

EMPLOYERS®



Employers Holdings, Inc.

Investor Presentation

Results Through Q3 2014

Regulation FD

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2013, our Form 10-Qs and our Form 8-Ks filed with the Securities and Exchange Commission (SEC), all of which are available on the "Investor Relations" section of our website at www.employers.com.

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. The reconciliation of these measures to their most comparable GAAP financial measures may be included in this presentation or in our Form 10-K for the year 2013, our Form 10-Qs and our 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.

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This presentation may contain certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements regarding anticipated future results and can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe", "expect", "anticipate", "estimate" and "intend" or future or conditional verbs such as "will", "would", "should", "could" or "may". All subsequent 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.

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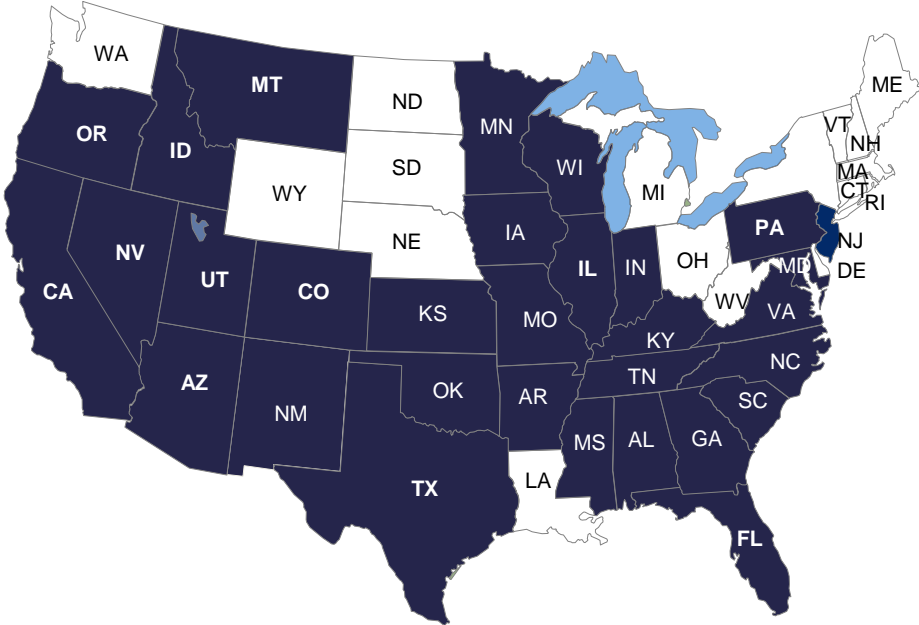
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Overview

- Workers' compensation mono-line writer
- Focused on small, low to medium hazard risks

- Distribution through agencies and strategic partners
 - 4,615 agencies (includes 1,200 Anthem/Blue Cross agencies)
 - Strategic partners = 24% in-force premium (partners include ADP, Paychex and Anthem Blue Cross of California)

- Writing in 31 states and the District of Columbia
 - Operate in approximately three quarters of total market

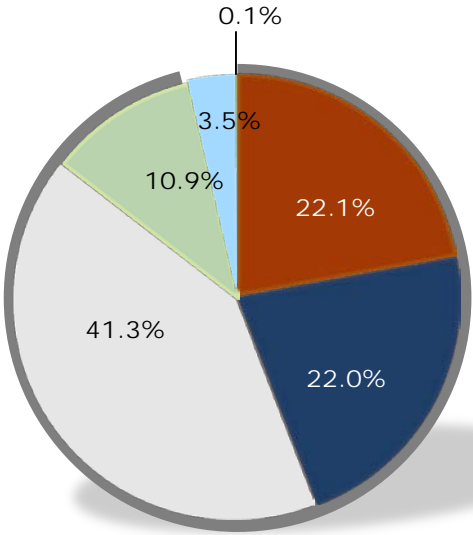


At September 30, 2014
Average policy size: \$7,353

<u>In force Premium</u>	<u>Policies In-Force</u>
\$633 million	86,025 Policies
CA = 378,915	CA = 48,275
Other = 253,642	Other = 37,750



Underwriting focus on select low hazard groups A - D

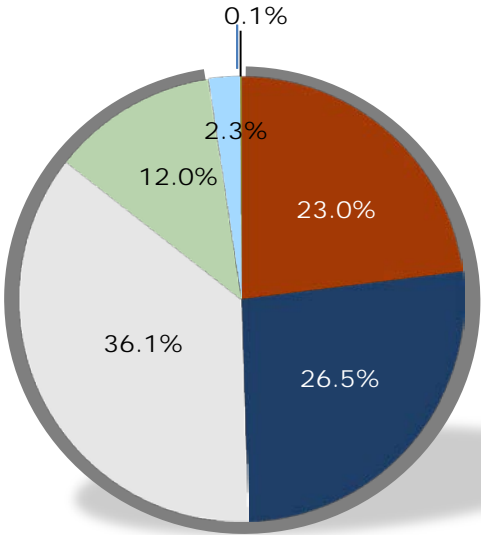


Hazard Group % at September 30, 2013
96.2% in Hazard Groups A – D

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
- ↑
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Data shown as a % of in force premium

