



## 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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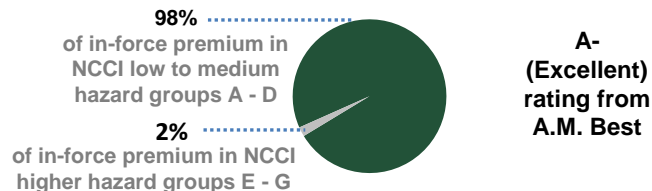
- EMPLOYERS® and America's small business insurance specialist.® are registered trademarks of Employers Insurance Company of Nevada.
- Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small 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: Q2 2017

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

**85,000 in-force policies**  
**\$7,300 average policy size**  
**4 operating companies**

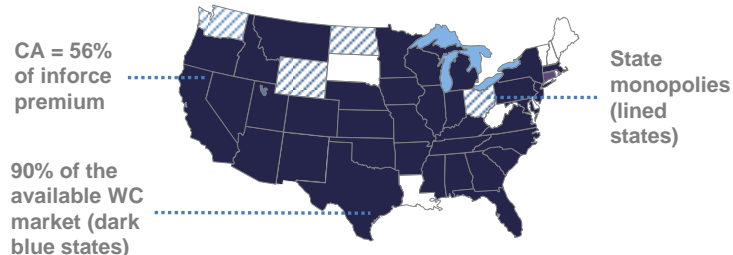
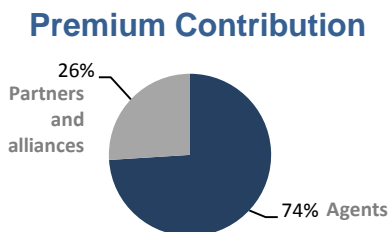


## GROWTH and MARKETS

1913: State Fund of Nevada

2007: IPO

2017: Operate in 36 states and DC



## CAPITAL STRENGTH

### Statutory Surplus



**Best's Capital Adequacy Ratio**  
**225**

(well above range required for an A- rating)

**\$1.1B**

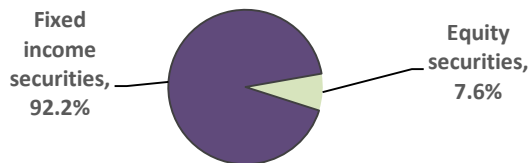
Stockholders' Equity plus LPT Deferred Gain

**\$490M**

returned to shareholders since IPO in share repurchases and dividends

**\$2.6B**

**Investment Portfolio (AA-)**

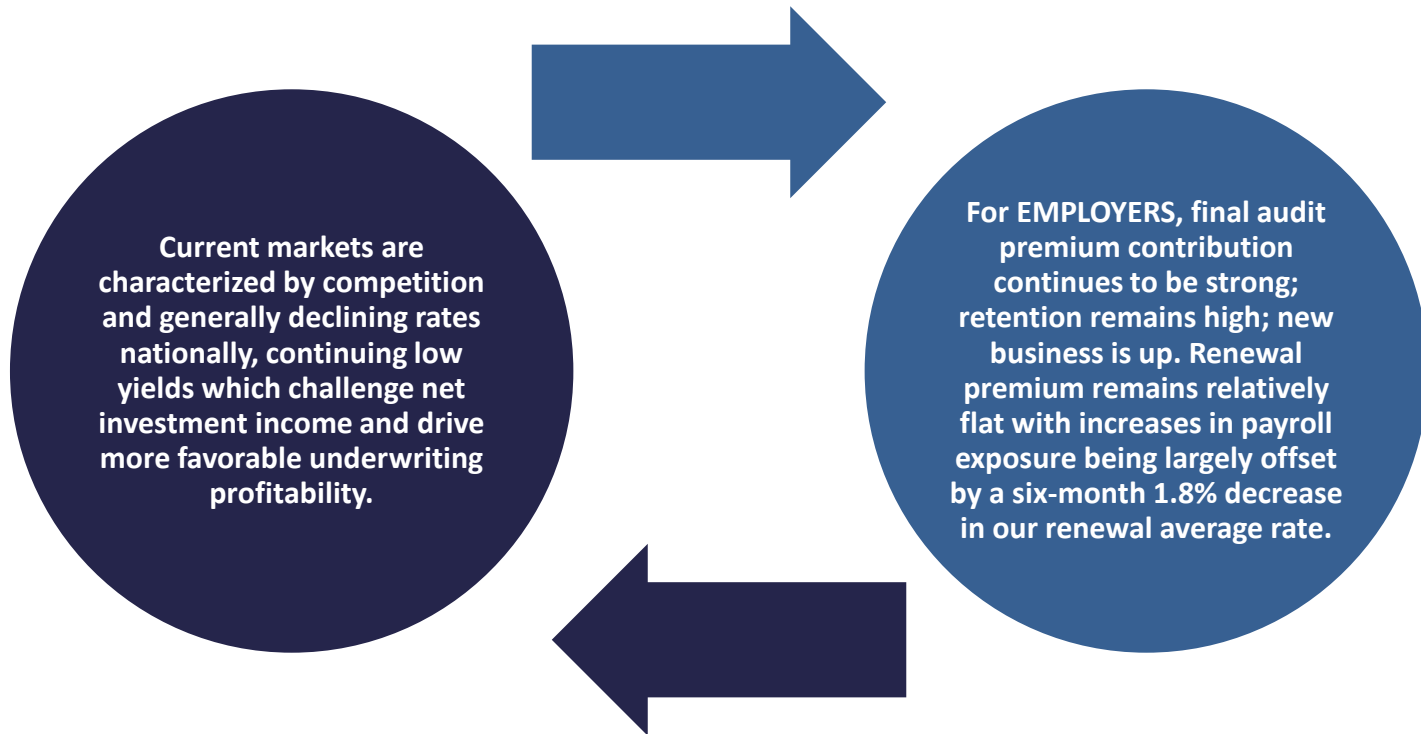


**Reinsurance**

\$190 million in excess of \$10 million retention per occurrence, subject to certain exclusions

