

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

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**FORM 8-K**

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

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**Date of report (Date of earliest event reported): November 6, 2013**

**EMPLOYERS HOLDINGS, INC.**  
(Exact Name of Registrant as Specified in its Charter)

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**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)

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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))

## Section 2 – Financial Information

### Item 2.02. Results of Operations and Financial Condition.

On November 6, 2013, Employers Holdings, Inc. (the “Company”) issued a press release announcing results for the third quarter ended September 30, 2013. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference, and is 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 November 6, 2013, the Company announced that its Board of Directors declared a fourth quarter 2013 cash dividend of six cents per share on the Company’s common stock. The dividend is payable on December 4, 2013 to stockholders of record as of November 20, 2013.

## Section 9 – Financial Statements and Exhibits

### Item 9.01. Financial Statements and Exhibits.

99.1 Employers Holdings, Inc. press release, dated November 6, 2013.

## 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: November 6, 2013

/s/ Lenard T. Ormsby

\_\_\_\_\_  
Lenard T. Ormsby

Executive Vice President,

Chief Legal Officer and General Counsel

## Exhibit Index

| <u>Exhibit No.</u> | <u>Exhibit</u>  |
|--------------------|---|
| 99.1               | Employers Holdings, Inc. press release, dated November 6, 2013. |

**EMPLOYERS**<sup>SM</sup>

CELEBRATING 100 YEARS 1913 - 2013

news release

For Immediate Release

November 6, 2013

**Employers Holdings, Inc. Reports Third Quarter 2013 Earnings and Declares Fourth Quarter 2013 Dividend****Key Highlights***(Q3, 2013 compared to Q3, 2012 except where noted)*

- **Net income before the LPT of \$13.6 million; up \$0.33 per diluted share**
- **Overall net rate up 9.3%**
- **Net written premiums of \$165.9 million; up 15%**
- **Net earned premiums of \$164.4 million; up 25%**
- **Revenues of \$183.3 million; up 21%**
- **Combined ratio before the LPT improved 8.2 percentage points**
- **Estimated reserves ceded under the LPT Agreement were reduced by \$14.5 million**
  - This resulted in a Q3 and year-to-date (YTD) cumulative adjustment to the deferred gain of \$10.1 million which reduced losses and LAE and increased net income by \$10.1 million or \$0.32 per diluted share
- **Reallocation of carried reserves from non-taxable to taxable accident years reduced income taxes and increased net income by \$5 million or \$0.16 per diluted share for the third quarter and YTD**

Reno, Nevada-November 6, 2013-Employers Holdings, Inc. ("EHI" or the "Company") (NYSE:EIG) today reported third quarter 2013 net income of \$27.6 million or \$0.86 per diluted share. Net income in the third quarter of 2012 was \$7.8 million or \$0.25 per diluted share.

Net income includes amortization of the deferred reinsurance gain related to the Loss Portfolio Transfer ("LPT") Agreement. Consolidated net income before the impact of the LPT deferred reinsurance gain (the Company's non-GAAP measure described below) was \$13.6 million or \$0.42 per diluted share in the third quarter of 2013 and \$2.7 million or \$0.09 per diluted share in the third quarter of 2012.

The third quarter 2013 combined ratio was 96.2% and 104.7% before the impact of the LPT deferred reinsurance gain, compared with 109.0% and 112.9% before the impact of the LPT deferred reinsurance gain for the third quarter of 2012. Year over year, the combined ratio improved 12.8 percentage points on a GAAP basis and 8.2 percentage points before the impact of the LPT.

President and Chief Executive Officer Douglas D. Dirks commented on the results: "Our strong financial performance continued into the third quarter. Net income before the LPT increased \$0.33 per diluted share relative to the third quarter of last year. Our substantive growth in earnings reflects the 25% year over year increase in net premiums earned, solid improvement in our underwriting performance and tax benefits related to a reassignment of reserves from non-taxable to taxable years. Our combined ratio before the LPT improved 8.2 points relative to the third quarter of 2012, and 1.4 points compared to the second quarter of this year. Year over year net rate increases of 9.3% at quarter-end continued to more than offset increases in loss costs. We are still seeing improvement in our loss and loss adjustment expense (LAE) ratio, but the rate of improvement was lower than in the first and second quarters of this year. We lowered our provision rate for losses in the third quarter by 0.2 points relative to the second quarter of this year and 4.4 points relative to the third quarter of last year. As rate trends continue to exceed loss trends, we would anticipate continuing improvement in our loss and LAE ratio."

