



**EMPLOYERS<sup>®</sup>**

*America's small business insurance specialist.<sup>®</sup>*

NYSE: EIG  
INVESTOR PRESENTATION  
OCTOBER 2020

# Forward-Looking Statements

In this presentation, the Company and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations, and projections of, among other things, the Company's future performance, business growth, retention rates, loss costs, claim trends and the impact of key business initiatives, future technologies and planned investments. 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. The Company and its management caution investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in the Company'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 the Company'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.

## Filings with the U.S. Securities and Exchange Commission (the "SEC")

The Company's filings with the SEC and its quarterly investor presentations can be accessed through the "Investors" link on the Company's website, [www.employers.com](http://www.employers.com). The Company's filings with the SEC can also be accessed through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (EDGAR CIK No. 0001379041).

## Reconciliation of Non-GAAP Financial Measures to GAAP

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 our most directly comparable GAAP financial measures is included in the attached Financial Supplement. 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.

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 "Investors" section of our website at [www.employers.com](http://www.employers.com).

At a Glance	
Ticker	NYSE: EIG
Headquarters	Reno, Nevada
Stock Price*	\$32.54
Common Shares Outstanding at 9/30/2020	29.1 Million
Float at 9/30/2020	28.5 Million
Average Daily Volume	173,000 shares
Market Cap*	\$946 Million
Book Value per Share at 9/30/2020	\$44.62**
Analyst Coverage	Boenning & Scattergood Dowling & Partners JMP Securities Truist Securities

\* As of October 23, 2020

\*\* Including the Deferred Gain

# COVID-19 Discussion

(excerpt from the Company's Third Quarter 2020 Form 10-Q)

On March 11, 2020, the World Health Organization formally declared the COVID-19 outbreak to be a pandemic. The global spread of COVID-19 has caused illness, death, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity, widespread unemployment, supply chain interruptions, and overall economic and financial market instability.

All states, including California, where we generated 46% of our in-force premiums as of September 30, 2020, declared states of emergency and imposed various restrictions on business operations and social gatherings. Certain classes of business that we insure, especially those related to the restaurant and hospitality industries, have been particularly affected by these restrictions.

During the majority of the first quarter of 2020, we experienced strong new business opportunities, as evidenced by record levels of submissions, quotes, and binds. As a result of the abrupt and severe economic impacts attributable to the COVID-19 pandemic, the number of submissions, quotes, and binds decreased significantly in the latter half of March 2020 and that trend continued through May 2020. Since then, as many businesses began to reopen, we have experienced significant year-over-year increases in new business submissions and new policies bound in nearly all of the states in which we operate, with the notable exception of California. Our California new business submissions, binds and estimated annual premium volumes have declined year-over-year throughout 2020 and, although our new business opportunities in California have recently improved, they are not currently as strong as those we have observed in other states. Despite the increases in new business that we have experienced year-to-date, our new business premium has fallen, driven primarily by a significant decline in policies with premium greater than \$25,000.

We currently expect that our in-force premium will continue to be down, as compared to that of the prior year, until such time as our insureds and businesses can resume their operations at a more normalized rate, and increase staffing and payrolls accordingly. Although our new business growth, as defined by number of policies, has been strong, it has been insufficient to offset the decline in premium that we have experienced year-to-date. The amount of the decrease in premium that we will ultimately experience remains uncertain. This is largely due to: (i) concerns that many small business owners face permanent closure or heavy reliance on newly-established federal government programs, such as the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), in order to retain their businesses and the ultimate success of these programs remains unknown; (ii) uncertainty as to when our insureds and targeted businesses will be permitted to fully reopen and resume their normal operations; and (iii) fluctuations in payroll exposure.

Overall, our renewal business has remained strong throughout the year-to-date period.



# COVID-19 Discussion - continued

(excerpt from the Company's Third Quarter 2020 Form 10-Q)

We continually review and adjust to changes in our policyholders' payrolls, economic conditions, and seasonality, as experience develops or new information becomes known. Any such adjustments are included in our current operations. Approximately 25% of our current payroll exposure, including that associated with policies generated by our largest payroll partners, is considered to be "pay as you go," where the associated premium charged to the underlying policyholder is adjusted in real-time based on changes in the underlying payroll. For all other policyholders, payroll adjustments are made periodically through midterm endorsements and/or premium audits. We reduced our final audit premium accruals by approximately \$15.7 million and \$35.0 million for the three and nine months ended September 30, 2020 to reflect our estimate of the exposure adjustments on our in-force policies that we expect have resulted and will result from the impact of economic contraction.

