Employers Holdings, Inc.

Investor Presentation

September, 2012

EMPLOYERS®

America's small business insurance specialist®

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2011, 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 is included in this presentation or in our Form 10-K for the year 2011, 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.

Forward-looking Statements

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.

All forward looking statements made in this presentation 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, among other things, competition, pricing and policy term trends, the levels of new and renewal business achieved, market acceptance, changes in demand, the frequency and severity of catastrophic events, actual loss experience including observed levels of increased indemnity claims frequency and severity in California, uncertainties in the loss reserving and claims settlement process, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments, the amount and timing of reinsurance recoverables, credit developments among reinsurers, changes in the cost or availability of reinsurance, market developments (including adverse developments in financial markets as a result of, among other things, changes in local, regional or national economic conditions and volatility and deterioration of financial markets), credit and other risks associated with EHI's investment activities, significant changes in investment yield rates, rating agency action, possible terrorism or the outbreak and effects of war and economic, political, regulatory, insurance and reinsurance business conditions, relations with and performance of employees and agents, and other 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.

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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America's small business insurance specialist®

Overview

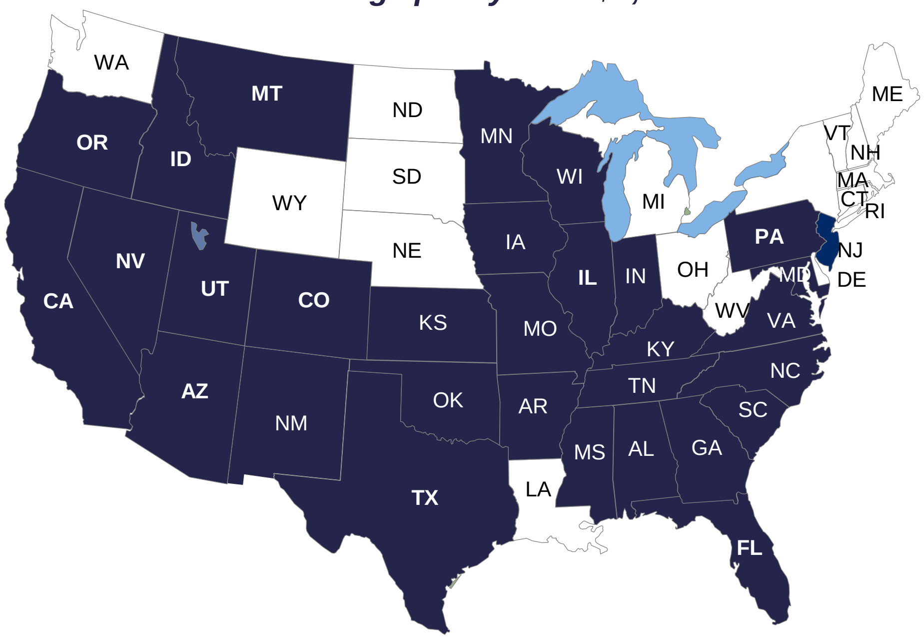
- Workers' compensation mono-line writer
- 15th largest private writer in 2011, 18th largest overall
- Focus on small, low to medium hazard risks

- Distribution through agents and strategic partners
  - 3,897 agents = 77% in-force premium
  - Strategic partners = 23% in-force premium (principally ADP and Anthem Blue Cross)

- Writing in 31 states and the District of Columbia
  - Expanded into New Jersey in 2011
  - Operate in 76% of total market (2011 A.M. Best)

At June 30, 2012

In-force premium: $476 million
71,971 Policies
Average policy size: $6,617



In force Premium	*Policy Count*
CA = 58%	CA = 42,577
IL = 6%	IL = 3,125
GA = 4%	GA = 2,628
FL = 4%	FL = 2,723
NV = 3%	NV = 3,845

Operating Conditions

Economic conditions

- High unemployment and underemployment, but improving
- Improved work hours
- Historically low investment yields

Workers' compensation market

- High combined ratios
- Firming market
- Price increases in largest markets – CA, FL, IL

P & C Segment

- Over capitalization
- Improving pricing

Solid financial position

- Significant capital
- Stable investment portfolio

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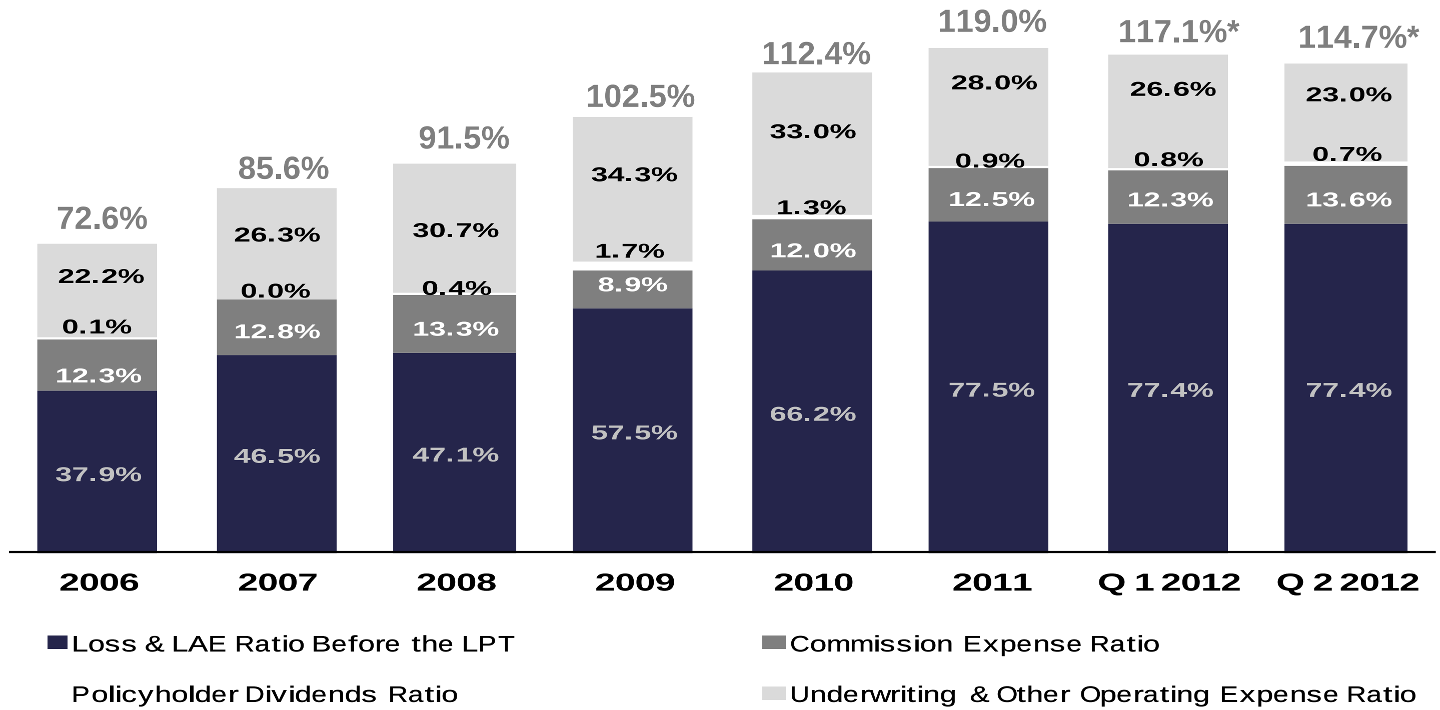
Strategy and Results