Dirks continued: "In the third quarter, our analysis of ultimate losses resulted in a reallocation of \$24.3 million of carried reserves from tax-exempt to taxable accident years. This reallocation was a cumulative adjustment and was largely the result of loss trends observed in 2012 and 2013. The reallocation does not reflect a change in loss trends and had no impact on total net carried reserves."

Dirks concluded: "As you know, our company has a history of setting ambitious goals and meeting them. Over the past three years, our focus has been to increase policy count, premium and add new agents. We have more than met those goals, yet we believe that we can always do better. We are now beginning the first phase of a new long-term initiative focusing on customer service and process improvement, with the goal of further reducing our expense ratio while bettering customer satisfaction. This initiative includes a re-structuring and centralization of our insurance operations. We will discuss this project more as it unfolds."

#### Fourth Quarter Dividend

The Board of Directors declared a fourth quarter 2013 dividend of six cents per share. The dividend is payable on December 4, 2013 to stockholders of record as of November 20, 2013.

#### Conference Call and Web Cast; Form 10-Q; Supplemental Portfolio Listing

The Company will host a conference call on Thursday, November 7, 2013, 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](http://www.employers.com). An archived version will be available several hours after the call. The conference call replay number is (888) 286-8010 with a pass code of 21661548. International callers may dial (617) 801-6888.

EHI expects to file its Form 10-Q for the quarter ended September 30, 2013, with the Securities and Exchange Commission ("SEC") on or about Thursday, November 7, 2013. The Form 10-Q will be available without charge through the EDGAR system at the SEC's web site and will also be posted on the Company's website, [www.employers.com](http://www.employers.com), through the "Investors" link.

The Company provides a list of portfolio securities by CUSIP in the Calendar of Events, Third Quarter "Investors" section of its web site at [www.employers.com](http://www.employers.com).

#### Discussion of Non-GAAP Financial Measures

This earnings release includes non-GAAP financial measures used to analyze the Company's operating performance for the periods presented.

These non-GAAP financial measures exclude impacts related to the LPT Agreement deferred reinsurance gain. The 1999 LPT Agreement was a non-recurring transaction that does not result in ongoing cash benefits and, consequently, the Company believes these non-GAAP measures are useful in providing stockholders and management a meaningful understanding of the Company's operating performance. In addition, these measures, as defined, are helpful to management in identifying trends in the Company's performance because the items excluded have limited significance in current and ongoing operations.

The Company strongly urges stockholders and other interested persons not to rely on any single financial measure to evaluate its business. The 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.

*Net Income before impact of the LPT Agreement.* Net income less (a) amortization of deferred reinsurance gain—LPT Agreement; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable—LPT Agreement.

*Deferred reinsurance gain—LPT Agreement (Deferred Gain).* This reflects the unamortized gain from the LPT Agreement. Under GAAP, this gain is deferred and 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 amortized through June 30, 2024. The amortization is reflected in losses and LAE.

*Gross Premiums Written.* Gross premiums written is the sum of both direct premiums written and assumed premiums written before the effect of ceded reinsurance. Direct premiums written represents the premiums on all policies the Company's insurance subsidiaries have issued during the year. Assumed premiums written represents the premiums that the insurance subsidiaries have received from an authorized state-mandated pool.

*Net Premiums Written.* Net premiums written is the sum of direct premiums written and assumed premiums written less ceded premiums written. Ceded premiums written is the portion of direct premiums written that are ceded to reinsurers under reinsurance contracts. The Company uses net premiums written, primarily in relation to gross premiums written, to measure the amount of business retained after cession to reinsurers.

*Losses and LAE before impact of the LPT Agreement.* Losses and LAE less (a) amortization of Deferred Gain; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable—LPT Agreement.

*Losses and LAE Ratio.* The losses and LAE ratio is a measure of underwriting profitability. Expressed as a percentage, it is the ratio of losses and LAE to net premiums earned.

*Commission Expense Ratio.* Commission expense ratio is the ratio (expressed as a percentage) of commission expense to net premiums earned.

*Underwriting and Other Operating Expense Ratio.* The underwriting and other operating expense ratio is the ratio (expressed as a percentage) of underwriting and other operating expense to net premiums earned.

*Combined Ratio.* The combined ratio represents a summary percentage of claims and expenses to net premiums earned. The combined ratio is the sum of the losses and LAE ratio, the commission expense ratio, and the underwriting and other operating expense ratio.