We have been fully functional since we closed our buildings to employees and the general public on March 20, 2020, and it is expected that our business can remain fully functional while our employees work-from-home for an indefinite period of time. As a result of the effectiveness of our work-from-home transition, we have begun to reduce our real estate footprint by terminating or non-renewing certain operating leases.

We are taking precautions to protect the safety and well-being of our employees while providing uninterrupted service to our policyholders and claimants. However, no assurance can be given that these actions will be sufficient, nor can we predict the level of disruption that will occur should the COVID-19 pandemic and its related macro-economic risks continue for an extended period of time.

# Overview

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

**\$452 Million** Written Premium YTD 2020  
**\$697 Million** Written Premium 2019

**\$1.66** Adjusted EPS YTD 2020  
**\$3.20** Adjusted EPS 2019

**103,350** in-force policies at 9/30/2020  
**\$5,737** average policy size

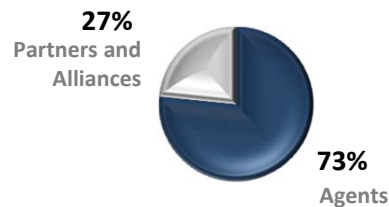
## GROWTH and MARKETS

### Low Hazard Focus

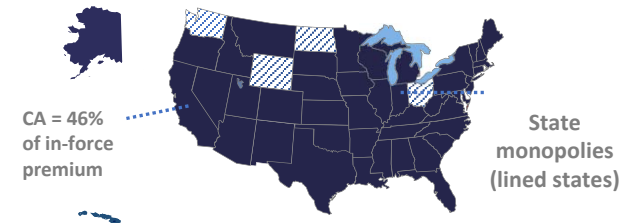
**98%**  
of in-force premium in NCCI low to medium (hazard groups A-D)

**2%**  
of in-force premium in NCCI higher (hazard group E)

### Premium Contribution



### Nationwide



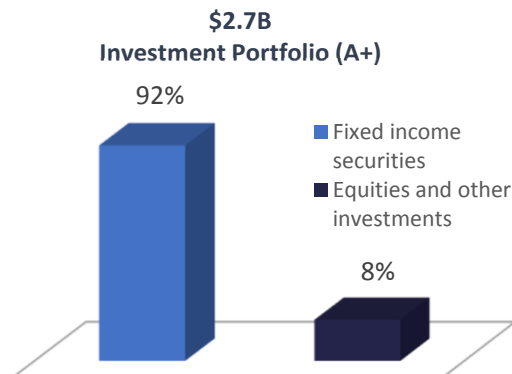
## CAPITAL STRENGTH

### Growing Statutory Surplus



A- (Excellent) rating from A.M. Best

### Investment Portfolio Complements Structure



### Shareholder Friendly While Focused on Long-term Stability

**\$734M**  
returned to shareholders since IPO in share repurchases and dividends

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

# Highlights

## **OVER 100 YEAR OPERATING HISTORY**

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

**Realized growth with excellent 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**

## **UNIQUE GROWTH DRIVERS SPECIFIC TO EMPLOYERS<sup>®</sup>**

Transforming the way small businesses and insurance agents utilize digital capabilities to improve their customer experience:

(i) improving the agent experience and enhancing agent efficiency;

(ii) providing direct-to-customer workers' compensation insurance policies through Cerity, a subsidiary separate from EMPLOYERS' other insurance businesses.

# The Workers' Compensation Market...

## Background

Workers' compensation is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment. Approximately 1,500 companies write workers' compensation in the U.S.

