



## 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 the 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.

Copyright ©  
2018  
EMPLOYERS.  
All rights  
reserved.

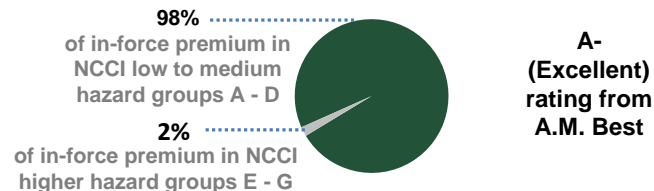
- EMPLOYERS® and *America's small business insurance specialist*® are registered trademarks of Employers Insurance Company of Nevada.
- Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low to medium hazard industries.
- The company, through its subsidiaries, operates in 37 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: Q4 2017

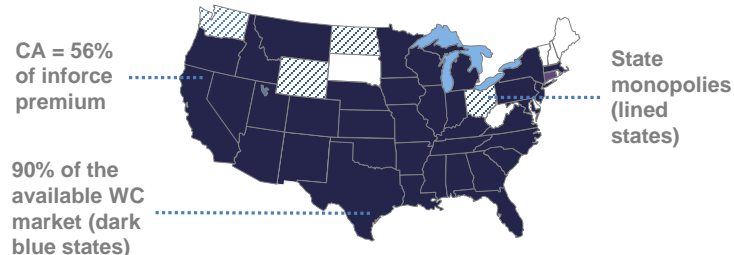
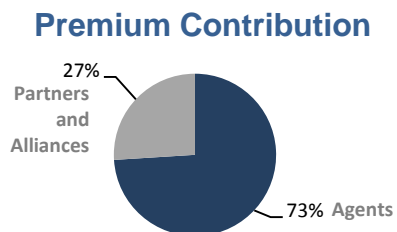
EMPLOYERS is a mono-line writer of workers' compensation (WC) insurance focused on low to medium hazard risk small businesses

**85,494 in-force policies**  
**\$7,333 average policy size**  
**Multiple insurance companies**



## GROWTH and MARKETS

**1913: State Fund of Nevada**  
**2000: Privatization**  
**2007: IPO**  
**2017: Operating in 37 states and DC**



## CAPITAL STRENGTH

### Statutory Surplus



**Best's Capital Adequacy Ratio (at VaR 99.6)**  
**36**

**\$1.1B**

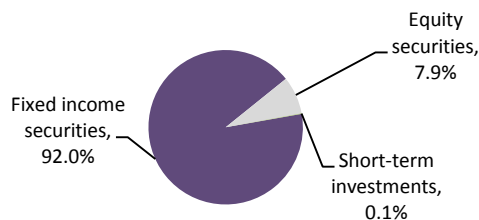
Stockholders' Equity plus LPT Deferred Gain