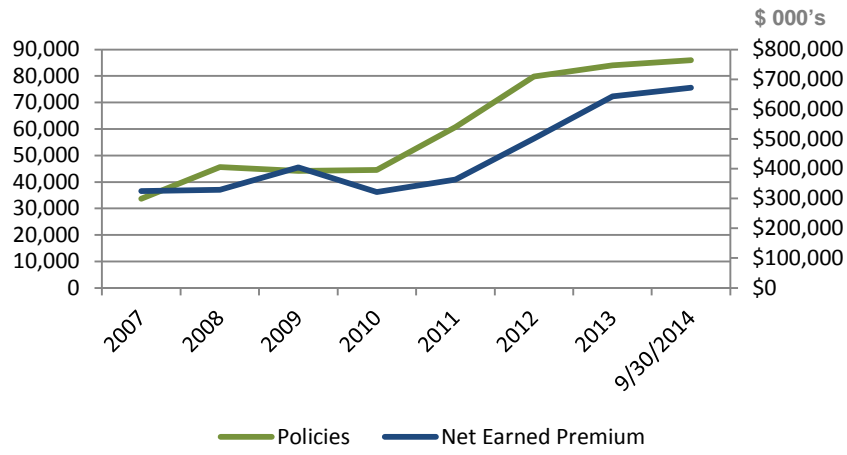


Hazard Group % at September 30, 2014
97.6% in Hazard Groups A – D

Growth, Book Value & EPS

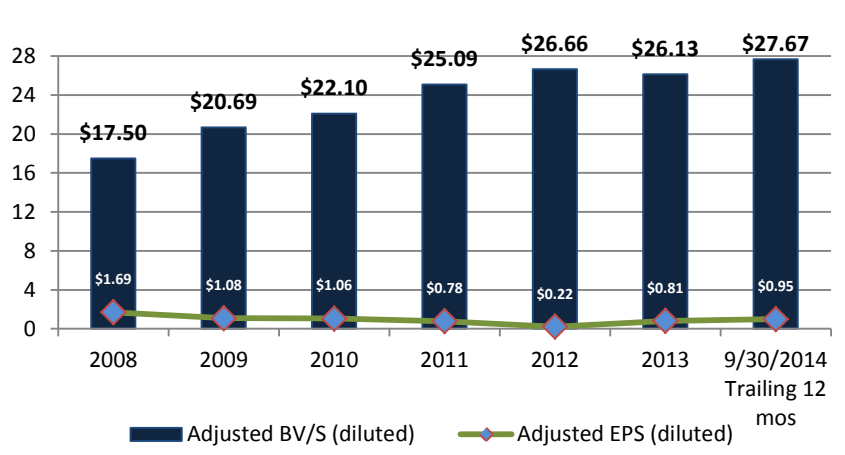
- Increased net earned premium 4.6% YOY at 09/30/14
 - Policy count increase of 2.4% YOY at 09/30/14
- Increased EPS, impacted by historically low yields and high loss provisions in recent years
- Changes in book value are, in part, driven by changes in unrealized gains

