjusted stockholders' equity ⁽¹⁾	<u>1,165.8</u>	<u>1,003.9</u>
Book value per share ⁽¹⁾	<u>\$ 30.22</u>	<u>\$ 29.07</u>
Book value per share including the Deferred Gain ⁽¹⁾	<u>34.86</u>	<u>34.09</u>
Adjusted book value per share ⁽¹⁾	<u>35.55</u>	<u>30.80</u>

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

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulted in a \$74.0 million reclassification adjustment from Accumulated other comprehensive income to Retained earnings as of January 1, 2018.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Underwriting revenues:				
Gross premiums written	\$ 189.2	\$ 179.2	\$ 587.2	\$ 561.3
Premiums ceded	(1.9)	(1.6)	(4.7)	(4.5)
Net premiums written	187.3	177.6	582.5	556.8
Net premiums earned	192.9	187.9	547.5	535.0
Underwriting expenses:				
Losses and LAE incurred	(106.6)	(116.9)	(289.7)	(332.0)
Commission expense	(24.8)	(23.7)	(73.1)	(66.7)
Underwriting and other operating expenses	(38.8)	(33.6)	(118.1)	(102.1)
Underwriting income	22.7	13.7	66.6	34.2
Net investment income	20.2	18.5	59.9	55.4
Net realized and unrealized gains on investments ⁽¹⁾	15.6	4.1	13.2	7.4
Gain on redemption of notes payable	—	—	—	2.1
Other income	0.2	0.4	0.4	0.5
Interest and financing expenses	(0.4)	(0.3)	(1.1)	(1.1)
Other expenses	—	(7.5)	—	(7.5)
Income tax expense	(10.7)	(7.0)	(23.3)	(21.1)
Net income	47.6	21.9	115.7	69.9
Unrealized AFS investment (losses) gains arising during the period, net of tax ⁽²⁾	(9.2)	3.0	(56.3)	20.9
Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax ⁽²⁾	—	(2.7)	0.4	(4.8)
Comprehensive income	\$ 38.4	\$ 22.2	\$ 59.8	\$ 86.0
Net Income	\$ 47.6	\$ 21.9	\$ 115.7	\$ 69.9
Amortization of the Deferred Gain - losses	(2.1)	(2.1)	(7.8)	(7.0)
Amortization of the Deferred Gain - contingent commission	(0.5)	(0.4)	(1.5)	(1.5)
LPT reserve adjustment	—	—	(2.2)	—
LPT contingent commission adjustments	—	—	(0.5)	—
Net income before impact of the LPT Agreement ⁽³⁾	45.0	19.4	103.7	61.4
Net realized and unrealized gains on investments	(15.6)	(4.1)	(13.2)	(7.4)
Gain on redemption of notes payable	—	—	—	(2.1)
Write-off of previously capitalized costs	—	7.5	—	7.5
Amortization of intangibles	—	—	0.1	0.2
Income tax expense (benefit) related to items excluded from Net income	3.3	(1.2)	2.8	0.6
Adjusted net income ⁽³⁾	\$ 32.7	\$ 21.6	\$ 93.4	\$ 60.2

(1) Includes \$11.2 million and \$1.8 million of unrealized gains on equity securities for the three and nine months ended September 30, 2018, respectively.

(2) AFS = Available for Sale securities.

(3) See Page 10 regarding our use of Non-GAAP Financial Measures.

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

	Three Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2018	2017	2018	2017	
Net income	A	\$ 47.6	\$ 21.9	\$ 115.7	\$ 69.9
Impact of the LPT Agreement		(2.6)	(2.5)	(12.0)	(8.5)
Net realized and unrealized gains on investments		(15.6)	(4.1)	(13.2)	(7.4)
Gain on redemption of notes payable		—	—	—	(2.1)
Write-off of previously capitalized costs		—	7.5	—	7.5
Amortization of intangibles		—	—	0.1	0.2
Income tax expense (benefit) related to items excluded from Net income		3.3	(1.2)	2.8	0.6
Adjusted net income ⁽¹⁾	B	32.7	21.6	93.4	60.2
Stockholders' equity - end of period		\$ 991.2	\$ 917.1	\$ 991.2	\$ 917.1
Stockholders' equity - beginning of period		956.5	899.2	947.7	840.6
Average stockholders' equity	C	973.9	908.2	969.5	878.9
Stockholders' equity - end of period		\$ 991.2	\$ 917.1	\$ 991.2	\$ 917.1
Deferred Gain - end of period		152.1	166.4	152.1	166.4
Accumulated other comprehensive loss (income) - end of period		28.4	(139.4)	28.4	(139.4)
Income taxes related to accumulated other comprehensive gains and losses - end of period		(5.9)	48.8	(5.9)	48.8
Adjusted stockholders' equity - end of period		1,165.8	992.9	1,165.8	992.9
Adjusted stockholders' equity - beginning of period		1,124.5	977.8	1,003.9	941.0
Average adjusted stockholders' equity ⁽¹⁾	D	1,145.2	985.4	1,084.9	967.0
Return on stockholders' equity	A / C	4.9%	2.4%	11.9%	8.0%
Annualized return on stockholders' equity		19.6	9.6	15.9	10.6
Adjusted return on stockholders' equity ⁽¹⁾	B / D	2.9%	2.2%	8.6%	6.2%
Annualized adjusted return on stockholders' equity ⁽¹⁾		11.4	8.8	11.5	8.3