**\$500M**

returned to shareholders since IPO in share repurchases and dividends

**\$2.7B**

**Investment Portfolio (AA-)**

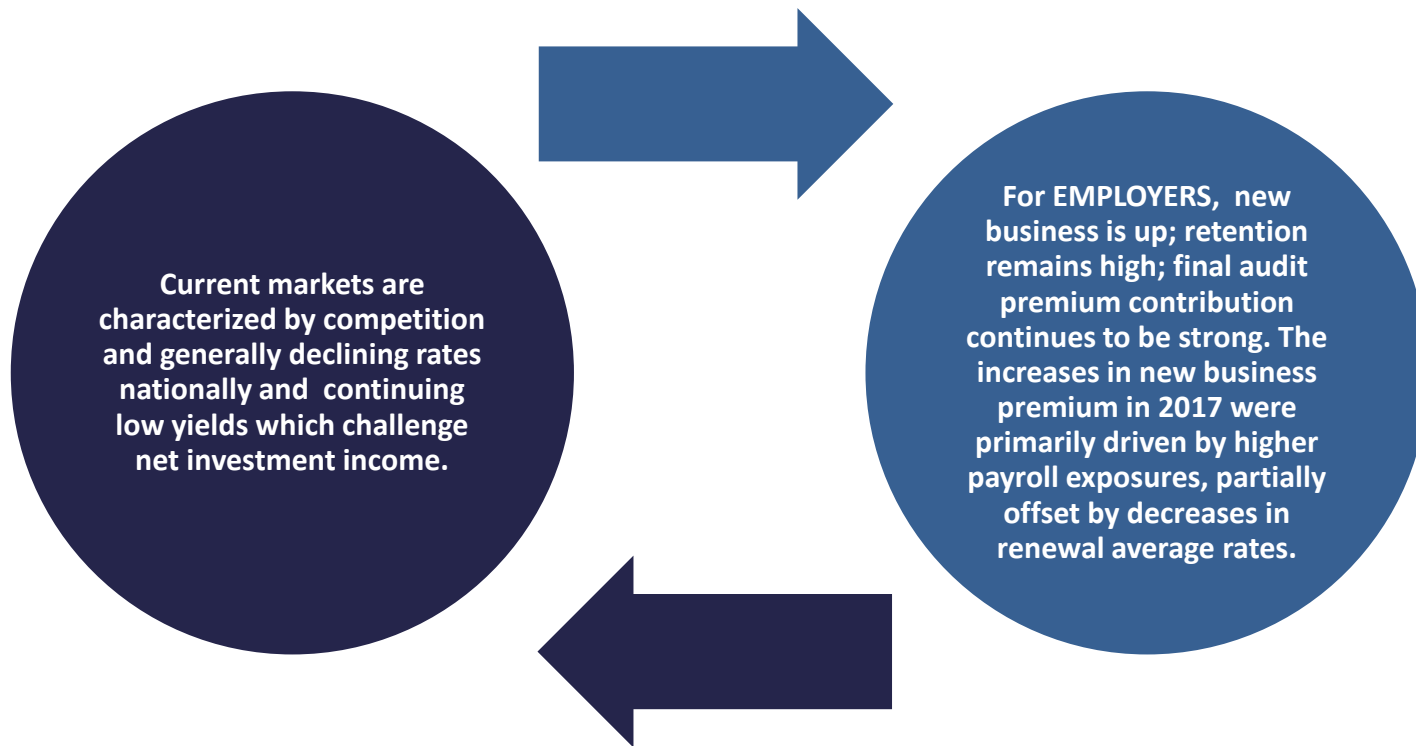


**Reinsurance**

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

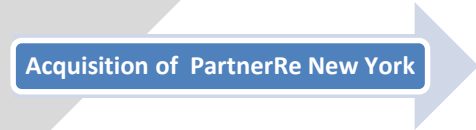
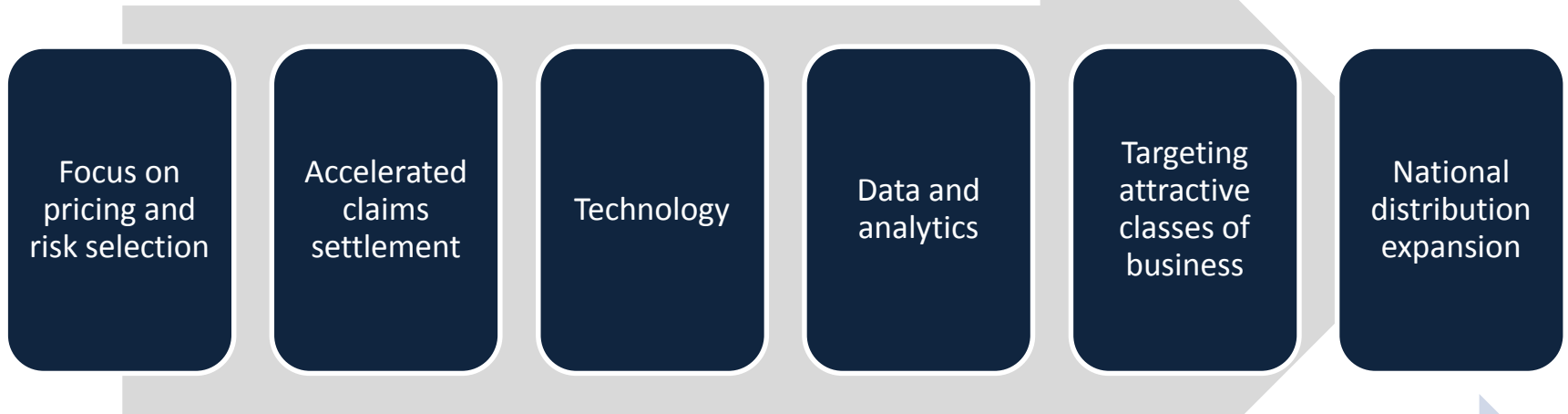
**EIG LISTED NYSE**