Substantial growth in recent years



- Net earned premium is trailing twelve months in the quarters

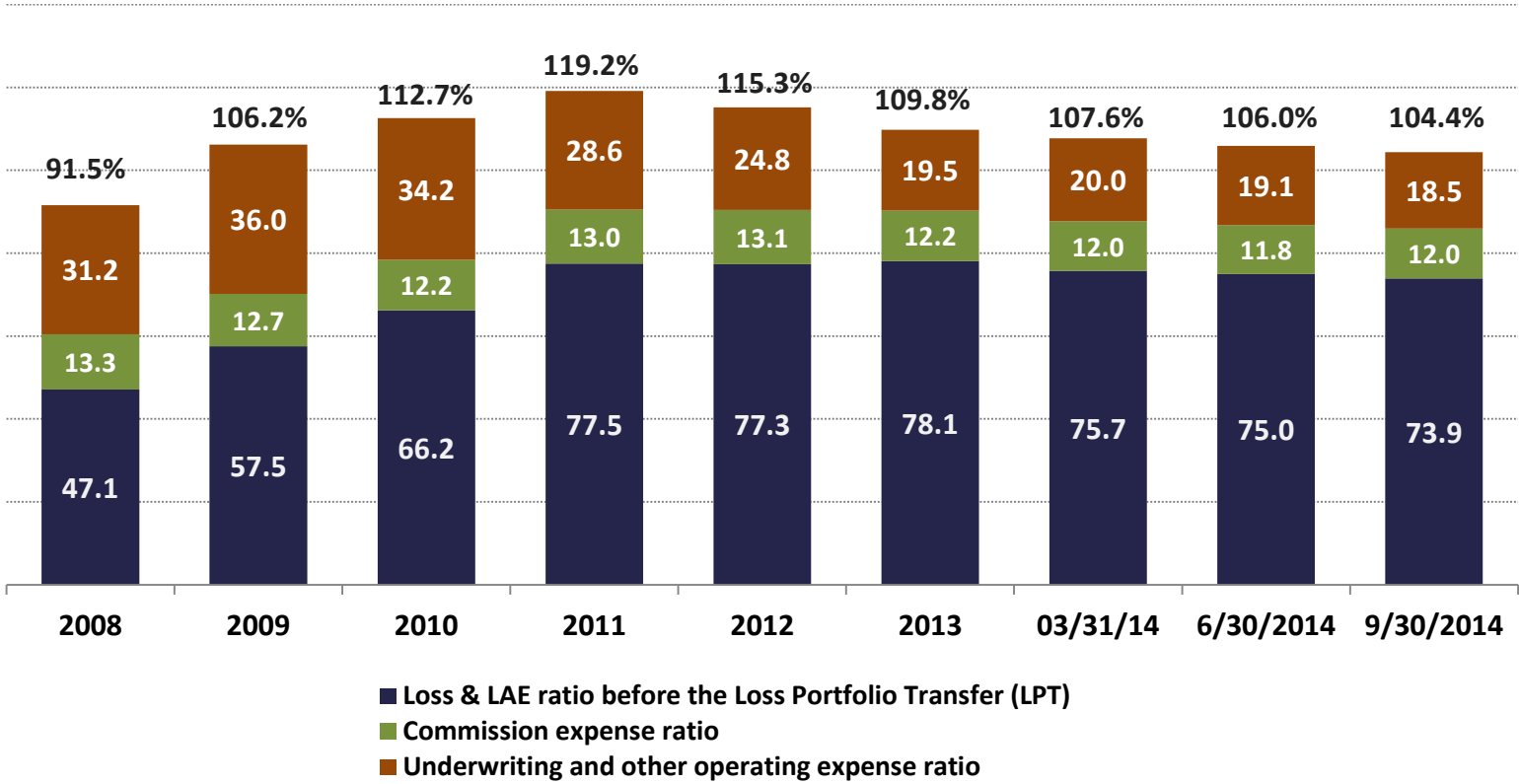
Adjusted book value and adjusted EPS



- Adjusted and restated for impacts of the LPT
- Adjusted book value includes unrealized gains
- EPS is trailing twelve months in the quarters

Improving Calendar Year Combined Ratio

Combined ratio trending down with increasing earned premiums and cost controls in place



✓ GAAP combined ratio
 ✓ Loss and LAE ratio excludes LPT Agreement adjustments for favorable prior period development of ceded reserves and the LPT contingent profit commission



Superior Claims Management

In-house medical management staff

- Manage care and medical costs

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Comprehensive fraud program / dedicated subrogation unit

- \$3.9 million fraud savings in 2013
- Recoveries over \$2.3 million in 2013

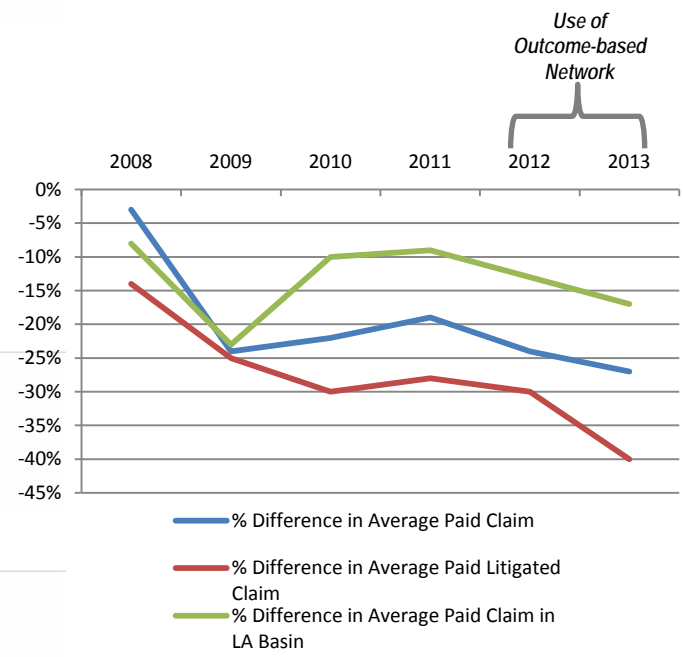
Pharmacy benefit management program

- \$4.6 million savings in 2013

Outcome-based network

- Direct claimants to better providers

Percent difference in the average cost per paid claim in California for EMPLOYERS® compared to the California industry average



Source: California Workers' Compensation Institute, data – As of December 31, 2013