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

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

		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2018	2017	2018	2017
Net premiums earned	A	\$ 192.9	\$ 187.9	\$ 547.5	\$ 535.0
Losses and LAE incurred	B	106.6	116.9	289.7	332.0
Amortization of the Deferred Gain - losses		2.1	2.1	7.8	7.0
Amortization of the Deferred Gain - contingent commission		0.5	0.4	1.5	1.5
LPT reserve adjustment		—	—	2.2	—
LPT contingent commission adjustments		—	—	0.5	—
Losses and LAE before impact of the LPT ⁽¹⁾	C	109.2	119.4	301.7	340.5
Prior accident year favorable loss reserve development		(11.9)	(0.2)	(40.8)	(0.5)
Losses and LAE before impact of the LPT - current accident year	D	\$ 121.1	\$ 119.6	\$ 342.5	\$ 341.0
Commission expense	E	\$ 24.8	\$ 23.7	\$ 73.1	\$ 66.7
Underwriting and other operating expenses	F	38.8	33.6	118.1	102.1
Combined ratio:					
Loss and LAE ratio	B/A	55.3%	62.2%	52.9%	62.1%
Commission expense ratio	E/A	12.9	12.6	13.4	12.4
Underwriting and other operating expenses ratio	F/A	20.0	17.9	21.5	19.1
Combined ratio		88.2%	92.7%	87.8%	93.6%
Combined ratio before impact of the LPT: ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	C/A	56.6%	63.5%	55.1%	63.6%
Commission expense ratio	E/A	12.9	12.6	13.4	12.4
Underwriting and other operating expenses ratio	F/A	20.0	17.9	21.5	19.1
Combined ratio before impact of the LPT		89.6%	94.0%	90.0%	95.2%
Combined ratio before impact of the LPT: current accident year ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	D/A	62.8%	63.7%	62.6%	63.7%
Commission expense ratio	E/A	12.9	12.6	13.4	12.4
Underwriting and other operating expenses ratio	F/A	20.0	17.9	21.5	19.1
Combined ratio before impact of the LPT: current accident year		95.7%	94.1%	97.5%	95.3%

(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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Unpaid losses and LAE at beginning of period	\$ 2,227.9	\$ 2,284.9	\$ 2,266.1	\$ 2,301.0
Reinsurance recoverable on unpaid losses and LAE	512.5	559.8	537.0	580.0
Net unpaid losses and LAE at beginning of period	1,715.4	1,725.1	1,729.1	1,721.0
Losses and LAE incurred:				
Current year losses	121.1	119.7	342.5	341.0
Prior year losses on voluntary business	(12.0)	—	(40.5)	—
Prior year losses on involuntary business	0.1	(0.2)	(0.3)	(0.5)
Total losses incurred	109.2	119.5	301.7	340.5
Losses and LAE paid:				
Current year losses	31.2	23.5	56.9	45.2
Prior year losses	71.5	75.3	252.0	270.5
Total paid losses	102.7	98.8	308.9	315.7
Net unpaid losses and LAE at end of period	1,721.9	1,745.8	1,721.9	1,745.8
Reinsurance recoverable on unpaid losses and LAE	511.8	553.1	511.8	553.1
Unpaid losses and LAE at end of period	\$ 2,233.7	\$ 2,298.9	\$ 2,233.7	\$ 2,298.9

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 \$2.6 million and \$2.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$12.0 million and \$8.5 million for the nine months ended September 30, 2018 and 2017, respectively.