# Market Conditions

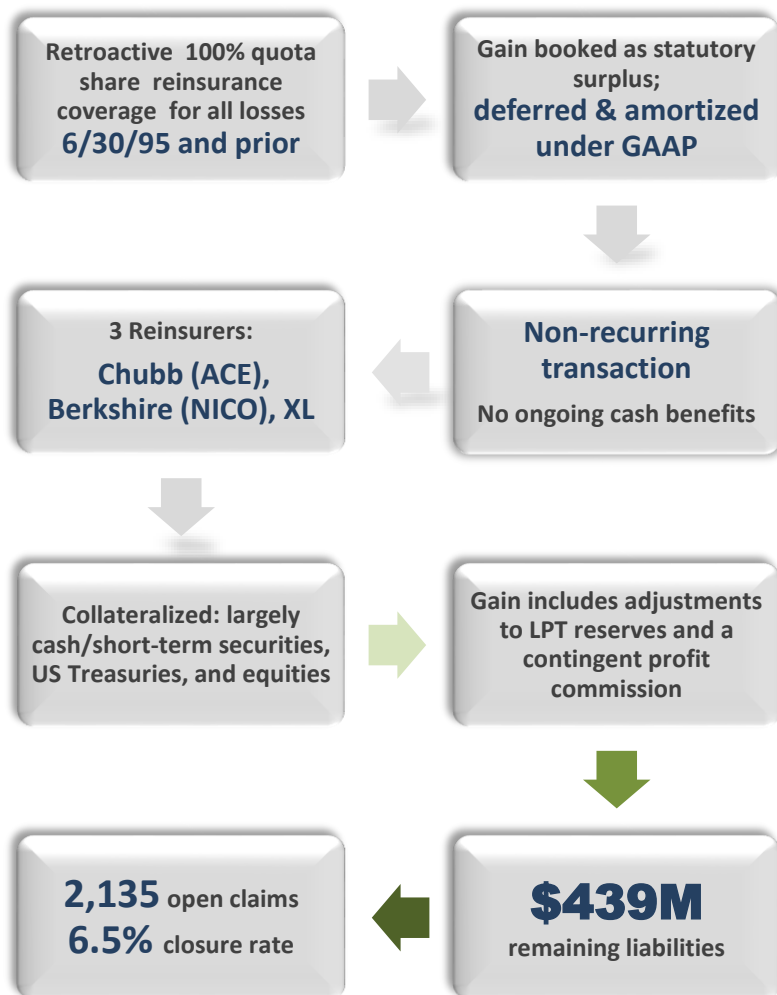


# Business Strategies

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



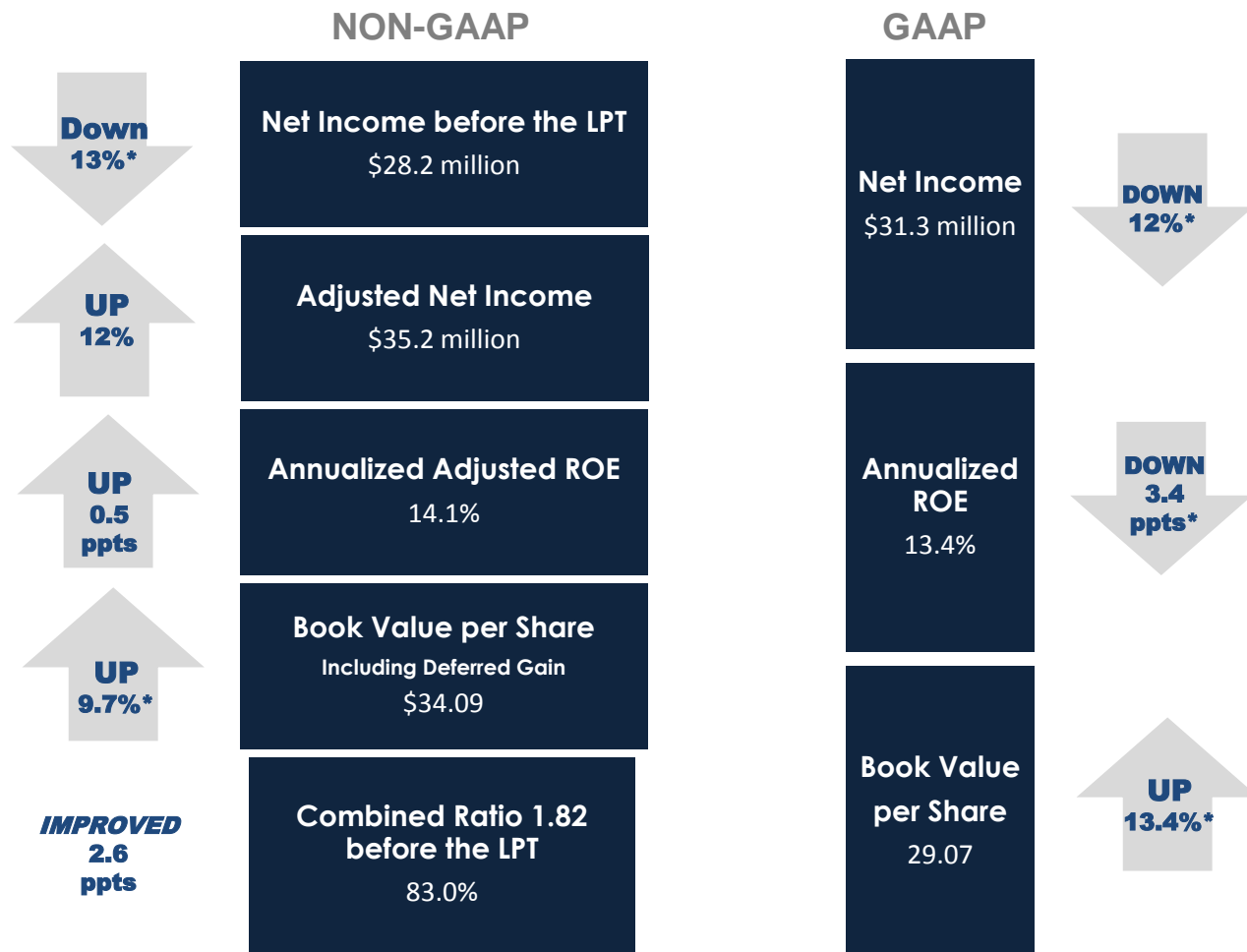
# Loss Portfolio Transfer (LPT) Accounting



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)		68
<i>Unamortized gain at 12/31/17</i>		<b>481</b>
<b>Accounting at 12/31/17</b>		
Statutory surplus created		481
Cumulative amortization to date		317
<b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>		<b>\$164</b>