**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

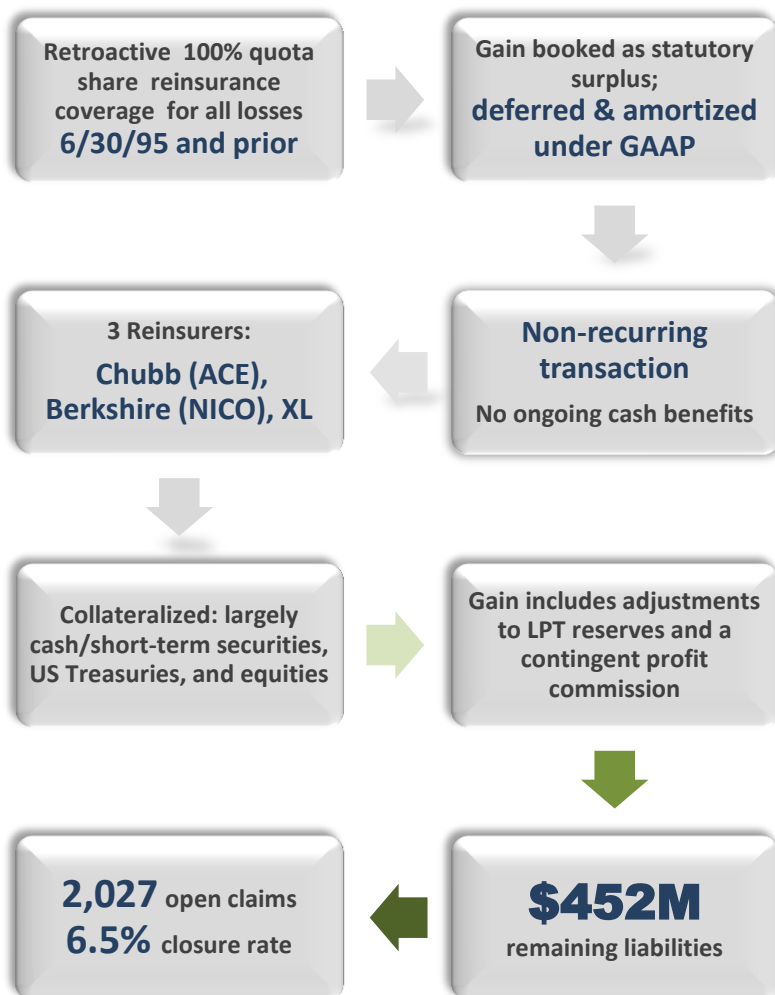
Data and analytics

Targeting attractive classes of business

National distribution expansion



# Loss Portfolio Transfer (LPT) Accounting

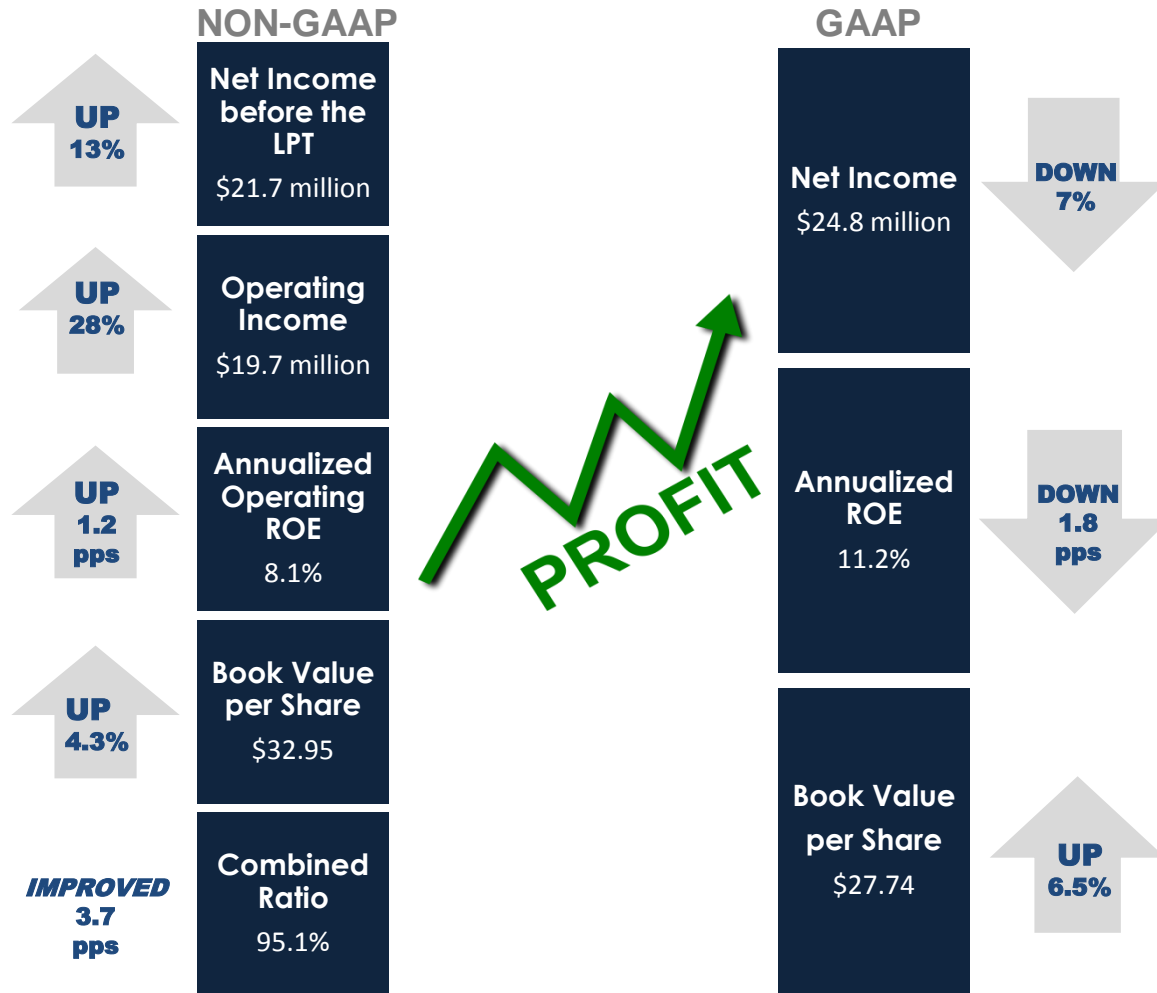


THE LPT AGREEMENT		(\$ million)
Total coverage		\$2,000
Original reserves (liabilities) transferred		1,525
Consideration		775
Unamortized gain at 6/30/1999		750
Subsequent LPT reserve adjustments		(337)
Subsequent LPT contingent commission adjustments (profit sharing)		67
<i>Unamortized gain at 6/30/17</i>		<b>481</b>
<b>Accounting at 6/30/2017</b>		
Statutory surplus created		481
Cumulative amortization to date		312
<b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>		<b>\$169</b>