Have appointed key staff positions and are centralizing operational functions

Underwriting/pricing strategies implemented

- Slowed policy count growth in California largely due to geographic concentration
 - ~ - Policy count growth (Q 3 2014 YOY): 0.4% in California, 2.4% overall
- Adjusted pricing in California in 2013 through schedule credits/debits
 - ~ - Change in net rate (Q 3 2014 YOY): 10.7% in California, 4.9% overall
- Three-company pricing platform in California with territorial multipliers in place and quoting policies effective June 1, 2014
- Non-renewing poor performers (a small percentage of California policies)
- Increasing prices for chronically underperforming class codes
- Targeting attractive classes of business in and outside California

Reserve review

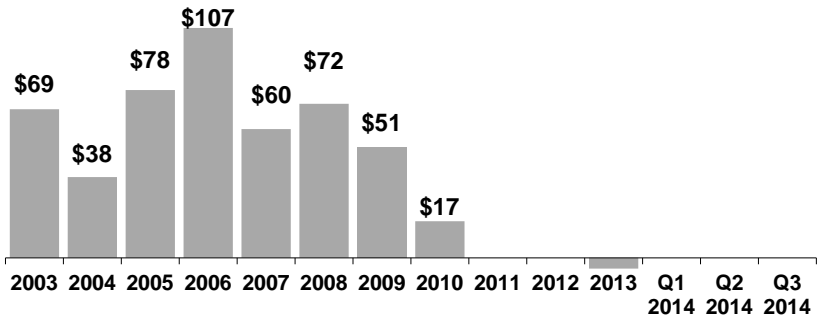
Quarterly evaluation of prior year reserves and current year loss picks

Consider point estimate of independent consulting actuary at June and December

Results from senior management to Board Audit Committee

Reserve development

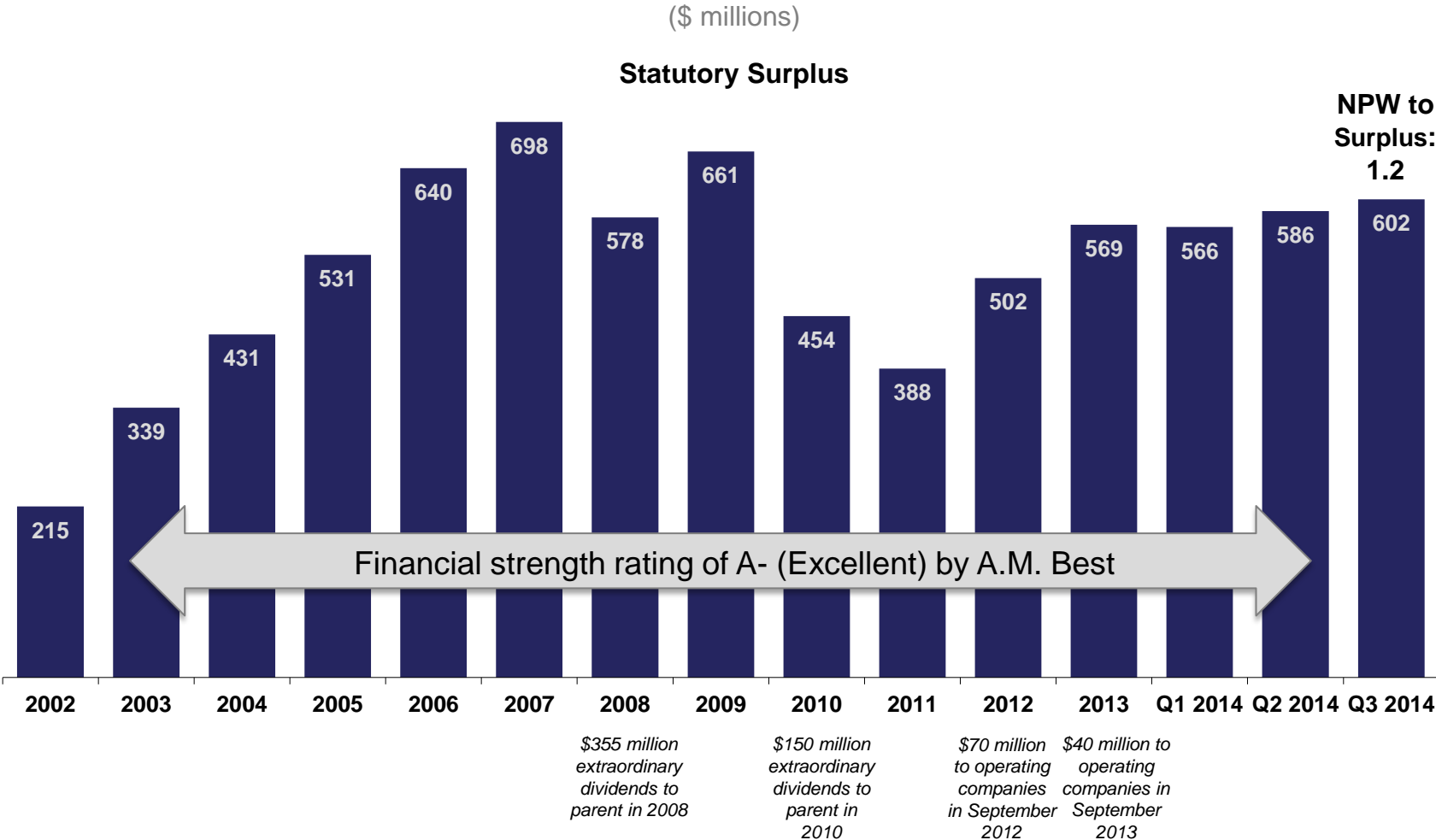
Net Calendar Year Reserve Development for Prior Accident Years (\$ million)