*Combined Ratio before impacts of the LPT Agreement.* Combined ratio before impacts of LPT is the GAAP combined ratio before (a) amortization of deferred reinsurance gain–LPT Agreement; (b) adjustments to LPT Agreement ceded reserves; and (c) adjustments to contingent commission receivable–LPT Agreement.

*Equity including Deferred Gain.* Equity including Deferred Gain is total equity plus the Deferred Gain.

*Book value per share.* Equity including Deferred Gain divided by number of shares outstanding.

*Net rate.* Net rate, defined as total premium in-force divided by total insured payroll exposure, is a function of a variety of factors, including rate changes, underwriting risk profiles and pricing, and changes in business mix related to economic and competitive pressures.

### 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 regarding the Company's future operations, growth and pricing strategies, and financial and operating performance, as well as underwriting performance, trends in loss and LAE ratios, expectations regarding provision rate, achievement of corporate goals and long-term initiatives and the impact of those initiatives on operations. 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](http://www.employers.com), or through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (EHI EDGAR CIK No. 0001379041).

### CONTACT:

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**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

|   | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | September 30,      |                  | September 30,     |                  |
|   | 2013               | 2012             | 2013              | 2012             |
|   | (unaudited)        |                  | (unaudited)       |                  |
| <i>(in thousands, except per share data)</i>  |                    |                  |                   |                  |
| <b>Revenues</b>   |                    |                  |                   |                  |
| Gross premiums written  | \$ 168,569         | \$ 147,032       | \$ 533,600        | \$ 442,920       |
| Net premiums written  | \$ 165,885         | \$ 144,353       | \$ 524,907        | \$ 435,081       |
| Net premiums earned   | \$ 164,429         | \$ 131,766       | \$ 472,357        | \$ 360,621       |
| Net investment income   | 17,799             | 17,506           | 52,849            | 54,188           |
| Realized gains on investments, net  | 1,075              | 1,838            | 5,735             | 4,561            |
| Other income  | 29                 | 30               | 276               | 225              |
| <b>Total revenues</b>   | <b>183,332</b>     | <b>151,140</b>   | <b>531,217</b>    | <b>419,595</b>   |
| <b>Expenses</b>   |                    |                  |                   |                  |
| Losses and loss adjustment expenses   | 105,767            | 96,823           | 326,677           | 265,150          |
| Commission expense  | 19,946             | 16,681           | 58,466            | 47,118           |
| Underwriting and other operating expenses   | 32,493             | 30,147           | 96,282            | 93,452           |
| Interest expense  | 815                | 896              | 2,420             | 2,656            |
| <b>Total expenses</b>   | <b>159,021</b>     | <b>144,547</b>   | <b>483,845</b>    | <b>408,376</b>   |
| Net income before income taxes  | 24,311             | 6,593            | 47,372            | 11,219           |
| Income tax benefit  | (3,274)            | (1,173)          | (2,291)           | (7,903)          |
| <b>Net income</b>   | <b>\$ 27,585</b>   | <b>\$ 7,766</b>  | <b>\$ 49,663</b>  | <b>\$ 19,122</b> |
| Less impact of LPT Agreement:   |                    |                  |                   |                  |
| Amortization of the Deferred Gain related to losses   | 3,195              | 3,646            | 9,775             | 11,630           |
| Amortization of the Deferred Gain related to contingent commission  | 396                | 293              | 1,184             | 818              |
| Impact of LPT Reserve Adjustment  | 10,112             | —                | 10,112            | —                |
| Impact of LPT Contingent Commission Adjustments   | 318                | 1,139            | 1,617             | 1,503            |
| <b>Net income before LPT Agreement</b>  | <b>\$ 13,564</b>   | <b>\$ 2,688</b>  | <b>\$ 26,975</b>  | <b>\$ 5,171</b>  |
| <b>Comprehensive income</b>   |                    |                  |                   |                  |
| Unrealized gains (losses) during the period (net of tax expense (benefit) of \$2,236 and \$8,639 for the three months ended September 30, 2013 and 2012, respectively, and \$(18,635) and \$13,963 for the nine months ended September 30, 2013 and 2012, respectively) | \$ 4,154           | \$ 16,045        | \$ (34,607)       | \$ 25,933        |
| Reclassification adjustment for realized gains in net income (net of taxes of \$376 and \$643 for the three months ended September 30, 2013 and 2012, respectively, and \$2,007 and \$1,596 for the nine months ended September 30, 2013 and 2012, respectively)        | (699)              | (1,195)          | (3,728)           | (2,966)          |
| Other comprehensive income (loss), net of tax   | 3,455              | 14,850           | (38,335)          | 22,967           |
| <b>Total comprehensive income</b>   | <b>\$ 31,040</b>   | <b>\$ 22,616</b> | <b>\$ 11,328</b>  | <b>\$ 42,089</b> |
| <b>Weighted average shares outstanding</b>  |                    |                  |                   |                  |
| Basic   | 31,214,230         | 30,891,648       | 31,070,571        | 31,689,844       |
| Diluted   | 32,033,676         | 31,077,378       | 31,801,370        | 31,918,620       |
| <b>Earnings per common share</b>  |                    |                  |                   |                  |
| Basic   | \$ 0.88            | \$ 0.25          | \$ 1.60           | \$ 0.60          |
| Diluted   | 0.86               | 0.25             | 1.56              | 0.60             |
| <b>Earnings per common share attributable to the LPT Agreement</b>  |                    |                  |                   |                  |
| Basic   | \$ 0.45            | \$ 0.16          | \$ 0.73           | \$ 0.44          |
| Diluted   | 0.44               | 0.16             | 0.71              | 0.44             |
| <b>Earnings per common share before the LPT Agreement</b>   |                    |                  |                   |                  |
| Basic   | \$ 0.43            | \$ 0.09          | \$ 0.87           | \$ 0.16          |
| Diluted   | 0.42               | 0.09             | 0.85              | 0.16             |