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

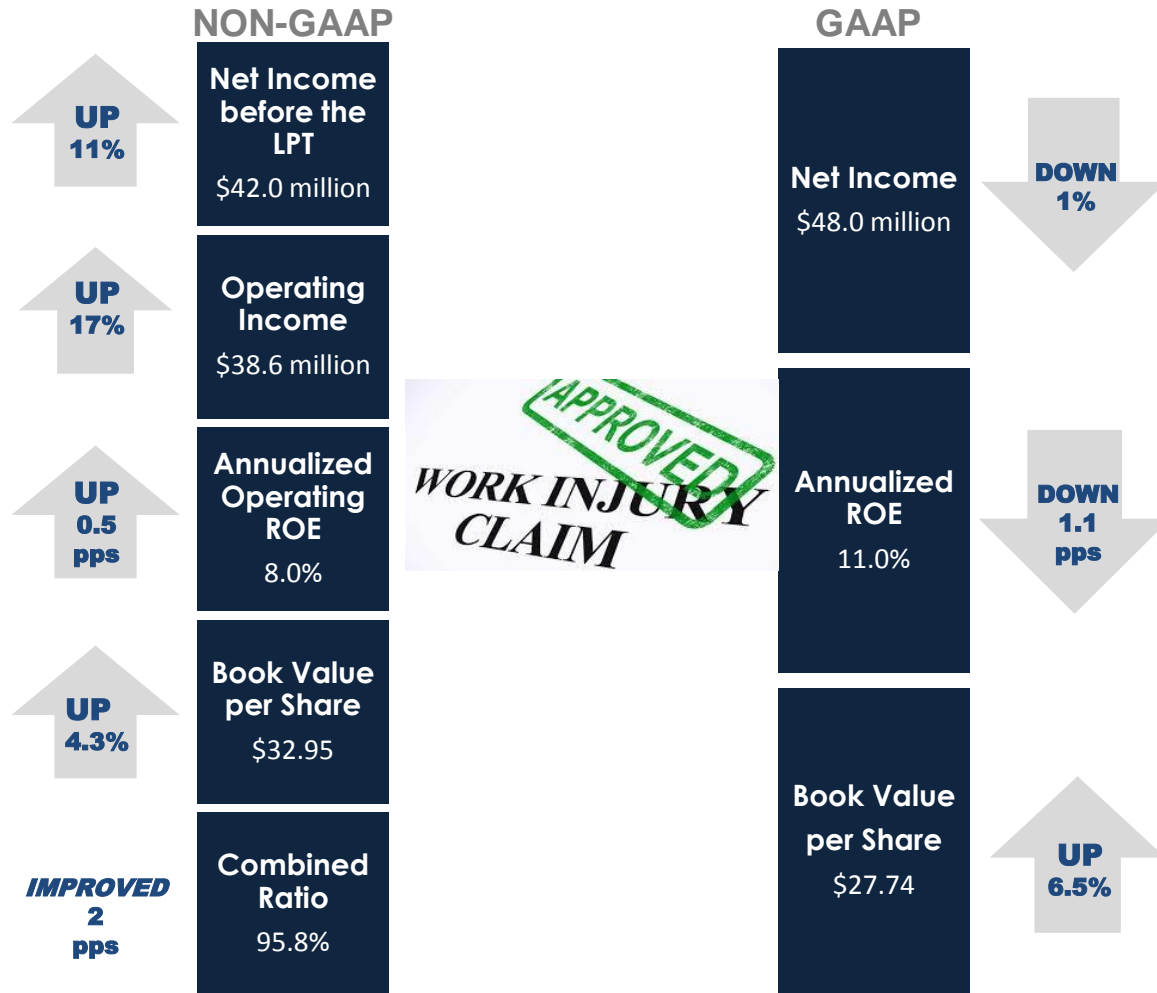
# Q2 2017 Highlights

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



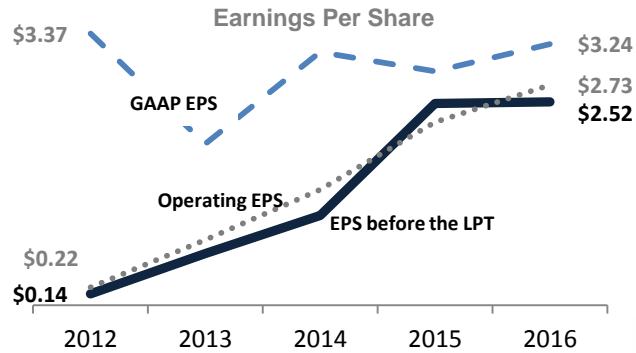
# YTD 2017 Highlights

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

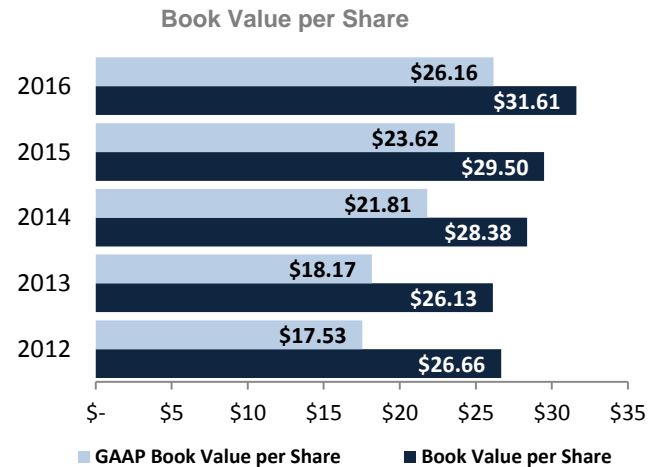
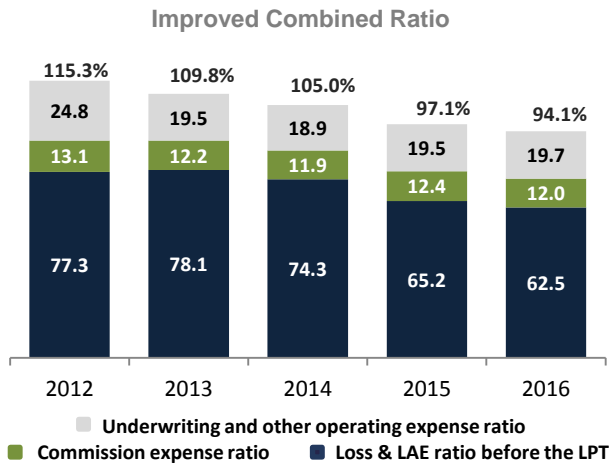
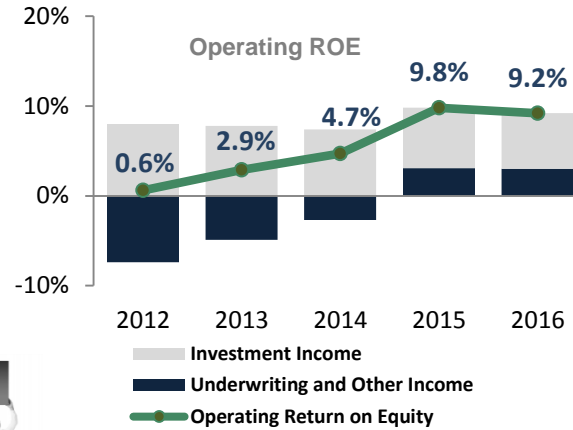