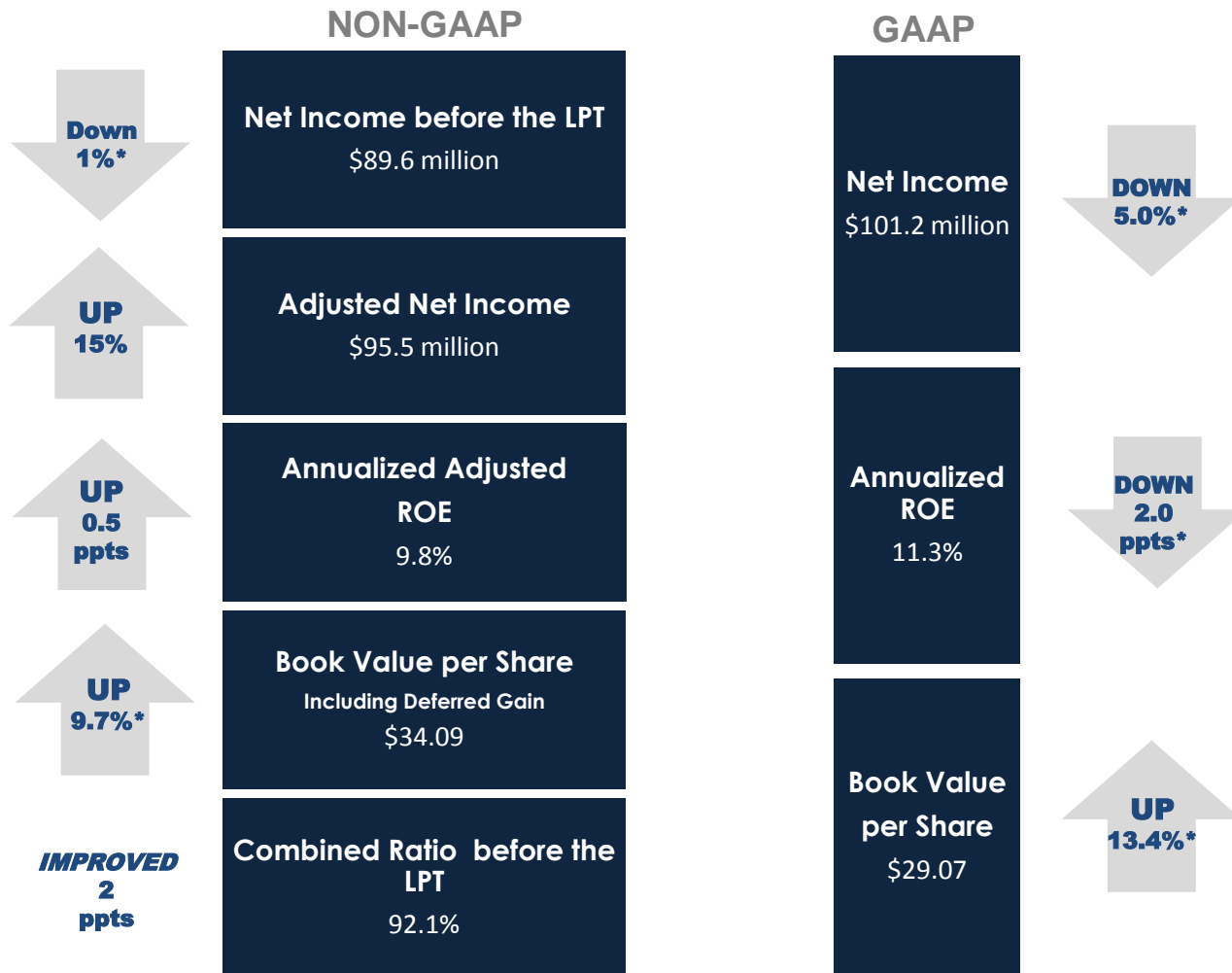
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement.

# Q4 2017 Highlights (Q/Q)



\* Includes a \$7.0 million income tax charge resulting from the enactment of the Tax Cuts and Jobs Act.

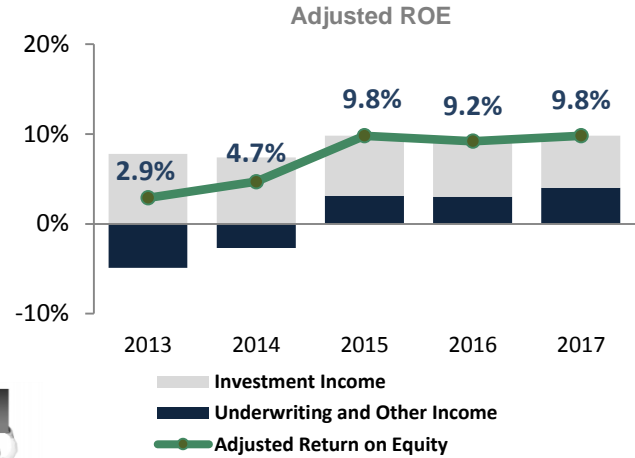
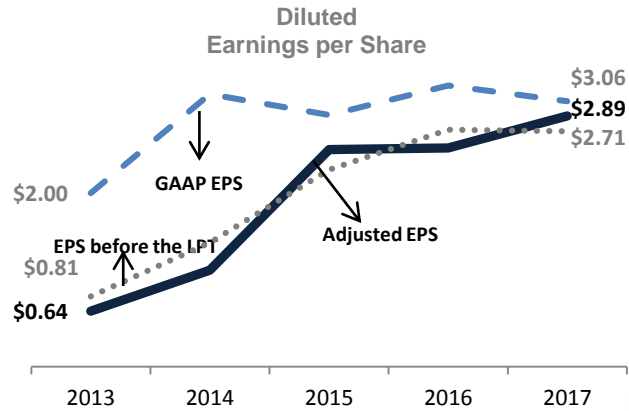
# YTD 2017 Highlights (YOY)