**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

| <i>(in thousands, except share data)</i>  | <b>As of<br/>September 30,<br/>2013</b> | <b>As of<br/>December 31,<br/>2012</b> |
|---|---|--|
|   | (unaudited)                             |  |
| <b>Assets</b>   |   |  |
| Available for sale:   |   |  |
| Fixed maturity securities at fair value (amortized cost \$2,022,240 at September 30, 2013 and \$1,869,142 at December 31, 2012)   | \$ 2,101,357                            | \$ 2,024,428                           |
| Equity securities at fair value (cost \$86,384 at September 30, 2013 and \$81,067 at December 31, 2012)   | 147,595                                 | 125,086                                |
| Total investments   | 2,248,952                               | 2,149,514                              |
| Cash and cash equivalents   | 99,823                                  | 140,661                                |
| Restricted cash and cash equivalents  | 6,078                                   | 5,353                                  |
| Accrued investment income   | 19,100                                  | 19,356                                 |
| Premiums receivable (less bad debt allowance of \$7,397 at September 30, 2013 and \$5,957 at December 31, 2012)   | 282,940                                 | 223,011                                |
| Reinsurance recoverable for:  |   |  |
| Paid losses   | 8,946                                   | 9,467                                  |
| Unpaid losses   | 779,842                                 | 805,386                                |
| Deferred policy acquisition costs   | 45,682                                  | 38,852                                 |
| Deferred income taxes, net  | 52,356                                  | 26,231                                 |
| Property and equipment, net   | 16,490                                  | 14,680                                 |
| Intangible assets, net  | 9,881                                   | 10,558                                 |
| Goodwill  | 36,192                                  | 36,192                                 |
| Contingent commission receivable—LPT Agreement  | 21,388                                  | 19,141                                 |
| Other assets  | 17,846                                  | 12,937                                 |
| Total assets  | <u>\$ 3,645,516</u>                     | <u>\$ 3,511,339</u>                    |
| <b>Liabilities and stockholders' equity</b>   |   |  |
| Claims and policy liabilities:  |   |  |
| Unpaid losses and loss adjustment expenses  | \$ 2,305,307                            | \$ 2,231,540                           |
| Unearned premiums   | 318,983                                 | 265,149                                |
| Total claims and policy liabilities   | 2,624,290                               | 2,496,689                              |
| Commissions and premium taxes payable   | 44,493                                  | 40,825                                 |
| Accounts payable and accrued expenses   | 20,333                                  | 19,522                                 |
| Deferred reinsurance gain—LPT Agreement   | 260,602                                 | 281,043                                |
| Notes payable   | 112,000                                 | 112,000                                |
| Other liabilities   | 27,269                                  | 21,879                                 |
| Total liabilities   | 3,088,987                               | 2,971,958                              |
| Commitments and contingencies   |   |  |
| Stockholders' equity:   |   |  |
| Common stock, \$0.01 par value; 150,000,000 shares authorized; 54,579,523 and 54,144,453 shares issued and 31,206,549 and 30,771,479 shares outstanding at September 30, 2013 and December 31, 2012, respectively | 546                                     | 541                                    |
| Additional paid-in capital  | 337,403                                 | 325,991                                |
| Retained earnings   | 489,916                                 | 445,850                                |
| Accumulated other comprehensive income, net   | 91,214                                  | 129,549                                |
| Treasury stock, at cost (23,372,974 shares at September 30, 2013 and December 31, 2012)   | (362,550)                               | (362,550)                              |
| Total stockholders' equity  | 556,529                                 | 539,381                                |
| Total liabilities and stockholders' equity  | <u>\$ 3,645,516</u>                     | <u>\$ 3,511,339</u>                    |
| <b>Equity including deferred reinsurance gain - LPT</b>   |   |  |
| Total stockholders' equity  | \$ 556,529                              | \$ 539,381                             |
| Deferred reinsurance gain—LPT Agreement   | 260,602                                 | 281,043                                |
| Total equity including deferred reinsurance gain—LPT Agreement (A)  | <u>\$ 817,131</u>                       | <u>\$ 820,424</u>                      |
| Shares outstanding (B)  | 31,206,549                              | 30,771,479                             |
| Book value per share (A * 1000) / B   | <u>\$ 26.18</u>                         | <u>\$ 26.66</u>                        |