# 5 Year Performance



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



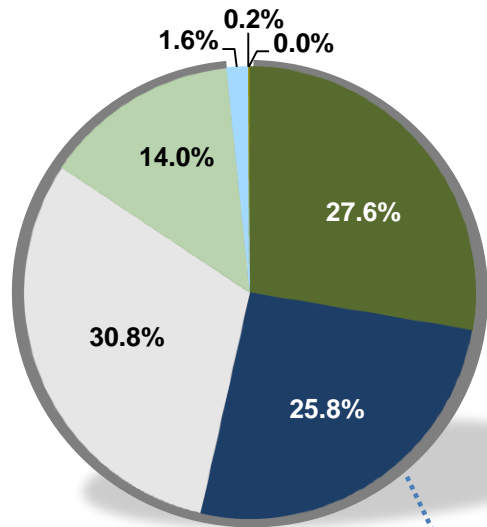
# Low Risk Focus

## 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 1.8%**
- Premium: **UP 1.1%**
- Policies: **UP 0.8%**
- Average policy size: **UP 0.3%**
- Payroll exposure: **UP 1.7%**

**OVERALL**

**ILLINOIS**  
**5%**

of total premium

Premium:  
DOWN 11.0%

Policies:  
DOWN 6.2%

**CALIFORNIA**  
**56%**

of total premium

Premium:  
UP 0.5%

Policies:  
DOWN 3.5%

State monopolies  
(lined states)

**FLORIDA**  
**6%**

of total premium

Premium:  
UP 25.3%

Policies:  
UP 10.2%

**OTHER STATES**

**33%**

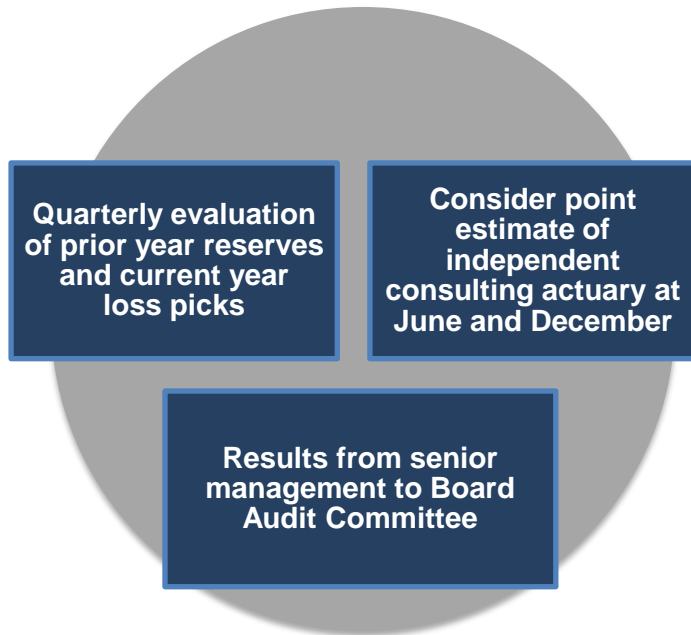
of total premium

Premium:  
UP 0.3%

Policies:  
UP 5.6%

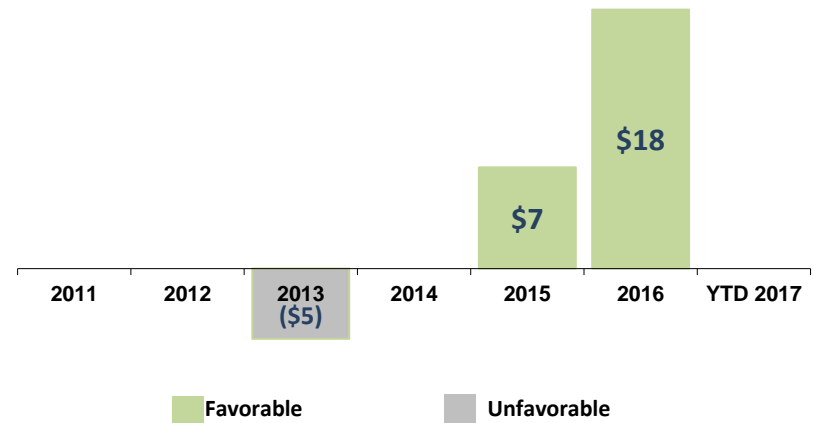
# History of Reserve Strength

## Reserve review



## Reserve development

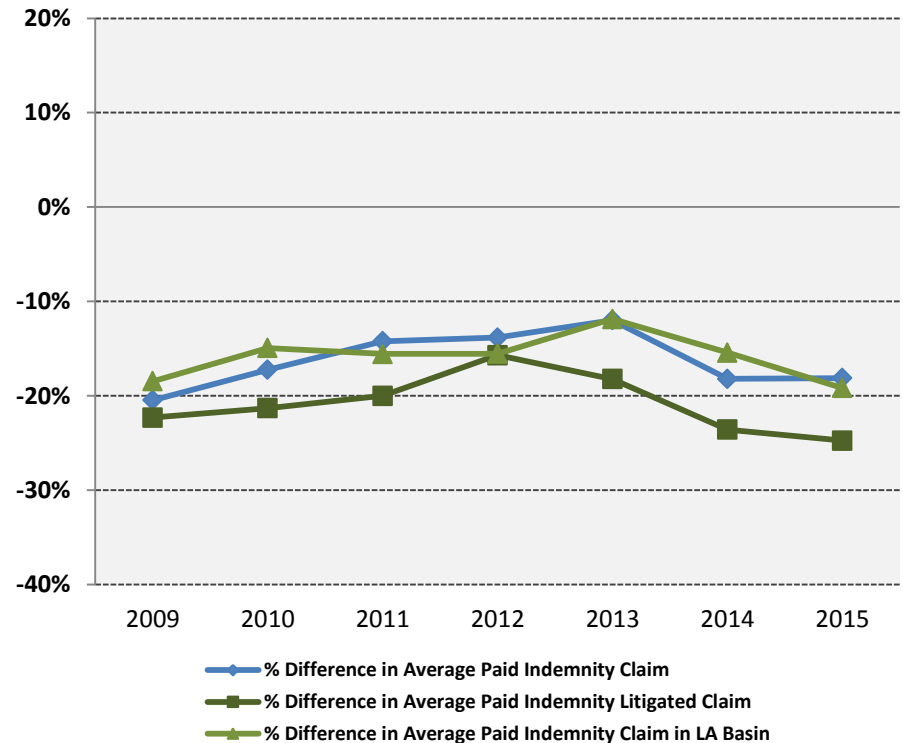
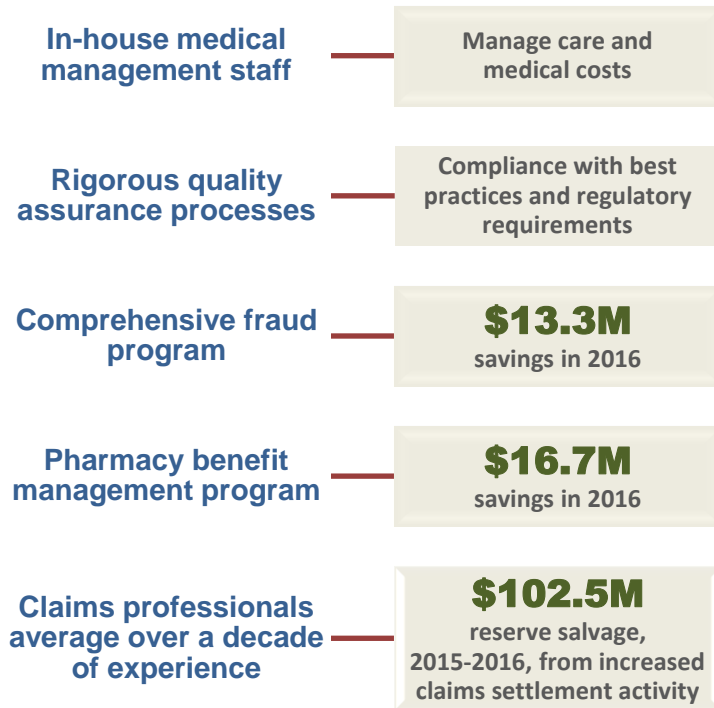
Net Calendar Year Reserve Development for Prior Accident Years  
(\$ million, excludes involuntary business)