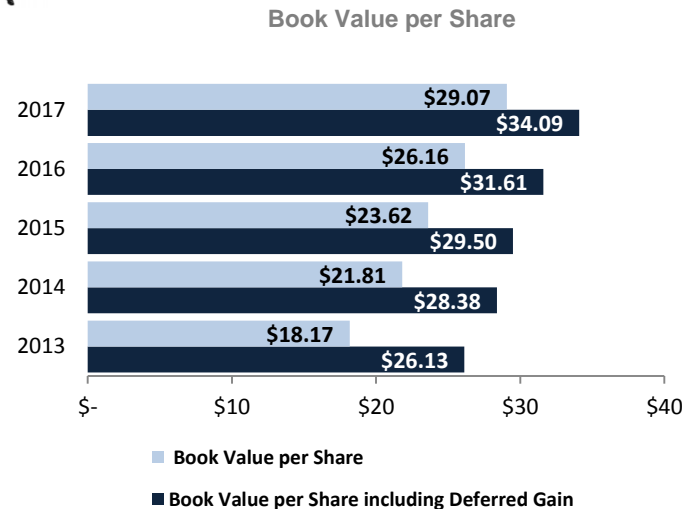
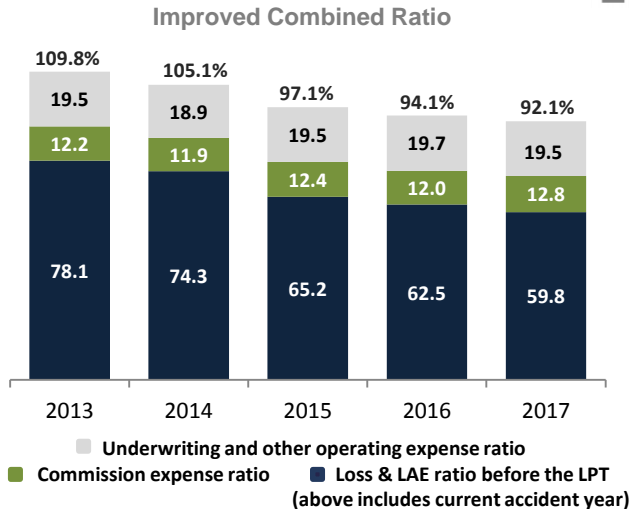
\* Includes, among other non-recurring items, a \$7.0 million income tax charge resulting from the enactment of the Tax Cuts and Jobs Act.



# 5 Year Performance



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



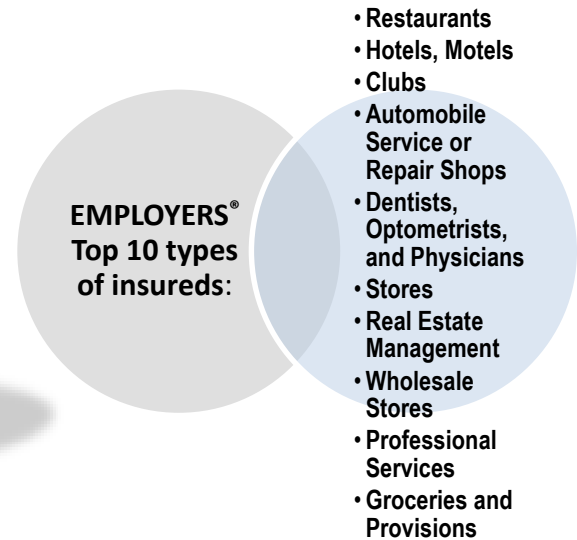
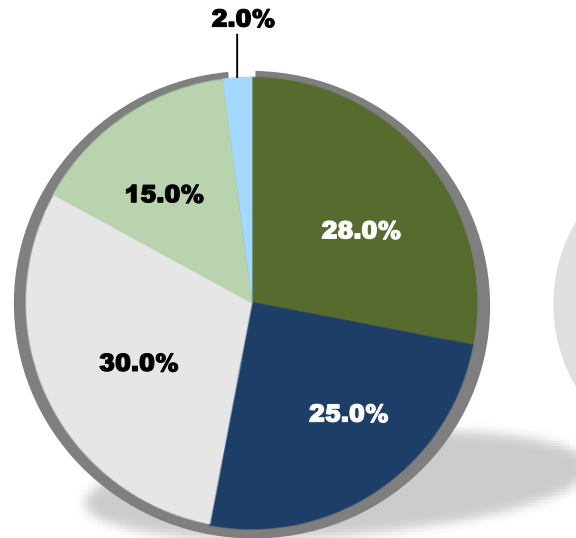
# Low Risk Focus