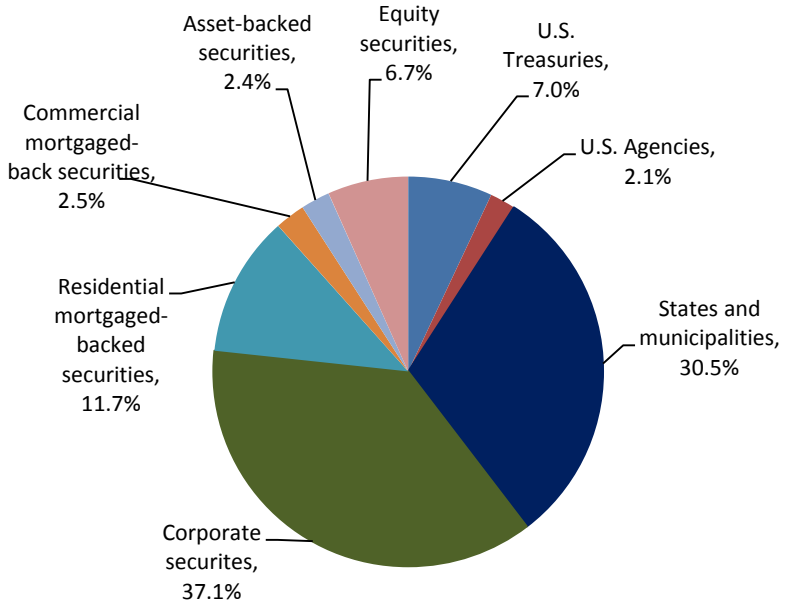
- No favorable prior period development for voluntary business since the second quarter of 2010
- Overall reserves have remained adequate

Strong Capital Position

Statutory surplus provides a solid basis for underwriting



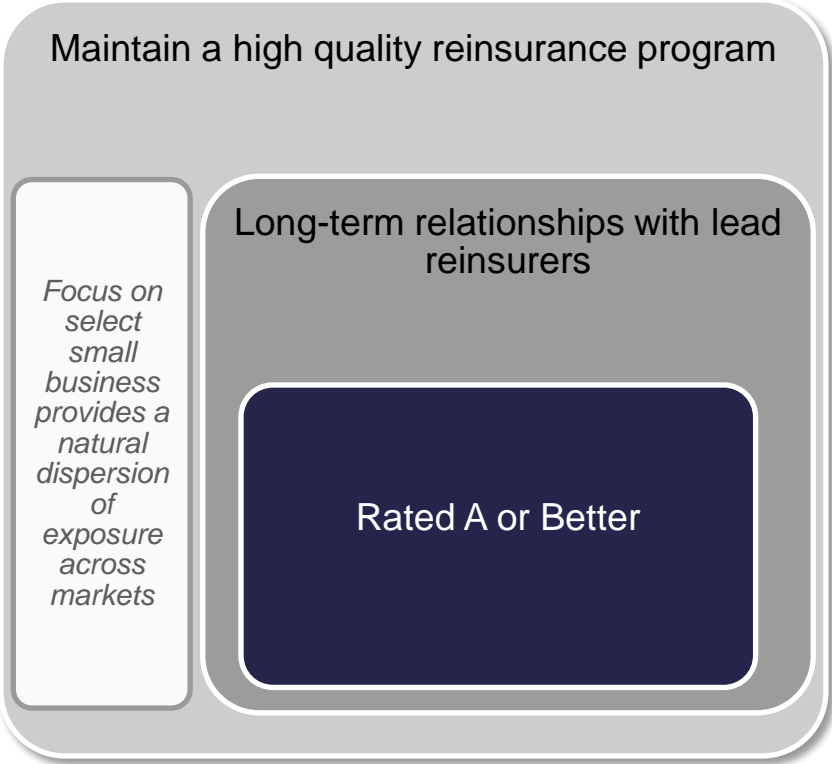
High Quality Investment Portfolio



**September 30, 2014:
\$2.5 billion fair market value**

- **Fixed maturities have an average weighted rating of AA**
- **3.3% average pre-tax book yield**
- **3.9% tax equivalent book yield**
- **Effective duration of 4.1**

Reinsurance management

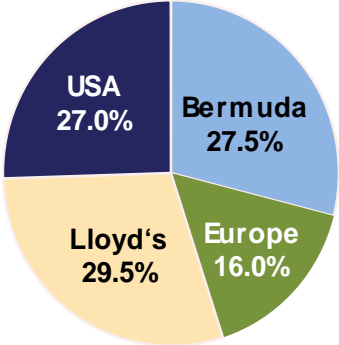


Program structure, effective 7/1/14

Limits of \$200M

Retention of \$5M plus \$2M annual aggregate deductible

Reinsurers by Market



EMPLOYERS[®]