**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

| <i>(in thousands)</i>   | <b>Nine Months Ended</b> |             |
|---|--------------------------|-------------|
|   | <b>September 30,</b>     |             |
|   | <b>2013</b>              | <b>2012</b> |
|   | (unaudited)              |             |
| <b>Operating activities</b>   |                          |             |
| Net income  | \$ 49,663                | \$ 19,122   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                          |             |
| Depreciation and amortization   | 4,324                    | 4,193       |
| Stock-based compensation  | 5,815                    | 3,942       |
| Amortization of premium on investments, net                                       | 6,574                    | 5,342       |
| Deferred income tax expense   | (5,482)                  | (10,031)    |
| Realized gains on investments, net  | (5,735)                  | (4,561)     |
| Excess tax benefits from stock-based compensation                                 | (386)                    | —           |
| Other   | 1,007                    | 860         |
| Change in operating assets and liabilities:                                       |                          |             |
| Premiums receivable   | (61,368)                 | (65,455)    |
| Reinsurance recoverable for paid and unpaid losses                                | 26,065                   | 29,393      |
| Federal income taxes  | (925)                    | 2,054       |
| Unpaid losses and loss adjustment expenses  | 73,767                   | 32,061      |
| Unearned premiums   | 53,834                   | 75,910      |
| Accounts payable, accrued expenses and other liabilities                          | 6,201                    | 1,130       |
| Deferred reinsurance gain—LPT Agreement   | (20,441)                 | (11,501)    |
| Contingent commission receivable—LPT Agreement                                    | (2,247)                  | (2,450)     |
| Other   | (6,622)                  | 10,584      |
| Net cash provided by operating activities   | 124,044                  | 90,593      |
| <b>Investing activities</b>   |                          |             |
| Purchase of fixed maturities  | (340,343)                | (260,797)   |
| Purchase of equity securities   | (22,058)                 | (28,336)    |
| Proceeds from sale of fixed maturities  | 32,706                   | 45,799      |
| Proceeds from sale of equity securities   | 22,266                   | 13,534      |
| Proceeds from maturities and redemptions of investments                           | 148,418                  | 181,640     |
| Proceeds from sale of fixed assets  | 285                      | 107         |
| Capital expenditures  | (5,552)                  | (5,177)     |
| Restricted cash and cash equivalents provided by (used in) investing activities   | (725)                    | 837         |
| Net cash used in investing activities   | (165,003)                | (52,393)    |
| <b>Financing activities</b>   |                          |             |
| Acquisition of treasury stock   | —                        | (41,385)    |
| Cash transactions related to stock-based compensation                             | 5,315                    | (209)       |
| Dividends paid to stockholders  | (5,580)                  | (5,664)     |
| Excess tax benefits from stock-based compensation                                 | 386                      | —           |
| Net cash provided by (used in) financing activities                               | 121                      | (47,258)    |
| Net decrease in cash and cash equivalents   | (40,838)                 | (9,058)     |
| Cash and cash equivalents at the beginning of the period                          | 140,661                  | 252,300     |
| Cash and cash equivalents at the end of the period                                | \$ 99,823                | \$ 243,242  |