## 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



98.3% in Hazard Groups A – D

# In-force Growth

## OVERALL

- YTD YoY premium renewal rate: **DOWN 3.3%**
- Premium: **UP 1.3%**
- Policies: **UP 0.8%**
- Average policy size: **UP 0.5%**
- Payroll exposure: **UP 3.1%**

## ILLINOIS

**4%**

of total premium

Premium:  
DOWN 16.3%

Policies:  
DOWN 6.9%

## CALIFORNIA

**56%**

of total premium

Premium:  
UP 0.3%

Policies:  
DOWN 3.7%

## ALL OTHER STATES

**44%**

of total premium

Premium:  
UP 2.7%

Policies:  
UP 6.0%

## FLORIDA

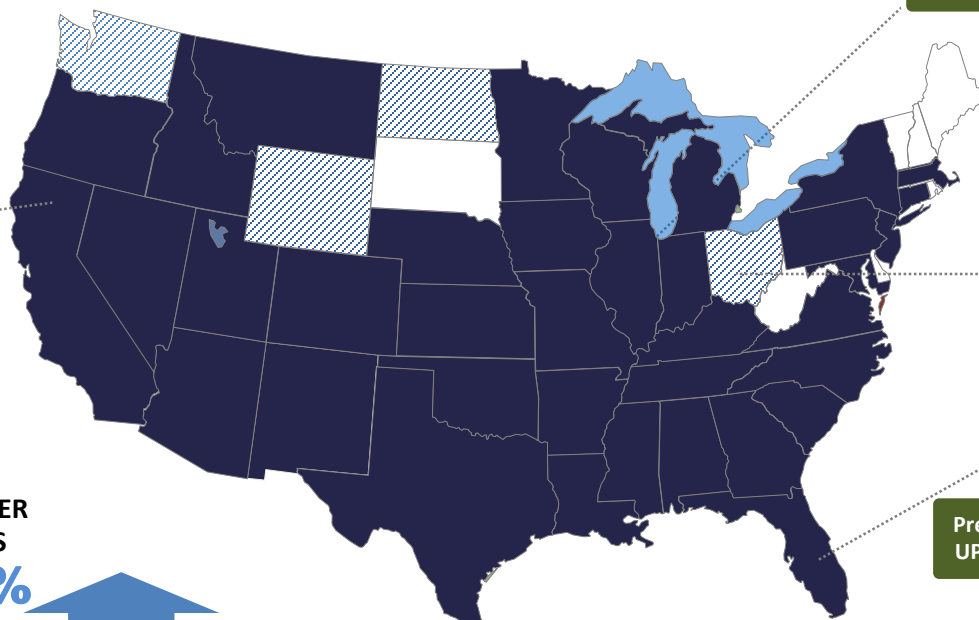
**7%**

of total premium

Premium:  
UP 18.7%

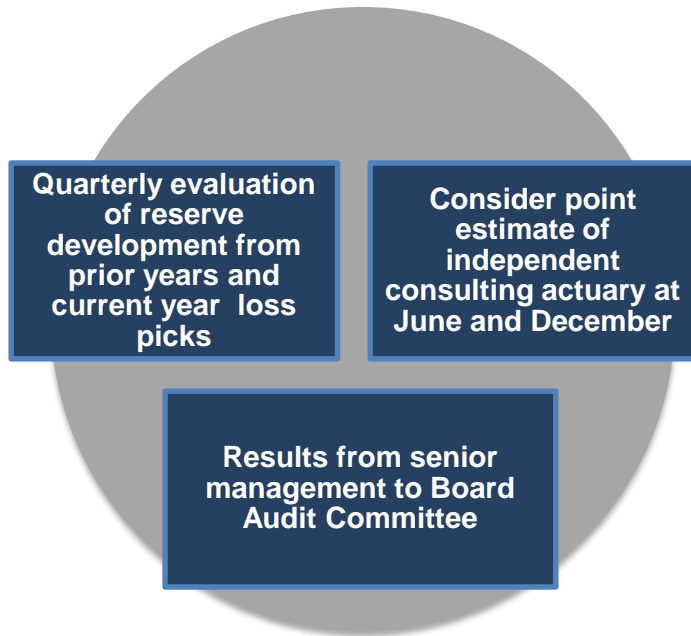
Policies:  
UP 6.9%

State monopolies  
(lined states)