2009 - 2012	Actions / Current Focus	Results
Cost controls	- Combined four regional operating units into two, consolidated offices and decreased staffing by 225 or 35% - Continue to pursue efficiencies through process improvements	**6.8 point improvement in Q 2, 2012 adjusted underwriting expense ratio YOY**
Growth initiatives	- Targets of adding 900 new agents and 20,000 new policies by mid-2012 - Continue to grow top line and scale the business while maintaining underwriting discipline - Add new technology to increase efficiency and improve ease of doing business	**Rapid quote technology implemented nationwide** **2,297 agencies added since 9/30/10** **28,460 policies added since 12/31/10** **Net earned premium growth of 35% in Q 2 2012 YOY**
Pricing	- Increased CA filed rates over 40% since early 2009 - Incremental rate strengthening - Maintain defensive renewal pricing - Assert new business pricing strategy	**Positive net rate of 3.8% for Q 2 at 6/30/12 YOY** **Policy year2012 vs. 2011 net rate change of 6.1% YTD at 6/30/12**
Capital	- $593.4 million in dividends paid from operating companies to holding company since 2007 - No strategic acquisitions completed since 2008 - Accretive share repurchases of $231.6 million in 2009 through 2011	**$37.3 million share repurchases YTD, $55.6 million remaining authorization through mid-2013** **$25.85 book value per share; growth of 3% since 12/31/11** **No more than $70 million to be down-streamed to operating companies in Q 3, 2012**

Calendar Year Combined Ratio



- **Combined and underwriting expense ratios trending down with cost controls and increasing earned premiums; lowest annual expense ratio since 2008**
- **Loss ratios stable throughout 2011 and 2012: impacted by loss provision rates and increasing earned premiums**

***Adjusted to remove impact of the DAC accounting change (see the Appendix for reconciliations and Form 8-K, Exhibit 99.1, filed with the Securities & Exchange Commission on August 7, 2012)**

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Rate Improvement

- Many variables impact net rate (rate out the door) including rate changes, underwriting risk profiles, pricing, changes in business mix
- OVERALL change in net rate up 4% YOY
- CA net rate increase 14% YOY
- POLICY YEAR 2012 vs. 2011 YTD net rate increase is 6.1% (Policy year YTD net rate is measured on a written YTD basis, rather than in-force)

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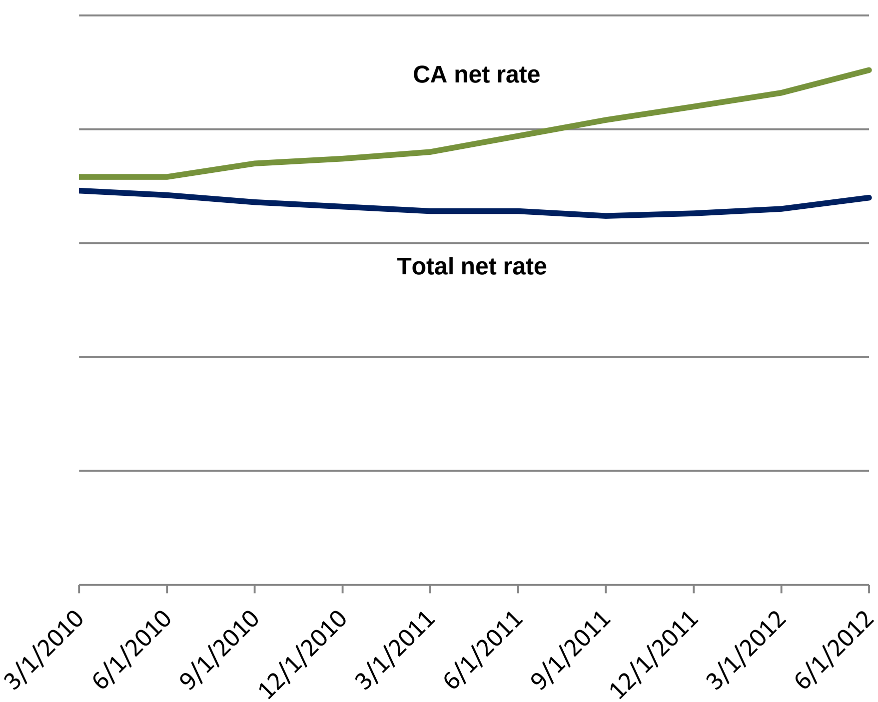
Net Rate (in-force premium per $100 of Payroll) at Quarter End



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Unique Distribution Network

Independent Agents and Brokers

- 3,897 agencies
- Strong relationships with agents

Strategic Partnerships

- Two key partners
  - ADP
  - Anthem Blue Cross

Restaurants and physicians are our top two classes of customers

Industry Focused

- California and Nevada Restaurant Associations' provider of choice
- California Medical Association sponsorship
- National Federation of Independent Business

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Ongoing Distribution Network

Partnerships

Provide … a distribution advantage by expanding market reach and providing local knowledge

Result … in high persistency

Contribute … about 23% of in-force premiums at 6/30/2012

ADP	*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*
Anthem	*Largest group health carrier in CA – exclusive relationship – use medical provider network - Partner since 2002 – business originated by health agents with a single bill to customers*
Granite / E-chx, Inc.	*Specialty provider of payroll services / insurance broker* *Partner since Q4 2006, expanded alliance in 2008*
INTEGO	*Provider of insurance software services – partner since Q4 2007*
Wells Fargo	*Small business payroll services – partner since Q2 2008*
Telepayroll.com, Inc.	*Online payroll services and payment processing* *One of the largest independent payroll processors in Southern CA* *Partner since Q1 2009*
HISCOX	*First company in the U.S. to offer insurance coverage on-line or direct for professional service businesses with 10 employees or less* *Partner – Q4 2010*
	New Partnerships

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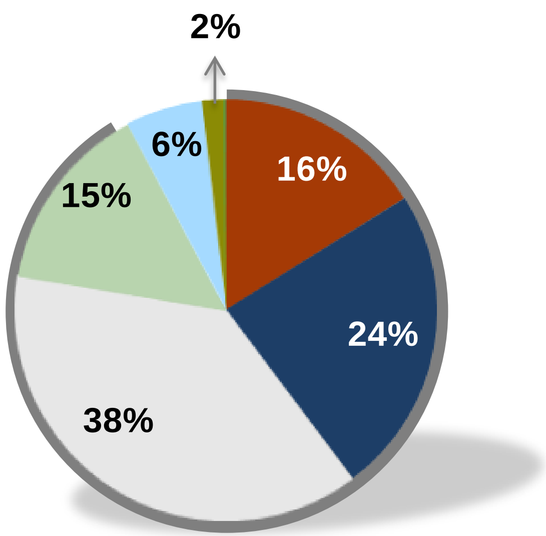
Focus on Low Risk