## Size

Approximately \$54 Billion in Direct Written Premium in 2019\*

## Trends

Industry wide Direct Written Premiums CAGR of approximately 1.5% over past 5 years  
Loss Ratio declines each of last 5 years

# ...and Employers' Place in it!

2019 Rank		2019 Direct Premiums Written (\$000) (TOTAL LINES)	2019 Direct Premiums Written (\$000) (WORKERS' COMP.)	% in Workers' Compensation	
1	Travelers	\$28,016,966	\$4,211,529	15%	
2	The Hartford	\$12,676,025	\$3,365,298	27%	
3	Zurich	\$12,850,673	\$2,640,320	21%	
4	Liberty Mutual	\$35,600,051	\$2,447,306	7%	
5	Chubb	\$23,388,385	\$2,430,118	10%	
6	Berkshire Hathaway Inc.	\$46,106,971	\$2,311,261	5%	
7	AmTrust Financial	\$5,128,435	\$2,172,219	42%	
8	State Ins Fund Workers' Comp (NY)	\$1,996,372	\$1,996,372	100%	New York State Fund
9	AF Group / Blue Cross Blue Shield of Michigan	\$1,921,268	\$1,744,640	91%	
10	AIG	\$14,031,480	\$1,453,477	10%	
11	Old Republic Insurance	\$4,531,699	\$1,408,124	31%	
12	Great American Insurance	\$6,383,232	\$1,312,919	21%	
13	W. R. Berkley Corp.	\$6,321,804	\$1,260,683	20%	
14	State Compensation Ins Fund (CA)	\$1,206,038	\$1,206,038	100%	California State Fund
15	Texas Mutual Insurance Co.	\$1,069,298	\$1,069,298	100%	Texas State Fund
16	ICW	\$1,109,064	\$1,040,567	94%	
17	Fairfax Financial	\$6,936,451	\$852,111	12%	
18	CNA	\$11,075,776	\$827,537	7%	
19	STARR Cos.	\$3,321,831	\$699,511	21%	
<b>20</b>	<b>Employers</b>	<b>\$687,426</b>	<b>\$687,426</b>	<b>100%</b>	
21	Arch Capital	\$4,218,409	\$636,147	15%	
22	Pinnacol Assurance	\$588,500	\$588,500	100%	Colorado State Fund
23	CopperPoint Insurance Companies	\$643,087	\$560,987	87%	
24	Markel	\$5,851,672	\$551,011	9%	
25	Everest Re	\$2,445,373	\$550,408	23%	
26	Erie Insurance	\$7,482,059	\$502,146	7%	


100% focused on Workers' Compensation  
Low-Medium Hazard Risk



# Market Conditions



**Markets are competitive with generally declining loss costs reflected in rates. Net investment income is challenged by low interest rates.**



**For EMPLOYERS<sup>®</sup>, in-force policy counts are up and retention remains very high.**

# Book Mix By Hazard Group:

Workers' Compensation classifications that have relatively similar expected excess loss factors over a broad range of limits