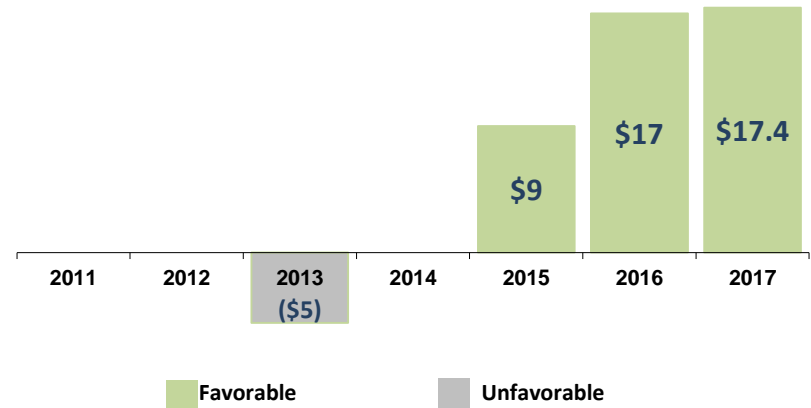
# History of Reserve Strength

## Reserve review



## Reserve development

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



# Superior Claims Results



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

- In-house medical management staff**

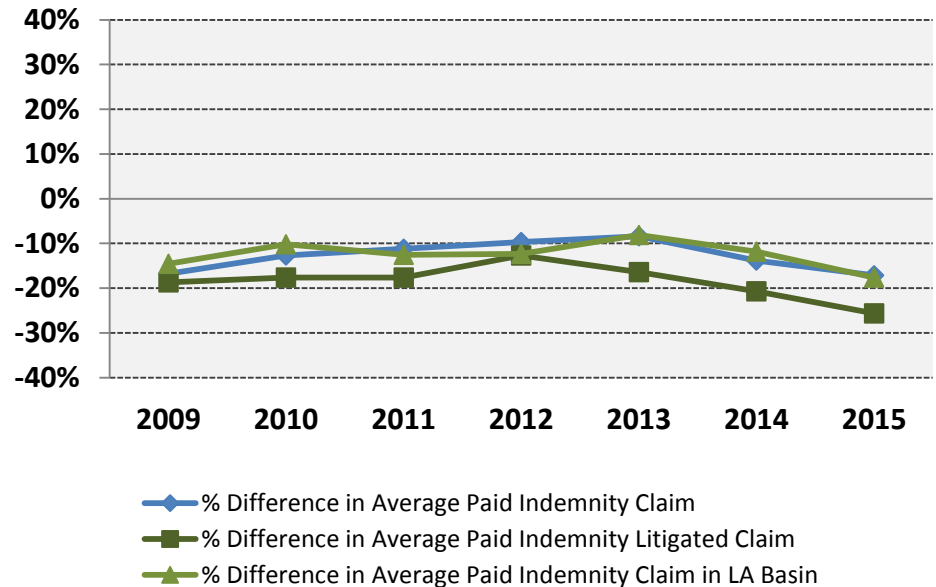
 Manage care and medical costs
- Rigorous quality assurance processes**

 Compliance with best practices and regulatory requirements
- Comprehensive fraud program**

**\$15.6M**  
savings in 2017
- Pharmacy benefit management program**

**\$41.4M**  
savings in 2017
- Accelerated Claims Closure**

**\$157.4M**  
reserve salvage, 2015-2017, from increased claims settlement activity  
2017 reserve salvage was \$55,252,114



**Source:** California Workers' Compensation Institute, data as of December 31, 2017.

# Strong Capital Position


- \$2.7 billion invested assets

**PORTFOLIO**




- \$75 million at parent
- Low debt
- No advances under credit facilities at operating cos

**FINANCIAL FLEXIBILITY**



- \$892 million

**STATUTORY CAPITAL**




- 33% increase in cash dividend in 2018
- \$50 million share repurchase program
- \$500 million returned to shareholders since IPO

**ACTIVE CAPITAL MANAGEMENT**



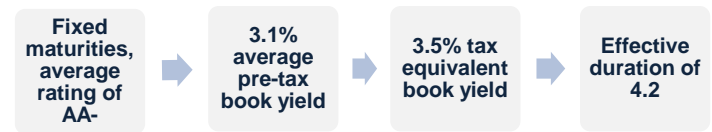
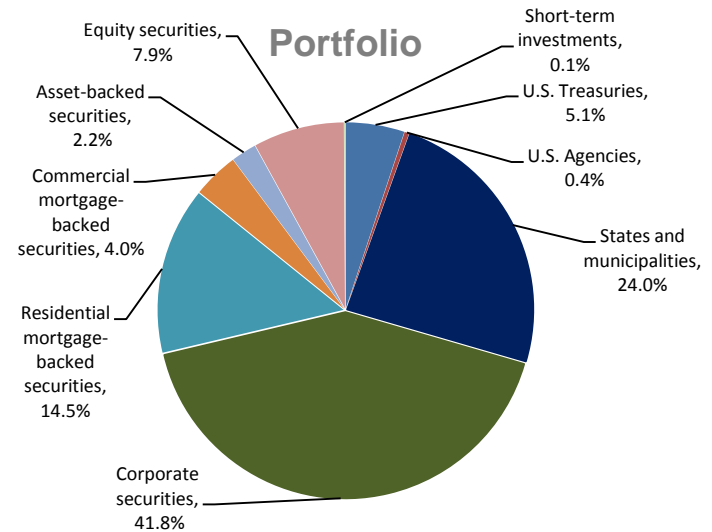
- BVPS UP 13.4%
- BVPS (Including LPT gain) UP 9.7%

**BVPS**



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

**HIGH QUALITY REINSURANCE**

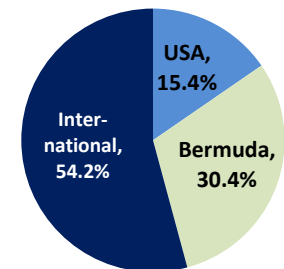



**Reinsurance:** renews 7/1

Limits of \$200M

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

Maximum any one life - \$20M



**EIG**  
LISTED  
NYSE

# A.M. Best's Capital Adequacy Ratio - BCAR

Employers indicative BCAR at September 30, 2017 is approximately 36 (at VaR 99.6) as measured under A.M. Best's stochastic-based BCAR introduced in October 2017