# Superior Claims Management



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



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

# Strong Capital Position

- \$2.6B invested assets

## PORTFOLIO



- \$43 million at parent
- Low debt
- No advances under credit facilities at operating cos

## FINANCIAL FLEXIBILITY



- \$876 million

## STATUTORY CAPITAL



- 67% increase in cash dividend in 2017 YTD
- \$50 million share repurchase program
- \$490 million returned to shareholders since IPO

## ACTIVE CAPITAL MANAGEMENT



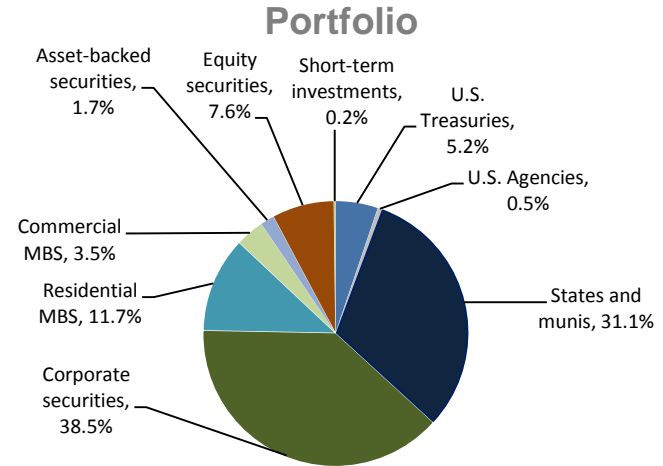
- GAAP UP 7%
- (Including LPT gain) UP 5%

## BVPS (YTD Change)



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

## HIGH QUALITY REINSURANCE

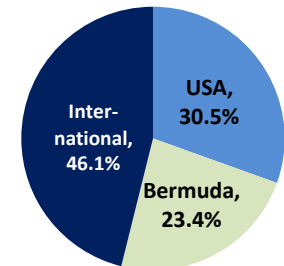


## Reinsurance

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**

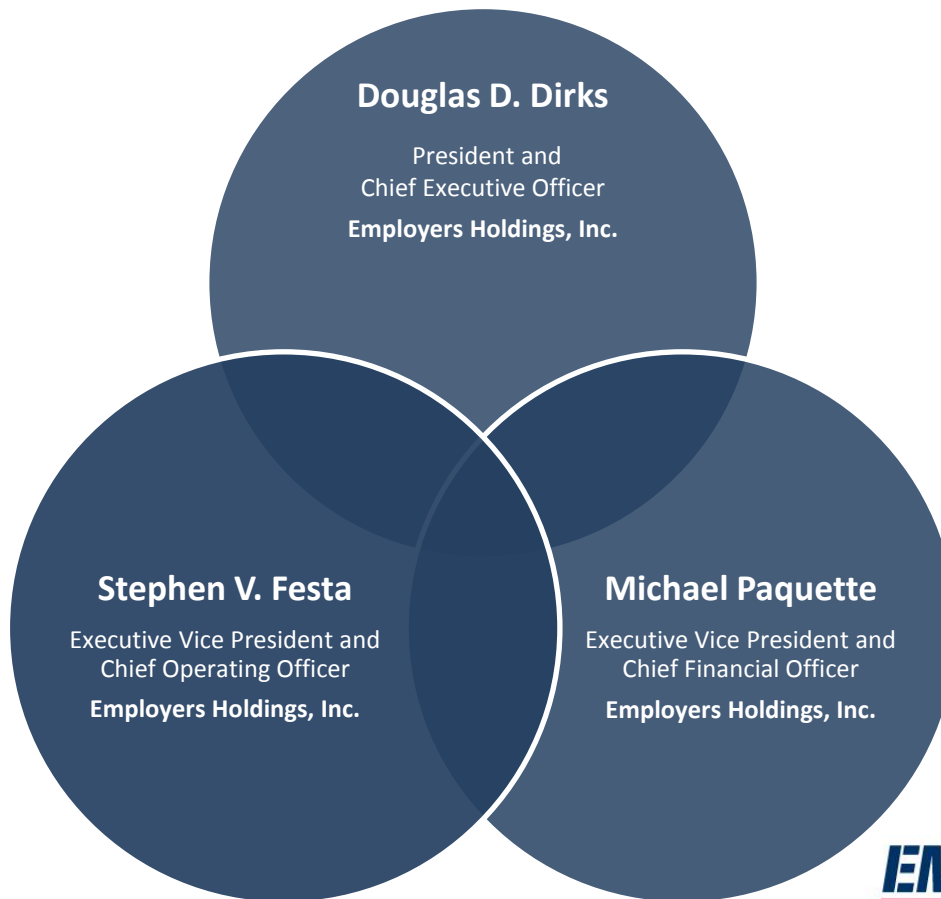
**Unique, long-standing strategic distribution relationships**

**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**



**Douglas D. Dirks**

President and  
Chief Executive Officer  
Employers Holdings, Inc.

**Stephen V. Festa**

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

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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.