- **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
- Strong financial position and strong balance sheet
- Experienced management team with deep knowledge of workers' compensation
- Demonstrated ability to manage through challenging operating conditions

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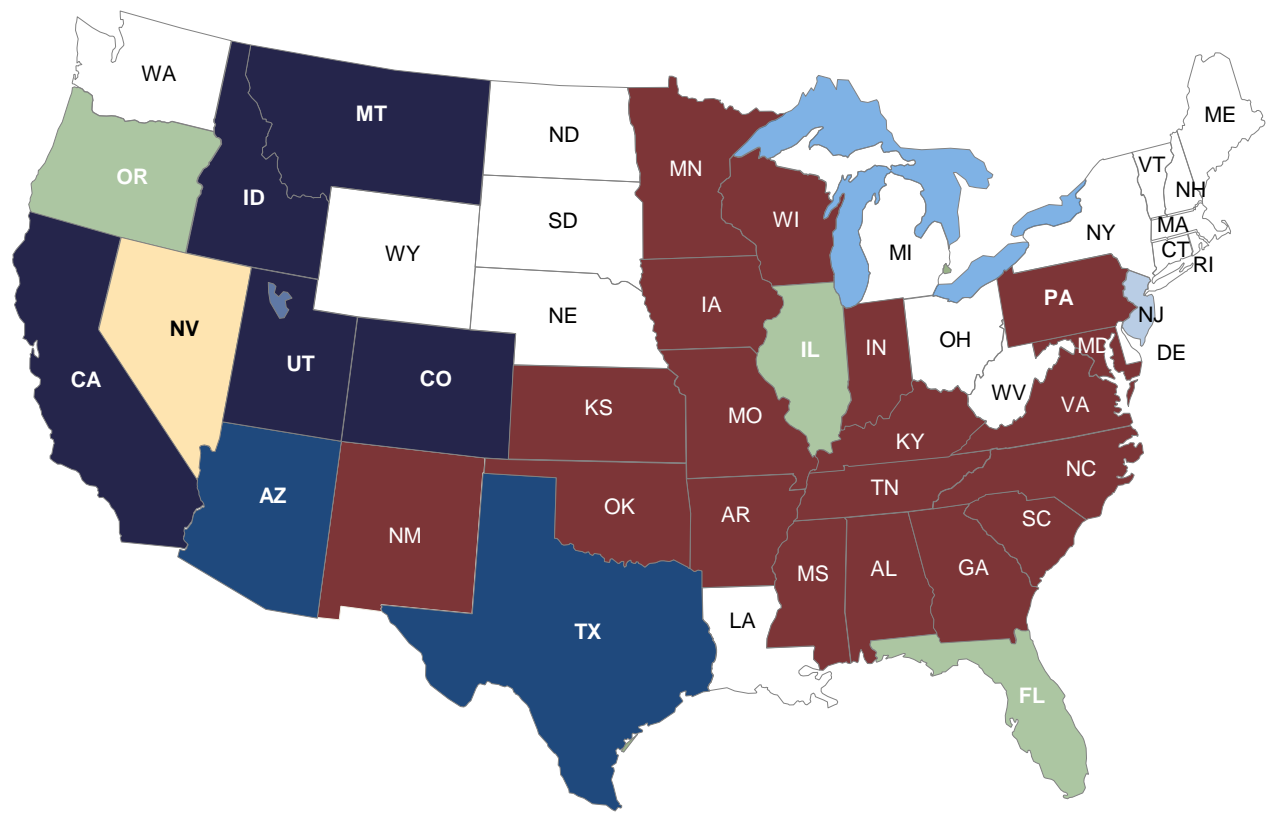
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Appendix

Selectively Expanding Footprint



2000	2002	2006	2007	2008	2009–2014
1913 – 1999 State WC fund in NV 2000 Privatization	2002 Acquisition, book of business in CA, UT, ID, MT, CO	2005 Formation of mutual hold co 2006 Entry into TX, AZ	2007 Demutualization and IPO; entry into FL, IL and OR	2008 Acquisition of AmCOMP Incorporated, entry into IA	2009 – 2014 Focus on growth in existing states; entry into New Jersey

HISTORY



Ongoing Distribution Network

Partnerships



- 

*Largest payroll services company in the U.S.
Partner since 2002 – business originates with ADP’s field sales staff and insurance agency with “Pay-by-Pay®” premium collection*
- 

Largest group health carrier in CA – exclusive relationship – use medical provider network - Partner since 2002 – business is originated by health or casualty agents with a single bill to customers
- 

*Specialty provider of payroll and human resource services, 2nd largest payroll provider in U.S.
Partner since 2012*
- 