The BCAR formula:

$$((\text{Available Capital} - \text{Net Required Capital}) / \text{Available Capital}) \times 100$$

Description	Indicative BCAR	FSR
<b>Strongest</b>	> 25 at 99.6	A
<b>Very Strong</b>	> 10 at 99.6	A / A -
<b>Strongest</b>	> 0 at 99.5	A - / B++
<b>Adequate</b>	> 0 at 99	B++ / B +
<b>Weak</b>	> 0 at 95	B / B -
<b>Very Weak</b>	< 0 at 95	C++ and below



Employers indicative FSR if based purely on BCAR\*

\* Additional rating considerations include: stress tests, quality of reinsurance, financial and operating leverage, liquidity, quality of capital, internal capital models, as well as diversification and concentration considerations.

**EMPLOYERS Financial Strength Rating and Long-Term Credit Ratings of “A-” were affirmed on February 22, 2018 with a revised outlook of “positive”**

# New Technologies and Capabilities

---

## Excerpts from the Company's Fourth Quarter 2017 Press Release and Earnings Call:

We have recently initiated a plan of aggressive development and implementation of new technologies and capabilities that we believe will fundamentally transform and enhance the digital experience of our customers. We have chosen to reinvest the first 2-3 years of our expected financial benefits from tax reform back into our business by greatly accelerating the development and deployment of these new digital capabilities. We believe that these new technological and intellectual capabilities will support our future growth initiatives, provide us with greater pricing precision and flexibility and promote long-term value creation.

We expect that the development and implementation of these new technologies and capabilities will increase our underwriting and other operating expense ratio by approximately four percentage points in 2018 and two percentage points in 2019, as compared to those experienced in 2017. However, we expect that these increased expenses will be more than offset by operational efficiency gains in future periods.





**OVER 100 YEAR OPERATING HISTORY**

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

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

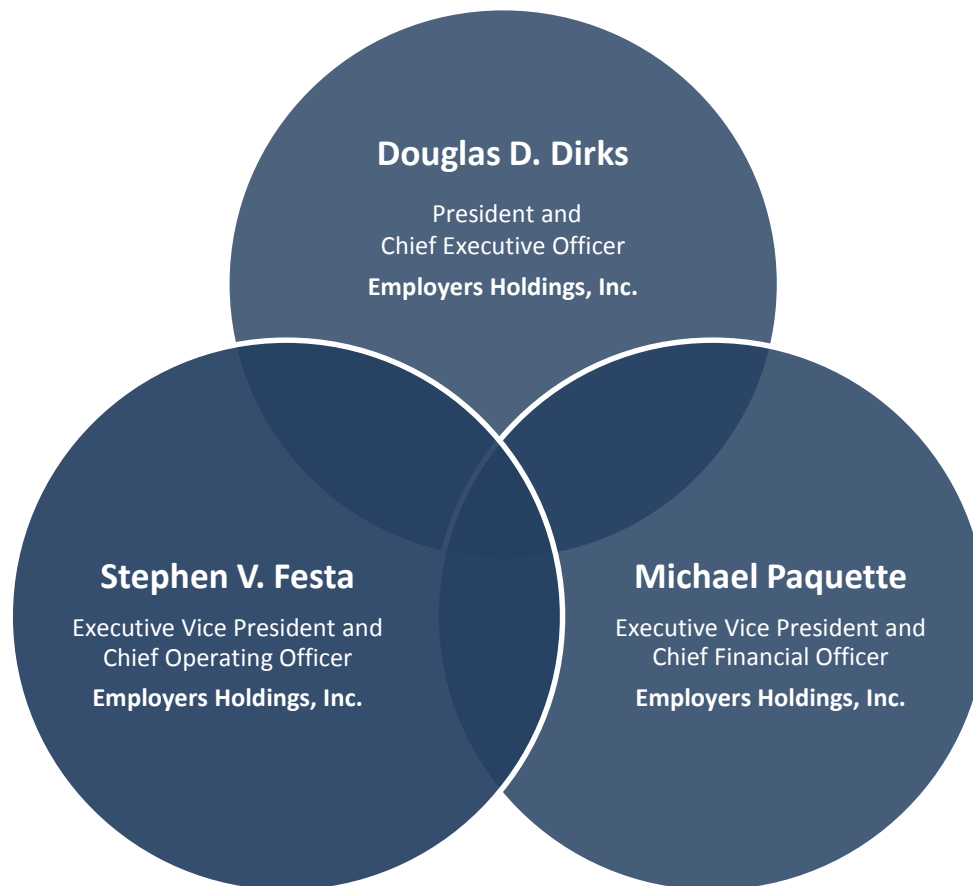
**Unique, long-standing strategic distribution relationships**

**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.

**Stephen V. Festa**

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

**Michael Paquette**

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

Analyst Contact:

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

Administrative Assistant:  
(775) 327-2562

**EMPLOYERS**<sup>®</sup>

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 EMPLOYERS 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.