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

	September 30, 2018				December 31, 2017	
	Cost or Amortized Cost	Net Unrealized (Loss) Gain	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,423.0	\$ (28.4)	\$ 2,394.6	86%	\$ 2,463.4	90%
Equity securities	100.6	95.4	196.0	7	210.3	8
Short-term investments	—	—	—	—	4.0	—
Cash and cash equivalents	203.0	—	203.0	7	73.3	3
Restricted cash and cash equivalents	2.0	—	2.0	—	1.0	—
Total investments and cash	<u>\$ 2,728.6</u>	<u>\$ 67.0</u>	<u>\$ 2,795.6</u>	<u>100%</u>	<u>\$ 2,752.0</u>	<u>100%</u>
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 124.0	\$ (1.3)	\$ 122.7	5%	\$ 148.8	6%
States and Municipalities	518.4	9.0	527.4	22	642.5	26
Corporate Securities	1,129.1	(18.2)	1,110.9	46	1,118.0	45
Mortgage-Backed Securities	536.3	(17.3)	519.0	22	495.3	20
Asset-Backed Securities	67.1	(0.6)	66.5	3	58.8	2
Other	48.1	—	48.1	2	—	—
Total fixed maturities	<u>\$ 2,423.0</u>	<u>\$ (28.4)</u>	<u>\$ 2,394.6</u>	<u>100%</u>	<u>\$ 2,463.4</u>	<u>100%</u>
Weighted average book yield				3.3%		3.1%
Average credit quality (S&P)				AA-		AA-
Duration				4.4		4.2

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

		September 30, 2018	December 31, 2017	September 30, 2017	December 31, 2016
Numerators:					
Stockholders' equity	A	\$ 991.2	\$ 947.7	\$ 917.1	\$ 840.6
Plus: Deferred Gain		152.1	163.6	166.4	174.9
Stockholders' equity including the Deferred Gain ⁽¹⁾	B	1,143.3	1,111.3	1,083.5	1,015.5
Accumulated other comprehensive loss (income)		28.4	(136.0)	(139.4)	(114.6)
Income taxes related to accumulated other comprehensive gains and losses		(5.9)	28.6	48.8	40.1
Adjusted stockholders' equity ⁽¹⁾	C	\$ 1,165.8	\$ 1,003.9	\$ 992.9	\$ 941.0
Denominator (shares outstanding)	D	32,796,666	32,597,819	32,423,929	32,128,922
Book value per share ⁽¹⁾	A / D	\$ 30.22	\$ 29.07	\$ 28.28	\$ 26.16
Book value per share including the Deferred Gain ⁽¹⁾	B / D	34.86	34.09	33.42	31.61
Adjusted book value per share ⁽¹⁾	C / D	35.55	30.80	30.62	29.29
Cash dividends declared per share		\$ 0.60	\$ 0.60	\$ 0.45	\$ 0.36
YTD Change in: ⁽²⁾					
Book value per share		6.0%		9.8%	
Book value per share including the Deferred Gain		4.0		7.1	
Adjusted book value per share		17.4		6.1	

(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		Nine Months Ended	
		September 30,		September 30,	
		2018	2017	2018	2017
Numerators:					
Net income	A	\$ 47.6	\$ 21.9	\$ 115.7	\$ 69.9
Impact of the LPT Agreement		(2.6)	(2.5)	(12.0)	(8.5)
Net income before impact of the LPT ⁽¹⁾	B	45.0	19.4	103.7	61.4
Net realized and unrealized gains on investments		(15.6)	(4.1)	(13.2)	(7.4)
Gain on redemption of notes payable		—	—	—	(2.1)
Write-off of previously capitalized costs		—	7.5	—	7.5
Amortization of intangibles		—	—	0.1	0.2
Income tax expense (benefit) related to items excluded from Net income		3.3	(1.2)	2.8	0.6
Adjusted net income ⁽¹⁾	C	\$ 32.7	\$ 21.6	\$ 93.4	\$ 60.2
Denominators:					
Average common shares outstanding (basic)	D	32,906,250	32,563,800	32,864,612	32,454,443
Average common shares outstanding (diluted)	E	33,316,164	33,053,985	33,278,790	33,007,217
Earnings per share:					
Basic	A / D	\$ 1.45	\$ 0.67	\$ 3.52	\$ 2.15
Diluted	A / E	1.43	0.66	3.48	2.12
Earnings per share before impact of the LPT: ⁽¹⁾					
Basic	B / D	\$ 1.37	\$ 0.60	\$ 3.16	\$ 1.89
Diluted	B / E	1.35	0.59	3.12	1.86
Adjusted earnings per share: ⁽¹⁾					
Basic	C / D	\$ 0.99	\$ 0.66	\$ 2.84	\$ 1.85
Diluted	C / E	0.98	0.65	2.81	1.82

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

Glossary of 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 any significant 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 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized and unrealized gains (losses) on investments (net of tax), amortization of intangible assets (net of tax), gain on redemption of notes payable (net of tax) and write-off of previously capitalized costs (net of tax). Management believes that providing this non-GAAP measures 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. The Company previously referred to Adjusted net income as Operating income.

Stockholders' equity including the Deferred Gain 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 8 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 operating return on equity metric.

Return on stockholders' equity and Adjusted 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. The Company previously referred to Adjusted return on stockholders' equity as Operating return on adjusted stockholders' equity.

Book value per share, Book value per share including the Deferred Gain, 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. The Company previously referred to Book value per share as GAAP book value per share, and Book value per share including Deferred Gain as Book value per share.

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.