**Employers Holdings, Inc.**  
Second Quarter 2017  
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			Six Months Ended		
	June 30,			June 30,		
	2017	2016*	% change	2017	2016*	% change
<b>Selected financial highlights:</b>						
Gross insurance premiums written	\$ 184.5	\$ 190.6	(3)%	\$ 382.1	\$ 381.3	—%
Net insurance premiums written	183.0	188.7	(3)	379.1	377.4	—
Net insurance premiums earned	171.7	176.9	(3)	347.1	349.5	(1)
Net investment income	18.2	18.4	(1)	36.9	36.2	2
Underwriting income	11.5	9.7	19	20.5	18.4	11
Net income before impact of the LPT <sup>(1)</sup>	21.7	19.2	13	42.0	37.9	11
Operating income <sup>(1)</sup>	19.7	15.4	28	38.6	33.1	17
Net income	24.8	26.8	(7)	48.0	48.6	(1)
Comprehensive income	32.5	46.2	(29)	63.8	87.8	(27)
Total assets				3,824.8	3,832.4	—
Stockholders' equity				899.2	845.3	6
Stockholders' equity including deferred reinsurance gain <sup>(2)</sup>				1,068.1	1,026.0	4
Adjusted stockholders' equity <sup>(2)</sup>				977.8	903.2	8
Annualized operating return on adjusted stockholders' equity <sup>(3)</sup>	8.1%	6.9%	17 %	8.0%	7.5%	7%
<b>Amounts per share:</b>						
Cash dividends declared per share	\$ 0.15	\$ 0.09	67 %	\$ 0.30	\$ 0.18	67%
Net income per diluted share <sup>(4)</sup>	0.75	0.81	(7)	1.46	1.47	(1)
Net income before impact of the LPT per diluted share <sup>(4)</sup>	0.66	0.58	14	1.27	1.15	10
Operating income per diluted share <sup>(4)</sup>	0.60	0.46	30	1.17	1.00	17
GAAP book value per share <sup>(2)</sup>				27.74	26.04	7
Book value per share <sup>(2)</sup>				32.95	31.60	4
Adjusted book value per share <sup>(2)</sup>				30.17	27.82	8
<b>Combined ratio before impact of the LPT:<sup>(5)</sup></b>						
Loss and loss adjustment expense ratio:						
Current year	63.8%	68.6%		63.8%	66.4%	
Prior year	(0.2)	(1.2)		(0.1)	(0.7)	
Loss and loss adjustment expense ratio	63.6%	67.4%		63.7%	65.7%	
Commission expense ratio	12.5	12.4		12.4	12.1	
Underwriting and other operating expense ratio	19.0	19.0		19.8	19.9	
Combined ratio before impact of the LPT	95.1%	98.8%		95.8%	97.8%	

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

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

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

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

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

\*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a reduction to our income tax expense of \$0.5 million and \$1.3 million for the three and six months ended June 30, 2016, respectively.

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

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Investments, cash and cash equivalents	\$ 2,666.9	\$ 2,623.4
Accrued investment income	20.5	20.6
Premiums receivable, net	333.1	304.7
Reinsurance recoverable on paid and unpaid losses	568.2	588.7
Deferred policy acquisition costs	49.6	44.3
Deferred income taxes, net	44.9	59.4
Contingent commission receivable—LPT Agreement	31.1	31.1
Other assets	110.5	101.2
Total assets	<u>\$ 3,824.8</u>	<u>\$ 3,773.4</u>
<b>LIABILITIES</b>		
Unpaid losses and LAE	\$ 2,284.9	\$ 2,301.0
Unearned premiums	341.1	310.3
Commissions and premium taxes payable	52.0	48.8
Deferred reinsurance gain—LPT Agreement	168.9	174.9
Notes payable	20.0	32.0
Other liabilities	58.7	65.8
Total liabilities	<u>\$ 2,925.6</u>	<u>\$ 2,932.8</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and additional paid-in capital	\$ 377.2	\$ 372.6
Retained earnings	815.4	777.2
Accumulated other comprehensive income, net	90.3	74.5
Treasury stock, at cost	(383.7)	(383.7)
Total stockholders' equity	<u>899.2</u>	<u>840.6</u>
Total liabilities and stockholders' equity	<u>\$ 3,824.8</u>	<u>\$ 3,773.4</u>
Stockholders' equity including deferred reinsurance gain <sup>(1)</sup>	\$ 1,068.1	\$ 1,015.5
Adjusted stockholders' equity <sup>(1)</sup>	977.8	941.0
GAAP Book Value per Share <sup>(1)</sup>	\$ 27.74	\$ 26.16
Book value per share <sup>(1)</sup>	32.95	31.61
Adjusted Book Value per Share <sup>(1)</sup>	30.17	29.29

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016*	2017	2016*
<b>Underwriting revenues:</b>				
Gross premiums written	\$ 184.5	\$ 190.6	\$ 382.1	\$ 381.3
Premiums ceded	(1.5)	(1.9)	(3.0)	(3.9)
Net premiums written	183.0	188.7	379.1	377.4
Net premiums earned	171.7	176.9	347.1	349.5
<b>Underwriting expenses:</b>				
Losses and LAE incurred	(106.1)	(111.7)	(215.0)	(219.0)
Commission expense	(21.5)	(21.9)	(43.0)	(42.2)
Underwriting and other operating expenses	(32.6)	(33.6)	(68.6)	(69.9)
<b>Underwriting income</b>	11.5	9.7	20.5	18.4
Net investment income	18.2	18.4	36.9	36.2
Gain on redemption of notes payable	2.1	—	2.1	—
Other income	0.1	0.5	0.1	0.6
Interest expense	(0.4)	(0.4)	(0.8)	(0.8)
Net realized gains on investments	1.1	6.0	3.3	7.5
Income tax expense	(7.8)	(7.4)	(14.1)	(13.3)
<b>Net income</b>	24.8	26.8	48.0	48.6
Net unrealized gains on investments arising during the period, net of tax	8.4	23.3	17.9	44.1
Reclassification adj. for realized gains in net income, net of tax	(0.7)	(3.9)	(2.1)	(4.9)
<b>Comprehensive income</b>	\$ 32.5	\$ 46.2	\$ 63.8	\$ 87.8
<i>Add (subtract)</i>				
Amortization of deferred reinsurance gain - losses	\$ (2.5)	\$ (2.2)	\$ (4.9)	\$ (4.8)
Amortization of deferred reinsurance gain - contingent commission	(0.6)	(0.5)	(1.1)	(1.0)
LPT reserve adjustment	—	(3.1)	—	(3.1)
LPT contingent commission adjustments	—	(1.8)	—	(1.8)
<b>Net income before impact of the LPT Agreement <sup>(1)</sup></b>	\$ 21.7	\$ 19.2	\$ 42.0	\$ 37.9
<i>Add (subtract)</i>				
Impact of the LPT Agreement	\$ (3.1)	\$ (7.6)	\$ (6.0)	\$ (10.7)
Net realized gains on investments, net of tax	(0.7)	(3.9)	(2.1)	(4.9)
Gain on redemption of notes payable, net of tax	(1.4)	—	(1.4)	—
Amortization of intangibles, net of tax	0.1	0.1	0.1	0.1
<b>Operating income <sup>1</sup></b>	\$ 19.7	\$ 15.4	\$ 38.6	\$ 33.1

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

\*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a reduction to our income tax expense of \$0.5 million and \$1.3 million for the three and six months ended June 30, 2016, respectively.