Underwriting focus on select low hazard groups A - D



Hazard Group % at June 30, 2011
93% in Hazard Groups A – D

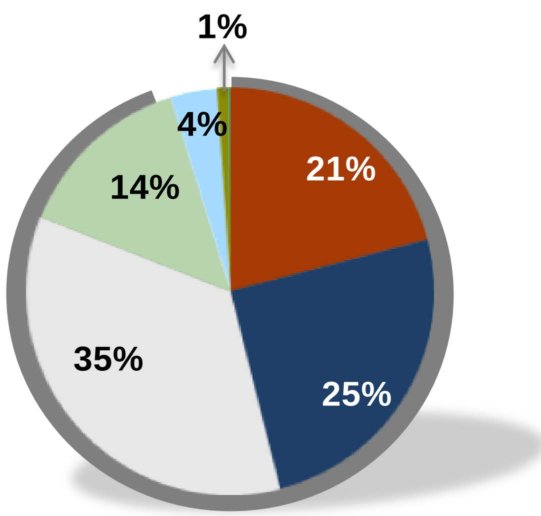
NCCI Hazard Groups

Lower Risk

- Hazard Group A
- Hazard Group B
- Hazard Group C
- Hazard Group D
- Hazard Group E
- Hazard Group F
- Hazard Group G

Higher Risk

Data shown as a % of in force premiums



Hazard Group % at June 30, 2012
95% in Hazard Groups A – D

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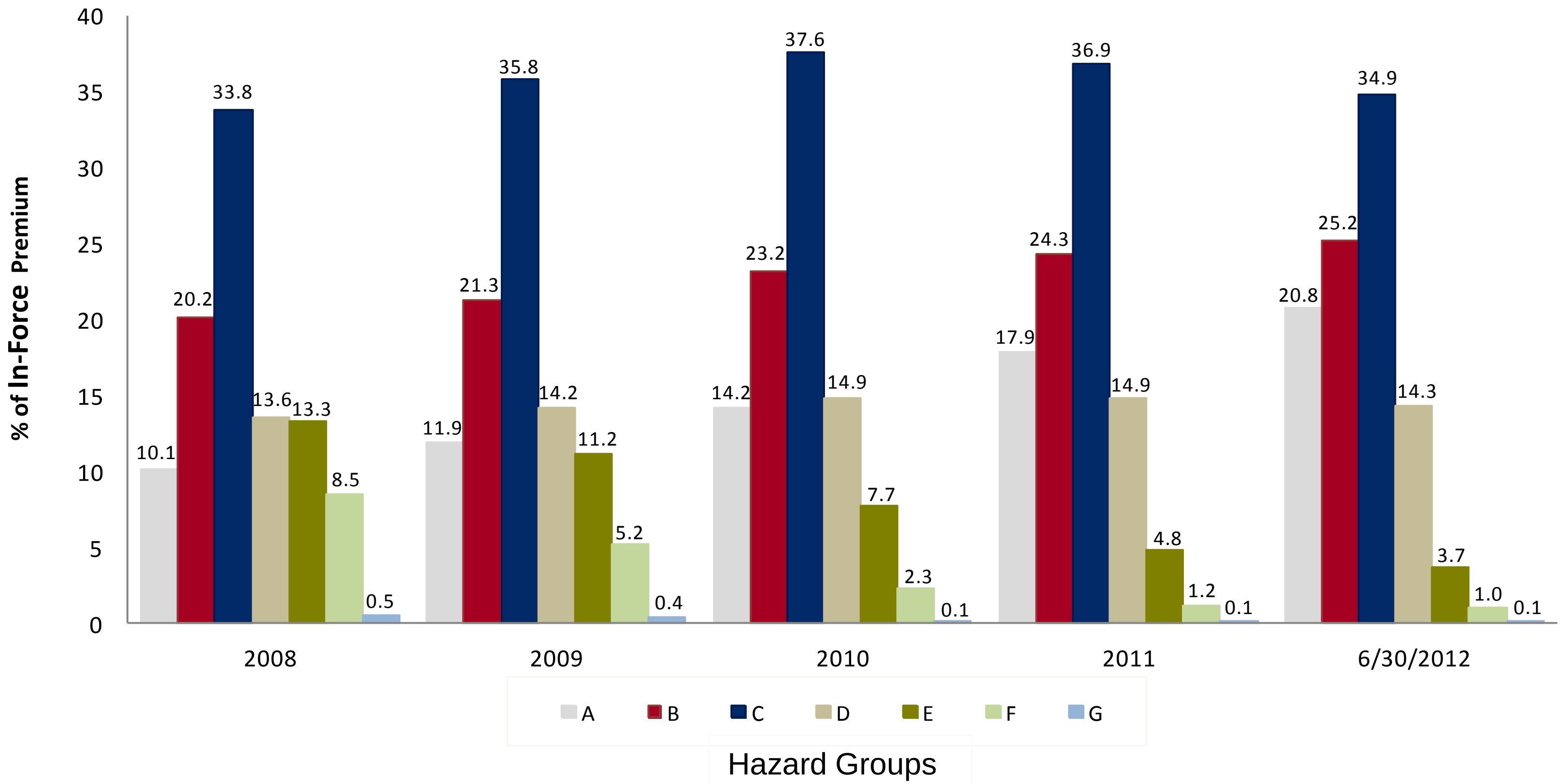
Disciplined Risk Selection