**Employers Holdings, Inc.**  
**Calculation of Combined Ratio before the Impact of the LPT Agreement**

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|------------|------------------------------------|------------|
|  | 2013                                | 2012       | 2013                               | 2012       |
| (in thousands, except for percentages)                               |                                     |            |                                    |            |
|  | (unaudited)                         |            |                                    |            |
| Net premiums earned  | \$ 164,429                          | \$ 131,766 | \$ 472,357                         | \$ 360,621 |
| Losses and loss adjustment expenses                                  | 105,767                             | 96,823     | 326,677                            | 265,150    |
| <b>Loss &amp; LAE ratio</b>  | 64.3 %                              | 73.5 %     | 69.2 %                             | 73.5 %     |
| Amortization of Deferred Gain related to losses                      | \$ 3,195                            | \$ 3,646   | \$ 9,775                           | \$ 11,630  |
| Amortization of Deferred Gain related to contingent commission       | 396                                 | 293        | 1,184                              | 818        |
| LPT Reserve Adjustment   | 10,112                              | —          | 10,112                             | —          |
| LPT Contingent Commission Adjustment                                 | 318                                 | 1,139      | 1,617                              | 1,503      |
| Impact of LPT  | 8.5 %                               | 3.9 %      | 4.8 %                              | 3.9 %      |
| <b>Loss &amp; LAE before impact of LPT</b>                           | \$ 119,788                          | \$ 101,901 | \$ 349,365                         | \$ 279,101 |
| <b>Loss &amp; LAE ratio before impact of LPT</b>                     | 72.9 %                              | 77.3 %     | 74.0 %                             | 77.4 %     |
| Commission expense   | \$ 19,946                           | \$ 16,681  | \$ 58,466                          | \$ 47,118  |
| <b>Commission expense ratio</b>                                      | 12.1 %                              | 12.6 %     | 12.4 %                             | 13.1 %     |
| Underwriting & other operating expenses                              | \$ 32,493                           | \$ 30,147  | \$ 96,282                          | \$ 93,452  |
| <b>Underwriting &amp; other operating expenses ratio</b>             | 19.8 %                              | 22.9 %     | 20.3 %                             | 25.9 %     |
| Total expenses   | \$ 158,206                          | \$ 143,651 | \$ 481,425                         | \$ 405,720 |
| <b>Combined ratio</b>  | 96.2 %                              | 109.0 %    | 101.9 %                            | 112.5 %    |
| Total expense before impact of the LPT                               | \$ 172,227                          | \$ 148,729 | \$ 504,113                         | \$ 419,671 |
| <b>Combined ratio before the impact of the LPT</b>                   | 104.7 %                             | 112.9 %    | 106.7 %                            | 116.4 %    |
| <b>Reconciliations to Current Accident Period Combined Ratio:</b>    |                                     |            |                                    |            |
| Losses & LAE before impact of LPT                                    | \$ 119,788                          | \$ 101,901 | \$ 349,365                         | \$ 279,101 |
| Plus: Favorable (unfavorable) prior period reserve development       | (146)                               | (227)      | (1,797)                            | (1,281)    |
| <b>Accident period losses &amp; LAE before impact of LPT</b>         | \$ 119,642                          | \$ 101,674 | \$ 347,568                         | \$ 277,820 |
| Losses & LAE ratio before impact of LPT                              | 72.9 %                              | 77.3 %     | 74.0 %                             | 77.4 %     |
| Plus: Favorable (unfavorable) prior period reserve development ratio | (0.1)                               | (0.1)      | (0.4)                              | (0.4)      |
| <b>Accident period losses &amp; LAE ratio before impact of LPT</b>   | 72.8 %                              | 77.2 %     | 73.6 %                             | 77.0 %     |
| Combined ratio before impact of the LPT                              | 104.7 %                             | 112.9 %    | 106.7 %                            | 116.4 %    |
| Plus: Favorable (unfavorable) prior period reserve development ratio | (0.1)                               | (0.1)      | (0.4)                              | (0.4)      |
| <b>Accident period combined ratio before impact of LPT</b>           | 104.6 %                             | 112.8 %    | 106.3 %                            | 116.0 %    |