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

		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016*	2017	2016*
<b>Net income</b>	<b>A</b>	\$ 24.8	\$ 26.8	\$ 48.0	\$ 48.6
<i>Add (subtract):</i>					
Impact of LPT Agreement		(3.1)	(7.6)	(6.0)	(10.7)
Net realized gains on investments, net of tax		(0.7)	(3.9)	(2.1)	(4.9)
Gain on redemption of notes payable, net of tax		(1.4)	—	(1.4)	—
Amortization of intangibles, net of tax		0.1	0.1	0.1	0.1
<b>Operating income <sup>(1)</sup></b>	<b>B</b>	\$ 19.7	\$ 15.4	\$ 38.6	\$ 33.1
<hr/>					
Stockholders' equity - end of period		\$ 899.2	\$ 845.3	\$ 899.2	\$ 845.3
Stockholders' equity - beginning of period		867.5	803.7	840.6	760.8
<b>Average stockholders' equity</b>	<b>C</b>	\$ 883.4	\$ 824.5	\$ 869.9	\$ 803.1
<hr/>					
Stockholders' equity - end of period		\$ 899.2	\$ 845.3	\$ 899.2	\$ 845.3
<i>Add (subtract):</i>					
Deferred reinsurance gain		168.9	180.7	168.9	180.7
Accumulated other comprehensive income, net of tax		(90.3)	(122.8)	(90.3)	(122.8)
Adjusted stockholders' equity - end of period		977.8	903.2	977.8	903.2
Adjusted stockholders' equity - beginning of period		956.9	886.7	941.0	866.7
<b>Average adjusted stockholders' equity <sup>(1)</sup></b>	<b>D</b>	\$ 967.4	\$ 895.0	\$ 959.4	\$ 885.0
<hr/>					
Return on stockholders' equity	<b>A / C</b>	2.8%	3.3%	5.5%	6.1%
<b>Annualized return on stockholders' equity</b>		11.2	13.0	11.0	12.1
<hr/>					
Operating return on adjusted stockholders' equity <sup>(1)</sup>	<b>B / D</b>	2.0%	1.7%	4.0%	3.7%
<b>Annualized operating return on adjusted stockholders' equity <sup>(1)</sup></b>		8.1	6.9	8.0	7.5

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

\*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a reduction to our income tax expense of \$0.5 million and \$1.3 million for the three and six months ended June 30, 2016, respectively.

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

		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2017	2016	2017	2016
Net premiums earned	<b>A</b>	\$ 171.7	\$ 176.9	\$ 347.1	\$ 349.5
Losses and LAE incurred	<b>B</b>	106.1	111.7	215.0	219.0
Amortization of deferred reinsurance gain - losses		2.5	2.2	4.9	4.8
Amortization of deferred reinsurance gain - contingent commission		0.6	0.5	1.1	1.0
LPT reserve adjustment		—	3.1	—	3.1
LPT contingent commission adjustments		—	1.8	—	1.8
Losses and LAE before impact of the LPT <sup>(1)</sup>	<b>C</b>	\$ 109.2	\$ 119.3	\$ 221.0	\$ 229.7
Less: favorable prior year loss reserve development		(0.3)	(2.0)	(0.3)	(2.3)
Losses and LAE before impact of the LPT - current accident year	<b>D</b>	\$ 109.5	\$ 121.3	\$ 221.3	\$ 232.0
Commission expense	<b>E</b>	\$ 21.5	\$ 21.9	\$ 43.0	\$ 42.2
Underwriting and other operating expenses	<b>F</b>	32.6	33.6	68.6	69.9
<b>GAAP combined ratio:</b>					
Loss and LAE ratio	<b>B/A</b>	61.8%	63.1%	61.9%	62.7%
Commission expense ratio	<b>E/A</b>	12.5	12.4	12.4	12.1
Underwriting and other operating expense ratio	<b>F/A</b>	19.0	19.0	19.8	19.9
GAAP combined ratio		93.3%	94.5%	94.1%	94.7%
<b>Combined ratio before impact of the LPT: <sup>(1)</sup></b>					
Loss and LAE ratio before impact of the LPT	<b>C/A</b>	63.6%	67.4%	63.7%	65.7%
Commission expense ratio	<b>E/A</b>	12.5	12.4	12.4	12.1
Underwriting and other operating expense ratio	<b>F/A</b>	19.0	19.0	19.8	19.9
Combined ratio before impact of the LPT		95.1%	98.8%	95.8%	97.8%
<b>Combined ratio before impact of the LPT: current accident year <sup>(1)</sup></b>					
Loss and LAE ratio before impact of the LPT	<b>D/A</b>	63.8%	68.6%	63.8%	66.4%
Commission expense ratio	<b>E/A</b>	12.5	12.4	12.4	12.1
Underwriting and other operating expense ratio	<b>F/A</b>	19.0	19.0	19.8	19.9
Combined ratio before impact of the LPT: current accident year		95.3%	99.9%	95.9%	98.5%

(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		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Unpaid losses and LAE at beginning of period	\$ 2,298.2	\$ 2,341.9	\$ 2,301.0	\$ 2,347.5
Reinsurance recoverable on unpaid losses and LAE	572.9	621.4	580.0	628.2
Net unpaid losses and LAE at beginning of period	1,725.3	1,720.5	1,721.0	1,719.3
Losses and LAE incurred:				
Current year losses	109.4	121.3	221.3	232.0
Prior year losses on voluntary business	—	—	—	—
Prior year losses on involuntary business	(0.3)	(2.0)	(0.3)	(2.3)
Total losses incurred	109.1	119.3	221.0	229.7
Losses and LAE paid:				
Current year losses	17.0	14.4	21.7	19.1
Prior year losses	92.3	91.9	195.2	196.4
Total paid losses	109.3	106.3	216.9	215.5
Net unpaid losses and LAE at end of period	1,725.1	1,733.5	1,725.1	1,733.5
Reinsurance recoverable on unpaid losses and LAE	559.8	598.8	559.8	598.8
Unpaid losses and LAE at end of period	\$ 2,284.9	\$ 2,332.3	\$ 2,284.9	\$ 2,332.3