% of In-Force Premium, Hazard Groups A-D, 2008 – June 30, 2012



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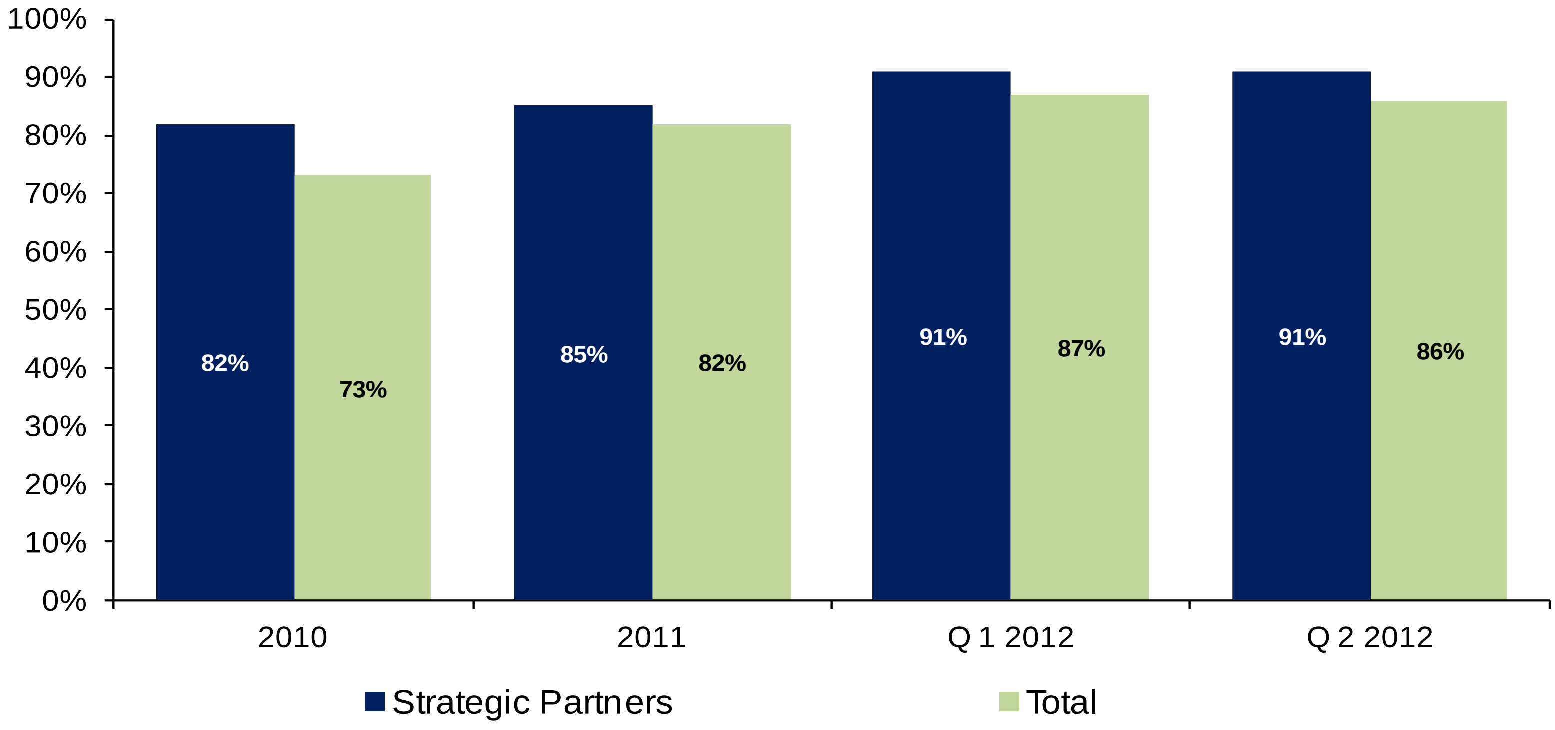
Strong Retention Rates

Strategic partnerships result in consistently higher retention rates



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History of Reserve Strength

Reserve Review

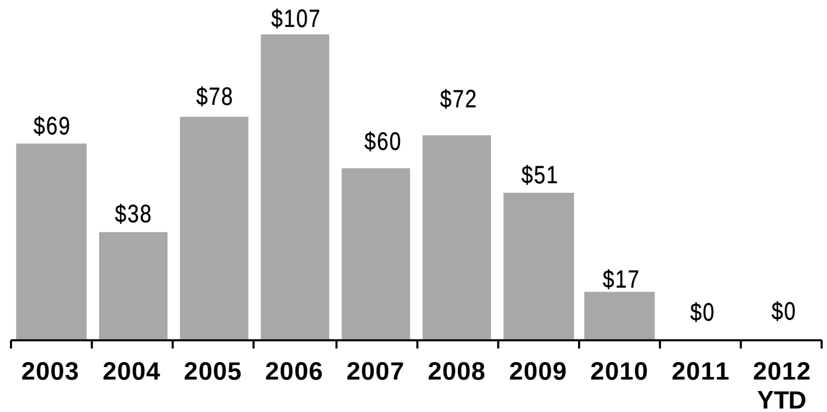
Quarterly evaluation of prior year reserves and current year loss picks

Consider point estimate of independent consulting actuary bi-annually

Results from senior management to Board Audit Committee

Reserve Development

Net Calendar Year Reserve Releases for Prior Accident Years **($ million)**



No overall favorable or unfavorable prior period development for voluntary business since the second quarter of 2010

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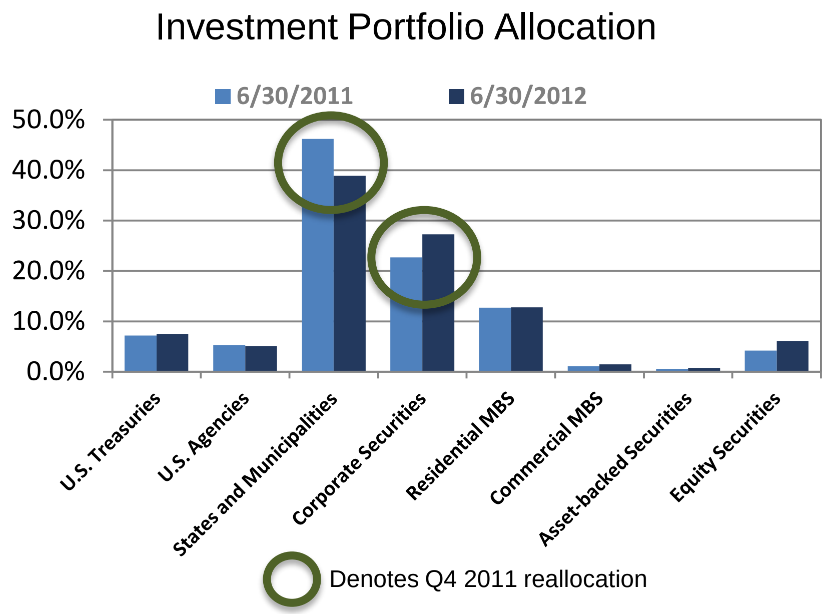
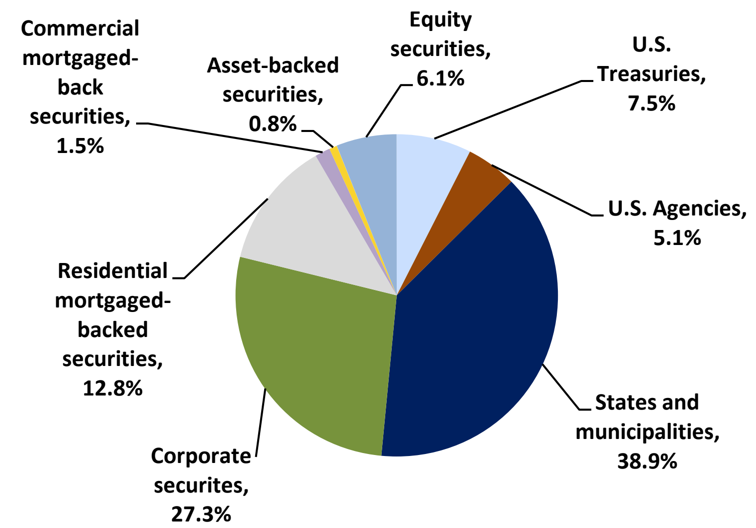
High Quality Investment Portfolio





6/30/2011: $2 billion fair market value

- Increased equity securities with focus on higher dividend rates
- 96% fixed maturities with an average weighted rating AA
- 4.2% average book yield
- 5.2% tax equivalent book yield
- Effective duration: 4.9