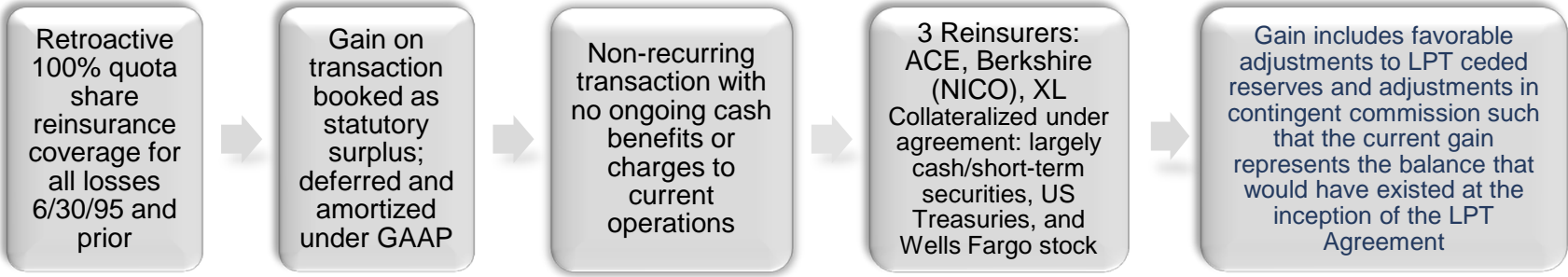
*Specialty provider of payroll services / insurance broker
Partner since 2006, expanded alliance in 2008*
- 

Provider of insurance software services – partner since 2007
- 

Small business payroll services – partner since 2008
- 

*Online payroll services and payment processing
One of the largest independent payroll processors in Southern CA
Partner since 2009*

Loss Portfolio Transfer (LPT)



Contract	
	(\$ million)
Total Coverage	\$2,000
Original Reserves (Liabilities) Transferred	\$1,525
Consideration	775
Gain at 6/30/1999	\$ 750
Subsequent LPT reserve adjustments	(308)
Subsequent LPT contingent commission adjustments	59
Gain at 6/30/14	\$ 501

Accounting at 6/30/14	
	(\$ million)
Statutory Surplus Created	\$501
Cumulative Amortization To Date	\$ (282.3)
GAAP: Deferred Reinsurance Gain – LPT Agreement	\$218.7

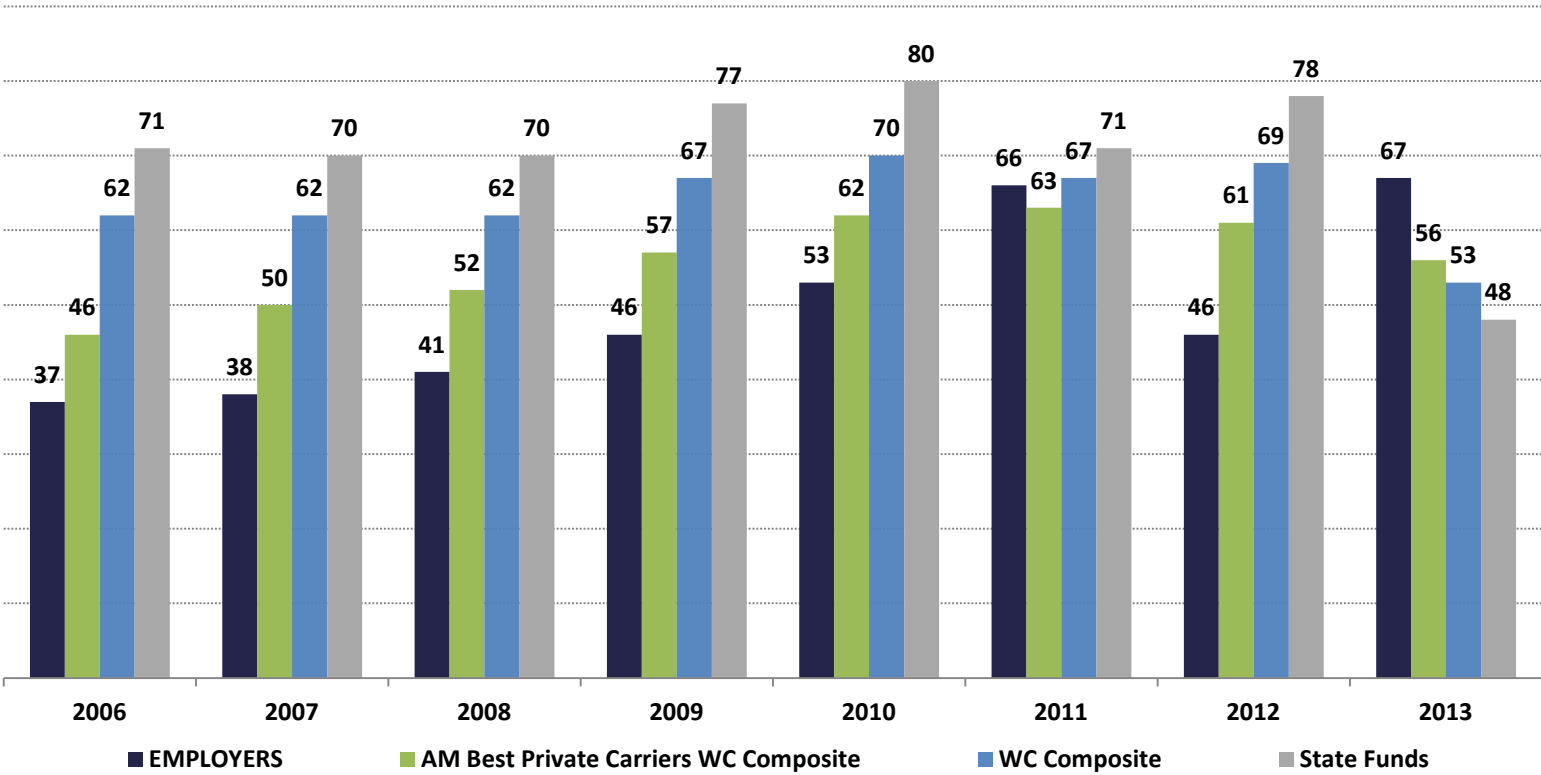
Claims 6/30/1995 and approximately 2,734 claims open as of 9/30/14 with 6.0% closing each year