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

	June 30, 2017				December 31, 2016	
	Cost or Amortized Cost	Net Unrealized Gain	Fair Value	%	Fair Value	%
<b>Investment Positions:</b>						
Fixed maturities	\$ 2,361.3	\$ 57.4	\$ 2,418.7	91%	\$ 2,344.4	89%
Equity securities	118.2	81.5	199.7	7	192.2	7
Short-term investments	5.5	—	5.5	—	16.0	1
Cash and cash equivalents	42.6	—	42.6	2	67.2	3
Restricted cash and cash equivalents	0.4	—	0.4	—	3.6	—
Total investments and cash	<u>\$ 2,528.0</u>	<u>\$ 138.9</u>	<u>\$ 2,666.9</u>	<u>100%</u>	<u>\$ 2,623.4</u>	<u>100%</u>
<b>Breakout of Fixed Maturities:</b>						
U.S. Treasuries and Agencies	\$ 146.1	\$ 3.4	\$ 149.5	6%	\$ 140.2	6%
States and Municipalities	785.9	31.2	817.1	34	851.6	36
Corporate Securities	989.4	19.9	1,009.3	42	956.7	41
Mortgage-Backed Securities	394.5	2.6	397.1	16	353.5	15
Asset-Backed Securities	45.4	0.3	45.7	2	42.4	2
Total fixed maturities	<u>\$ 2,361.3</u>	<u>\$ 57.4</u>	<u>\$ 2,418.7</u>	<u>100%</u>	<u>\$ 2,344.4</u>	<u>100%</u>
Weighted average book yield			3.2%		3.1%	
Weighted average tax equivalent yield			3.7%		3.6%	
Average credit quality (S&P)			AA-		AA-	
Duration			4.1		4.3	

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

		<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
<b>Numerators:</b>					
<b>Stockholders' equity</b>	<b>A</b>	\$ 899.2	\$ 840.6	\$ 845.3	\$ 760.8
Plus: Deferred reinsurance gain		168.9	174.9	180.7	189.5
<b>Stockholders' equity including deferred reinsurance gain <sup>(1)</sup></b>	<b>B</b>	1,068.1	1,015.5	1,026.0	950.3
Less: Accumulated other comprehensive income, net of tax		90.3	74.5	122.8	83.6
<b>Adjusted stockholders' equity <sup>(1)</sup></b>	<b>C</b>	\$ 977.8	\$ 941.0	\$ 903.2	\$ 866.7
<b>Denominator (shares outstanding)</b>	<b>D</b>	32,412,997	32,128,922	32,463,660	32,216,480
GAAP book value per share <sup>(1)</sup>	<b>A / D</b>	\$ 27.74	\$ 26.16	\$ 26.04	\$ 23.62
Book value per share <sup>(1)</sup>	<b>B / D</b>	32.95	31.61	31.60	29.50
Adjusted book value per share <sup>(1)</sup>	<b>C / D</b>	30.17	29.29	27.82	26.90
Cash dividends declared per share		\$ 0.30	\$ 0.36	\$ 0.18	\$ 0.24
<b>YTD Change in: <sup>(2)</sup></b>					
GAAP book value per share		7.2%		11.0%	
Book value per share		5.2		7.7	
Adjusted book value per share		4.0		4.1	

(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		Six Months Ended	
		June 30,		June 30,	
		2017	2016*	2017	2016*
<b>Numerators:</b>					
<b>Net income</b>	<b>A</b>	\$ 24.8	\$ 26.8	\$ 48.0	\$ 48.6
<i>Add (subtract):</i>					
Impact of the LPT Agreement		(3.1)	(7.6)	(6.0)	(10.7)
<b>Net income before impact of LPT <sup>(1)</sup></b>	<b>B</b>	\$ 21.7	\$ 19.2	\$ 42.0	\$ 37.9
Net realized gains on investments, net of tax		(0.7)	(3.9)	(2.1)	(4.9)
Gain on redemption of notes payable, net of tax		(1.4)	—	(1.4)	—
Amortization of intangibles, net of tax		0.1	0.1	0.1	0.1
<b>Operating income <sup>(1)</sup></b>	<b>C</b>	\$ 19.7	\$ 15.4	\$ 38.6	\$ 33.1
<b>Denominators:</b>					
Average common shares outstanding (basic)	<b>D</b>	32,469,137	32,629,525	32,398,858	32,521,672
Average common shares outstanding (diluted)	<b>E</b>	32,992,598	33,143,948	32,982,928	33,003,449
<b>Net income per share:</b>					
Basic	<b>A / D</b>	\$ 0.76	\$ 0.82	\$ 1.48	\$ 1.49
Diluted	<b>A / E</b>	0.75	0.81	1.46	1.47
<b>Net income before impact of the LPT per share: <sup>(1)</sup></b>					
Basic	<b>B / D</b>	\$ 0.67	\$ 0.59	\$ 1.30	\$ 1.17
Diluted	<b>B / E</b>	0.66	0.58	1.27	1.15
<b>Operating income per share: <sup>(1)</sup></b>					
Basic	<b>C / D</b>	\$ 0.61	\$ 0.47	\$ 1.19	\$ 1.02
Diluted	<b>C / E</b>	0.60	0.46	1.17	1.00

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

\*The Company adopted *ASU Number 2016-9, Stock Compensation* in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a reduction to our income tax expense of \$0.5 million and \$1.3 million for the three and six months ended June 30, 2016, respectively.

## **Glossary of Financial Measures**

Within this earnings release we present the following measures, each of which are a "non-GAAP financial measure" as defined in Regulation G pursuant to Section 401 of the *Sarbanes - Oxley Act* of 2002. A reconciliation of these measures to the Company's most directly comparable GAAP financial measures is included herein. Management believes that these non-GAAP measures are important to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. Management further believes that these measures are more relevant than comparable GAAP measures in evaluating our financial performance.

**The LPT Agreement** is a non-recurring transaction that does not result in ongoing cash benefits to the Company. Management believes that providing non-GAAP measures that exclude the effects of the LPT Agreement (amortization of deferred reinsurance gain, adjustments to LPT Agreement ceded reserves and adjustments to contingent commission receivable) is useful in providing investors, analysts and other interested parties a meaningful understanding of the Company's ongoing underwriting performance.

**Deferred reinsurance gain** reflects the unamortized gain from the LPT Agreement. This gain has been deferred and is being amortized using the recovery method, whereby the amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries, except for the contingent profit commission, which is being amortized through June 30, 2024. Amortization is reflected in losses and LAE incurred.

**Operating income** (see Page 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized gains (losses) on investments (net of tax), gain on redemption of notes payable (net of tax), and amortization of intangible assets (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.

**Stockholders' equity including the deferred reinsurance gain** is stockholders' equity including the deferred reinsurance gain. Management believes that providing this non-GAAP measure is useful in providing investors, analysts and other interested parties a meaningful measure of the Company's total underwriting capital.

**Adjusted stockholders' equity** (see Page 8 for calculations) is stockholders' equity including the deferred reinsurance gain, less accumulated other comprehensive income (net of tax). Management believes that providing this non-GAAP measure is useful to investors, analysts and other interested parties since it serves as the denominator to the Company's operating return on equity metric.

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

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

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