6/30/2012: $2 billion fair market value

- 94% fixed maturities, average weighted rating of AA
- 3.7% average book yield
- 4.8% tax equivalent book yield
- Effective duration of 4.1
- In Q 1, completed portfolio repositioning begun in Q 4 to modestly reduce tax exempt municipals, shorten duration and increase high dividend equity securities

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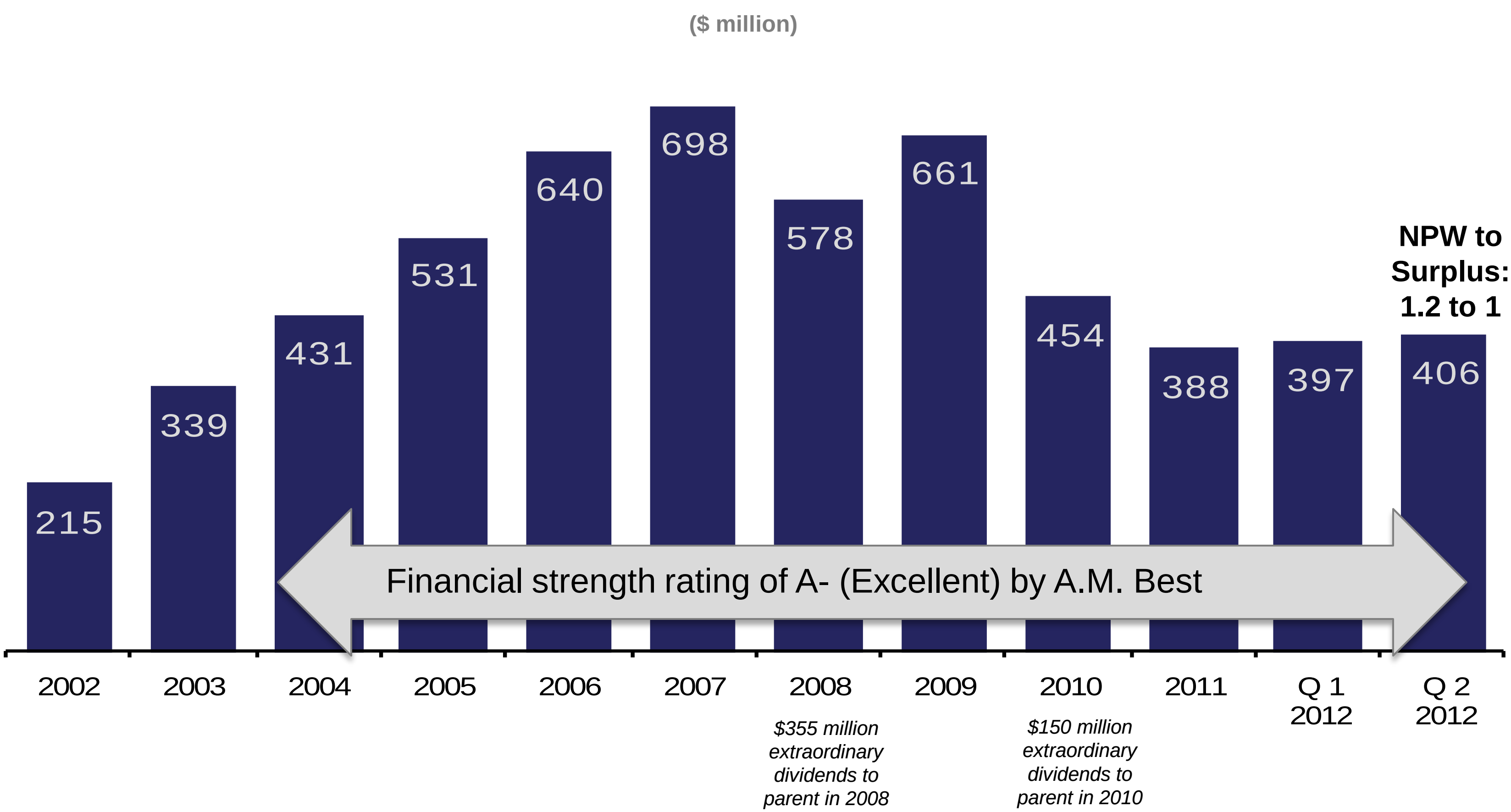
Strong Capital Position

Statutory surplus provides a solid basis for underwriting



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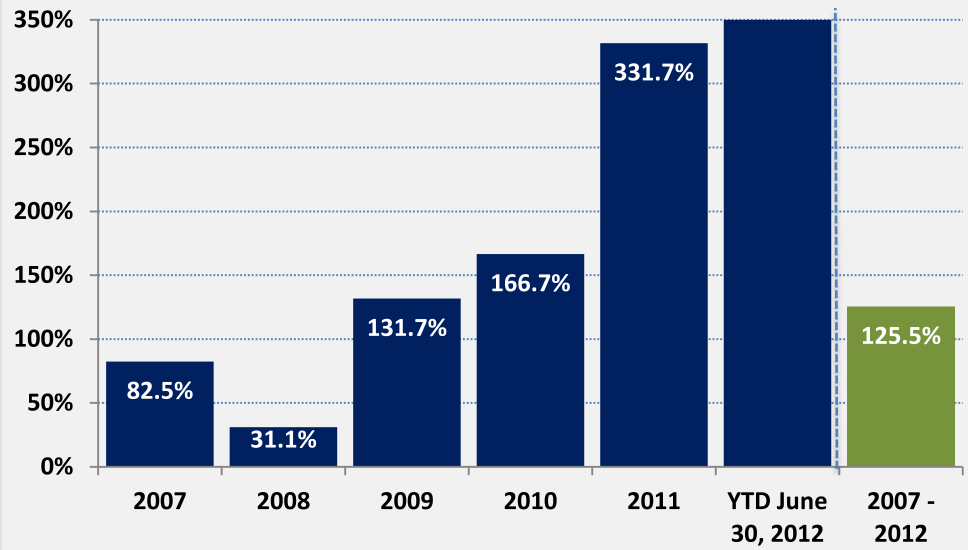
Uses of Capital

- $304 million in cash and securities at holding company at 6/30/2012
- Debt to total capital = 13%
- Three uses of capital
  1. Deploy into the business
  2. Opportunistic acquisitions/mergers
  3. Return to shareholders
- In 2012, no upstream dividends and $70 million return of capital to operating companies is planned

Common share repurchases and dividends as a percent of net income before the LPT



- $200 million share repurchase program through mid-2013, $55 million remaining at 6/30/2012 –subject to market conditions and other factors
- Since IPO, 23 million shares repurchased; over $412 million returned to shareholders in dividends and repurchases
- Repurchases in YTD, 2012 = $37.3 million; 2.2 million shares
- Annual dividends: 24 cents per share – subject to Board approval

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Superior Claims Management

In-house medical management staff

- Coordinate care and manage medical costs

Comprehensive fraud program

- $4.5 million savings in 2011

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Dedicated subrogation unit

- Recoveries over $2.3 million in 2011

Pharmacy benefit management program

- $3.6 million savings in 2011

Claims professionals average over a decade of experience

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High Quality Reinsurance

Reinsurance Management

Maintain a high quality reinsurance program

Focus on select small business provides a natural dispersion of exposure across markets

Long-term relationships with lead reinsurers

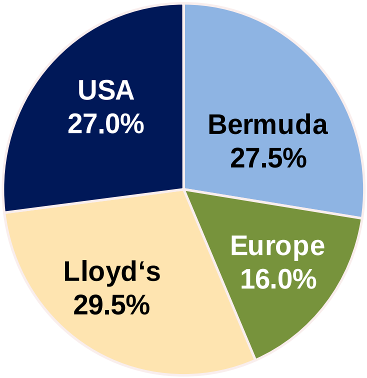
Rated A or better

Program Structure, Effective 7/1/12

Limits of $200M

Retention of $5M plus $2M annual deductible

Reinsurers by Market



Key Strengths

- Strong underwriting franchise with established presence in attractive markets; 99 year operating history
- 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

Douglas D. Dirks
President & Chief Executive Officer
Employers Holdings, Inc.