Remaining liabilities at 9/30/14: \$555.8 million

Selected Results

	12 Months Ended December 31,	
Income Statement (\$ million)	2013	2012
Gross written premium	689.9	580.3
Net written premium	678.5	569.7
Net earned premium	642.3	501.5
Net investment income	70.8	72.4
Net income	63.8	106.9
Net income before LPT	25.9	7.0
Balance Sheet (\$ million except per share data)	2013	2012
Total investments	2,344.9	2,149.5
Cash and cash equivalents	34.5	140.7
Total assets	3,643.4	3,511.3
Reserves for losses and LAE	2,330.5	2,231.5
Shareholders' equity	568.7	539.4
Equity including LPT deferred gain	817.8	820.4
Book value (equity plus LPT deferred gain) per share	26.13	26.66

EMPLOYERS® Historically low loss ratios (%)

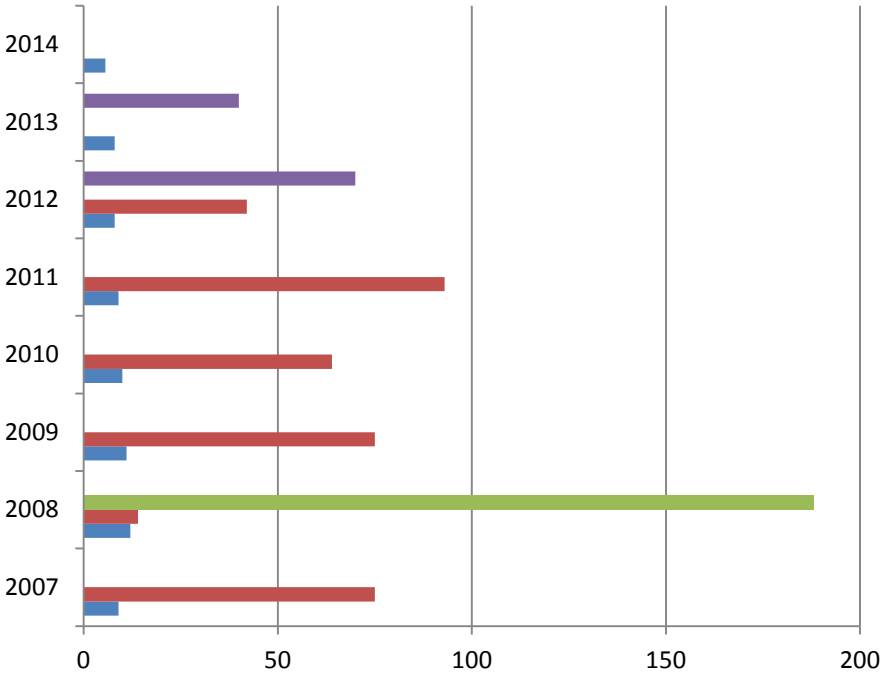


A.M. Best data, or derived from A.M. Best data



Capital Deployment

- \$170 million in cash and securities at the holding company (\$85 million restricted) at 9/30/2014
- Three uses of capital:
 1. Deploy into the business
 2. Opportunistic acquisitions/mergers
 3. Return to shareholders



- Deploy in business
 - \$40 million to operating subsidiaries in September, 2013
 - \$70 million to operating subsidiaries in September, 2012
 - in support of growth and financial ratings
- Strategic acquisitions
 - \$188 million purchase of AmCOMP Inc. in 2008 expanded footprint, increased scale
- Share repurchases
 - \$363 million returned to shareholders, 23.4 million common shares at an average price of \$15.51, 2007 through 2013
- Dividends
 - Over \$72 million in dividends, historically stable quarterly dividend of 6 cents per share, 2007 through Q1 2014

(\$ Million)