William E. (Ric) Yocke
Executive Vice President and Chief Financial Officer
Employers Holdings, Inc.

Analyst Contact:

Vicki Erickson Mills
Vice President, Investor Relations
Employers Holdings, Inc.
(775) 327-2794
verickson@employers.com

EMPLOYERS®
10375 Professional Circle
Reno, NV 89521
(775) 327-2700

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Appendix

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Corporate Structure

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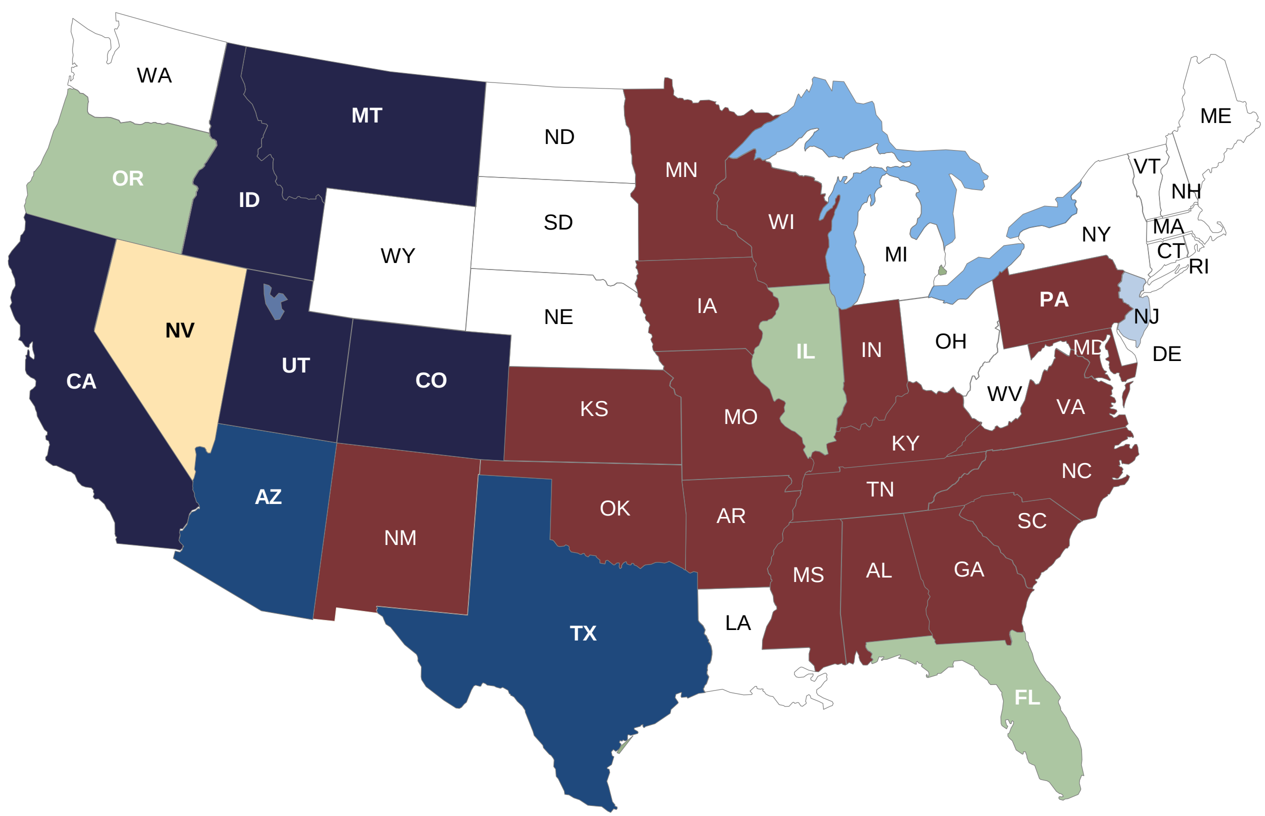
Selectively Expanding Footprint



	2000	2002	2006	2007	2008	2009–2011
HISTORY	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 – 2011 Focus on growth in existing states; entry into New Jersey

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Loss Portfolio Transfer (LPT)

Retroactive 100% quota share reinsurance coverage for all losses 6/30/95 and prior

Gain on transaction booked as statutory surplus; deferred and amortized under GAAP

Non-recurring transaction with no ongoing cash benefits or charges to current operations

Adjustments in LPT reserves do not impact adjusted surplus or equity

3 Reinsurers: ACE, Berkshire (NICO), XL Collateralized under agreement: largely cash/short-term securities, U. S. Treasuries, and Wells Fargo stock

Contract	
	($ million)
Total Coverage	$2,000
Original Reserves (Liabilities) Transferred	$1,525
Consideration	$ 775
Gain at 1/1/2000	750
Subsequent Reserve Adjustments	(147.5)
Gain at 6/30/12	$602.5

Accounting at 6/30/12	
	($ million)
Statutory Surplus Created	$602.5
Cumulative Amortization To Date	(257.3)
GAAP: Deferred Reinsurance Gain – LPT Agreement	**$345.2**

Claims 6/30/1995 and prior – Approximately 3,130 claims open as of 6/30/12 with 4.5% closing each year

Remaining liabilities at 6/30/12: $789 million

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Deferred Acquisition Cost Accounting Change, Q 2, 2012

- **Estimated impact: 2012 increase of $7 million to underwriting and other operating costs and decrease to total assets**

We continue to expect the DAC accounting change to be recorded as follows:

Q 1 = 47% (ACTUAL: $3 million)
Q 2 = 31% (ACTUAL: $2.2 million)
Q 3 = 16%
Q 4 = 6%

Reconciliation of GAAP to Non-GAAP combined ratio

($ thousands except for percentages)	Three Months Ended June 30, 2012 GAAP Results	Adjustments[1]	Non-GAAP Results	2011 GAAP Results
Underwriting & other operating expenses	$ 29,513	$ 2,166	$ 27,347	$ 26,200
Underwriting & other operating expenses ratio	24.8%	1.8%	23.0%	29.8%
Total expenses	$ 134,756	$ 2,166	$ 132,590	$ 102,383
Combined ratio	113.3%	1.8%	111.5%	116.2%
Total expenses before LPT[3]	$ 138,584	$ 2,166	$ 136,418	$ 106,645
Combined ratio before LPT[3]	116.5%	1.8%	114.7%	121.0%
Net premiums earned used in the ratio calculations	$ 118,955	$ 118,955	$ 118,955	$ 88,128

Reconciliation of GAAP to Non-GAAP net income, earnings per share

($ thousands except per share data)	Three Months Ended June 30, 2012 GAAP Results	Adjustments [1][2]	Non-GAAP Results	2011 GAAP Results
Net income before taxes	$ 2,697	$ 2,166	$ 4,863	$ 6,248
Income tax benefit	(2,309)	(159)	(2,468)	(2,003)
Net income	$ 5,006	$ 2,325	$ 7,331	$ 8,251
Less: Amortization of the LPT[3]	3,828		3,828	4,262
Net income before LPT[3]	$ 1,178		$ 3,503	$ 3,989
Earnings per common diluted share	0.16	0.07	0.23	0.21
Earnings before the LPT per common diluted share[3]	0.04	0.07	0.11	0.10
Diluted shares used in per share calculations	31,685,636	31,685,636	31,685,636	38,596,313

1. Adjustment to exclude the deferred acquisition accounting change which added $2.2 million to underwriting and other operating expense in the three months ended June 30, 2012. The $2.2 million was comprised of expenses related to acquiring new or renewal insurance contracts.
2. Adjustment to include the tax benefit related to the exclusion of the DAC accounting change in the three months ended June 30, 2012.
3. The LPT adjustment is also a non-GAAP measure which is explained/reconciled in our August 7, 2012 earnings press release. This calculation is normally included in the Company's reports on financial and operating results.

<u>*Deferred Policy Acquisition Costs</u> (DAC)
• Financial Accounting Standards Board (FASB) revised the definition of acquisition costs – costs associated with acquiring and renewing insurance policies – which we are capitalizing and deferring beginning January 1, 2012 (Accounting Standards Update Number 2010-26)
• EHI adopted the guidance on a prospective basis

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Deferred Acquisition Cost Accounting Change, YTD 2012

- **Estimated impact: 2012 increase of $7 million to underwriting and other operating costs and decrease to total assets**

We continue to expect the DAC accounting change to be recorded as follows:

Q 1 = 47% (ACTUAL: $3 million)
Q 2 = 31% (ACTUAL: $2.2 million)
Q 3 = 16%
Q 4 = 6%

Reconciliation of GAAP to Non-GAAP combined ratio

($ thousands except for percentages)	Six Months Ended June 30, 2012 GAAP Results	2012 Adjustments[1]	2012 Non-GAAP Results	2011 GAAP Results
Underwriting & other operating expenses	$ 61,655	$ 5,168	$ 56,487	$ 51,878
Underwriting & other operating expenses ratio	27.0%	2.3%	24.7%	30.4%
Total expenses	$ 262,197	$ 5,168	$ 257,029	$ 198,775
Combined ratio	114.6%	2.3%	112.3%	116.5%
Total expenses before LPT[3]	$ 270,181	$ 5,168	$ 265,013	$ 207,557
Combined ratio before LPT[3]	118.1%	2.3%	115.8%	121.6%
Net premiums earned used in the ratio calculations	$ 228,855	$ 228,855	$ 228,855	$ 170,555

Reconciliation of GAAP to Non-GAAP net income, earnings per share

($ thousands except per share data)	Six Months Ended June 30, 2012 GAAP Results	2012 Adjustments [1][2]	2012 Non-GAAP Results	2011 GAAP Results
Net income before taxes	$ 4,498	$ 5,168	$ 9,666	$ 12,213
Income tax benefit	(6,730)	(667)	(7,397)	(4,383)
Net income	$ 11,228	$ 5,835	$ 17,063	$ 16,596
Less: Amortization of the LPT[3]	7,984		7,984	8,782
Net income before LPT[3]	$ 3,244		$ 9,079	$ 7,814
Earnings per common diluted share	0.35	0.18	0.53	0.43
Earnings before the LPT per common diluted share[3]	0.10	0.18	0.28	0.20
Diluted shares used in per share calculations	32,242,591	32,242,591	32,242,591	38,722,024

1. Adjustment to exclude the deferred acquisition accounting change which added $5.2 million to underwriting and other operating expense in the six months ended June 30, 2012. The $5.2 million was comprised of expenses related to acquiring new or renewal insurance contracts.
2. Adjustment to include the tax benefit related to the exclusion of the DAC accounting change in the six months ended June 30, 2012.
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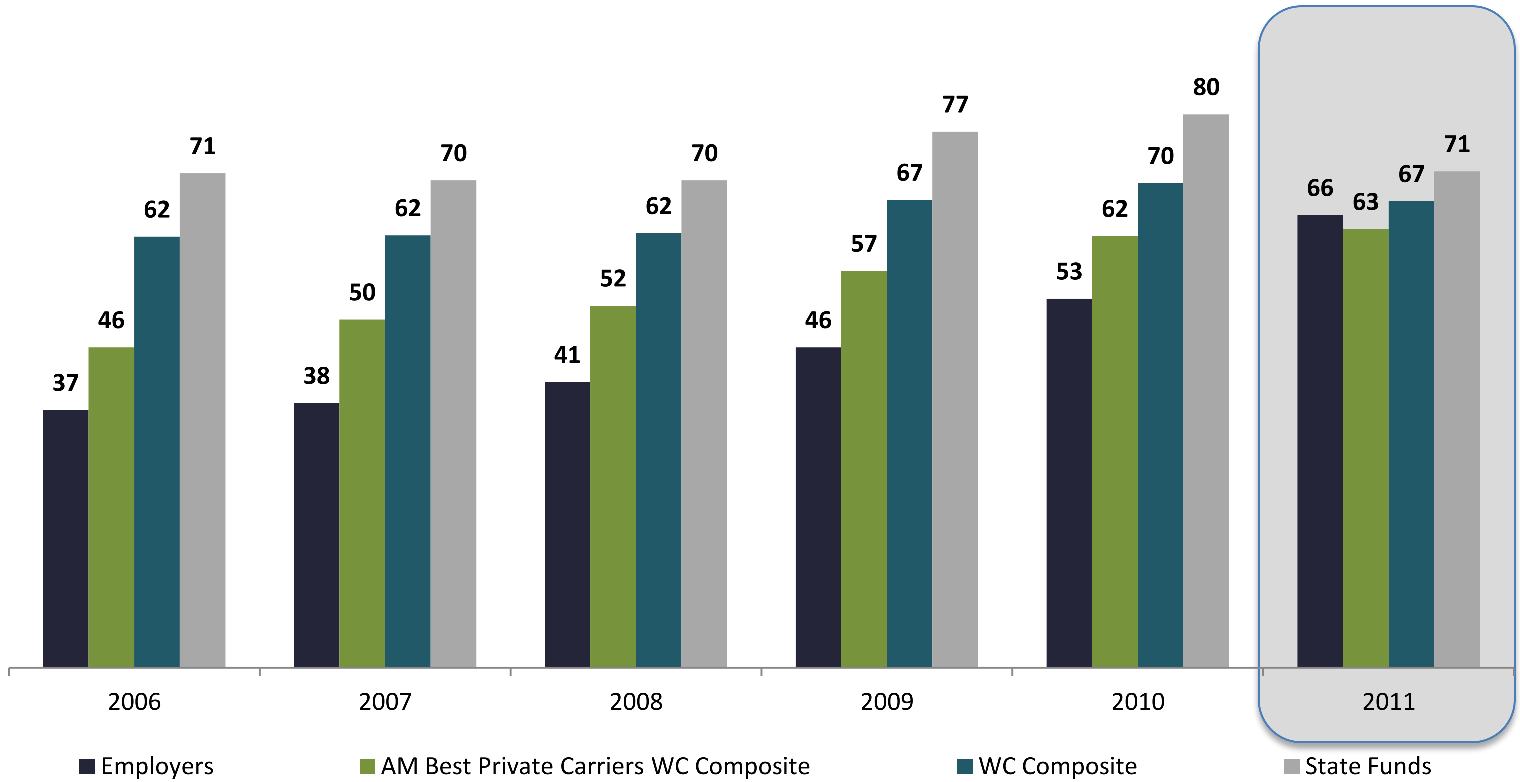
Statutory Loss Ratios

EMPLOYERS: Historically low loss ratios (%)



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

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Selected Operating Results

	12 Months Ended December 31,				3 Months Ended March 31,	3 Months Ended June 30,
Income Statement ($ million)	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**
Gross written premium	$ 318.4	$ 379.9	$ 322.3	$ 418.5	$ 142.8	$ 153.1
Net written premium	308.3	368.3	313.1	410.0	140.4	150.4
Net earned premium	328.9	404.2	321.8	363.4	109.9	118.9
Net investment income	78.1	90.5	83.0	80.1	18.4	18.3
Net income	101.8	83.0	62.8	48.3	6.2	5.0
Net income before LPT	83.4	65.0	44.6	31.2	2.1	1.2
Balance Sheet ($ million)	**2008**	**2009**	**2010**	**2011**	**03/31/12**	**06/30/12**
Total investments	$ 2,042.9	$ 2,029.6	$ 2,080.5	$ 1,950.7	$ 2,006.5	$ 2,014.9
Cash and cash equivalents *	202.9	191.6	136.8	258.6	212.2	215.9
Total assets	3,825.1	3,676.7	3,480.1	3,481.7	3,506.1	3,540.3
Reserves for losses and LAE	2,506.5	2,425.7	2,279.7	2,272.4	2,271.4	2,542.7
Shareholders' equity	444.7	498.4	490.1	474.2	465.7	454.7
Equity Including LPT deferred gain	851.3	887.0	860.5	827.4	814.8	799.9
Book value (equity including LPT deferred gain) per share	17.43	20.67	22.08	25.07	25.51	25.85

* Includes cash and cash equivalents

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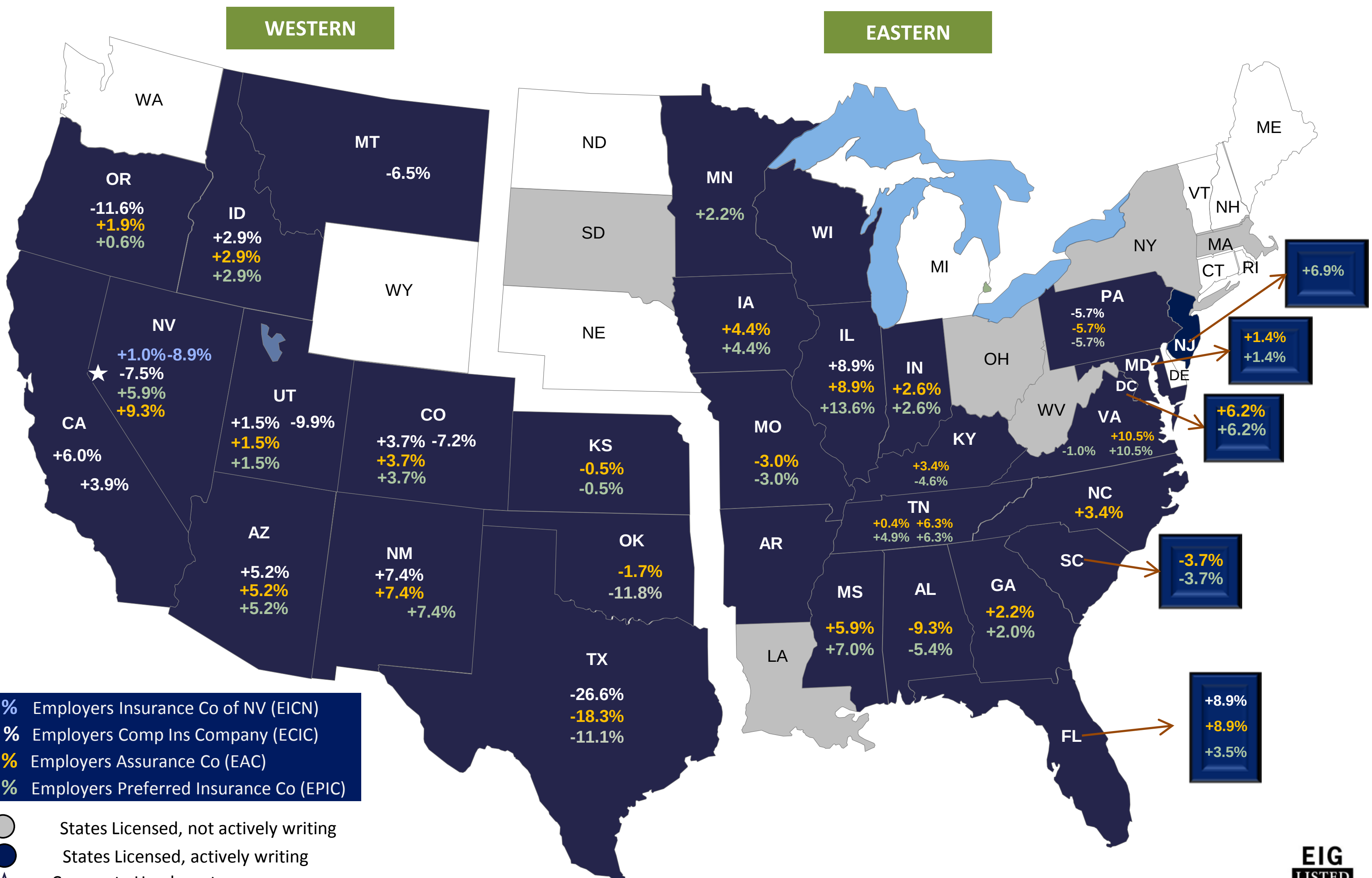
Filed Rate Changes: 09/01/11 thru 08/31/12



% Employers Insurance Co of NV (EICN)
% Employers Comp Ins Company (ECIC)
% Employers Assurance Co (EAC)
% Employers Preferred Insurance Co (EPIC)

States Licensed, not actively writing
States Licensed, actively writing
☆ Corporate Headquarters

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