98% in Hazard Groups A-D

Focus on Select Low to Medium Hazard Groups

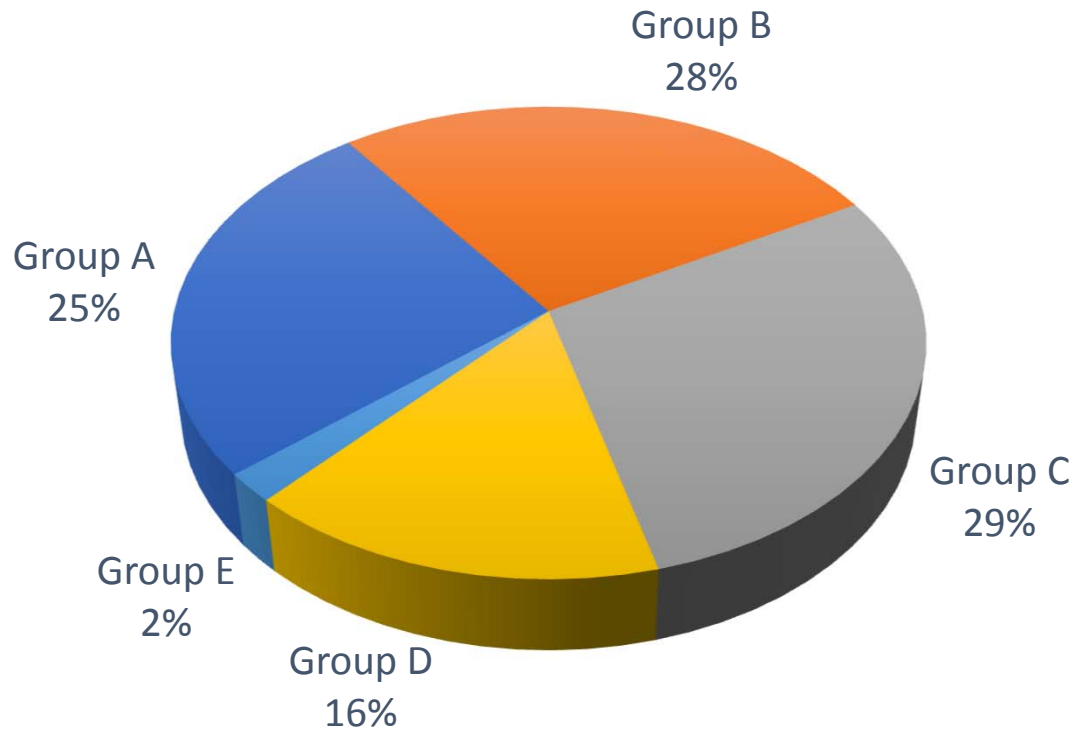
Data shown as a % of in-force premium

September 30, 2020

Lower Risk



Higher Risk



# Employers' Target Market: Small Business / Lower Risk



## EMPLOYERS<sup>®</sup>

### Top 10 types of insureds:

- Restaurants
- Hotels, Motels
- Clubs
- Automobile Service or Repair Shops
- Dentists, Optometrists, and Physicians
- Stores
- Real Estate Management
- Wholesale Stores
- Professional Services
- Groceries and Provisions

# In-Force Growth (YoY)

## OVERALL

Sept. 30, 2020 YTD

- Premiums: **DOWN 11%**
- Policies: **UP 7%**
- Average policy size: **DOWN 16%**
- Payroll exposure: **UP 4%**

## CALIFORNIA

46%  
of total  
in-force premiums

**Premium  
DOWN  
19%**

39%  
of total  
in-force policies

**Policies  
DOWN  
7%**



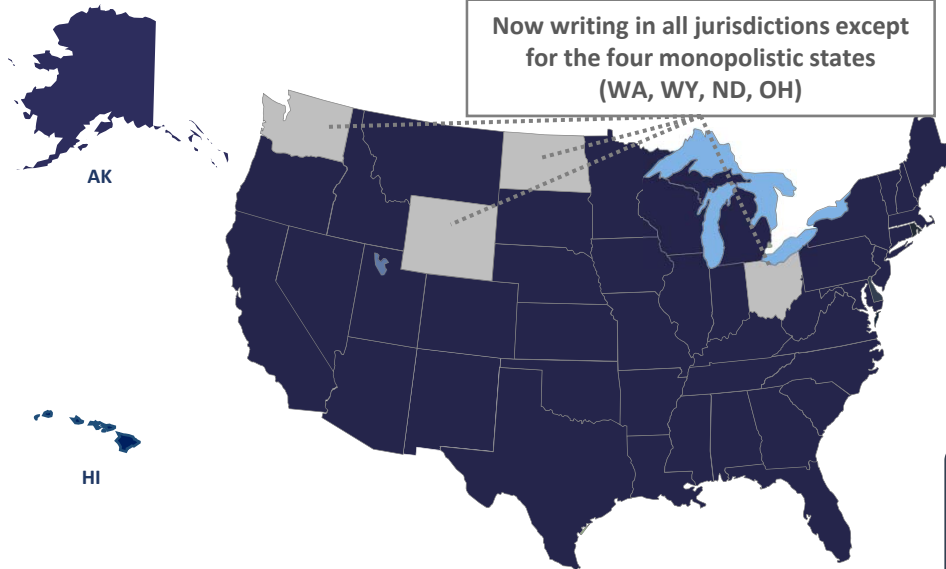
## ALL OTHER STATES

54%  
of total  
in-force premiums

**Premium  
DOWN  
2%**

61%  
of total  
in-force policies

**Policies  
UP  
17%**

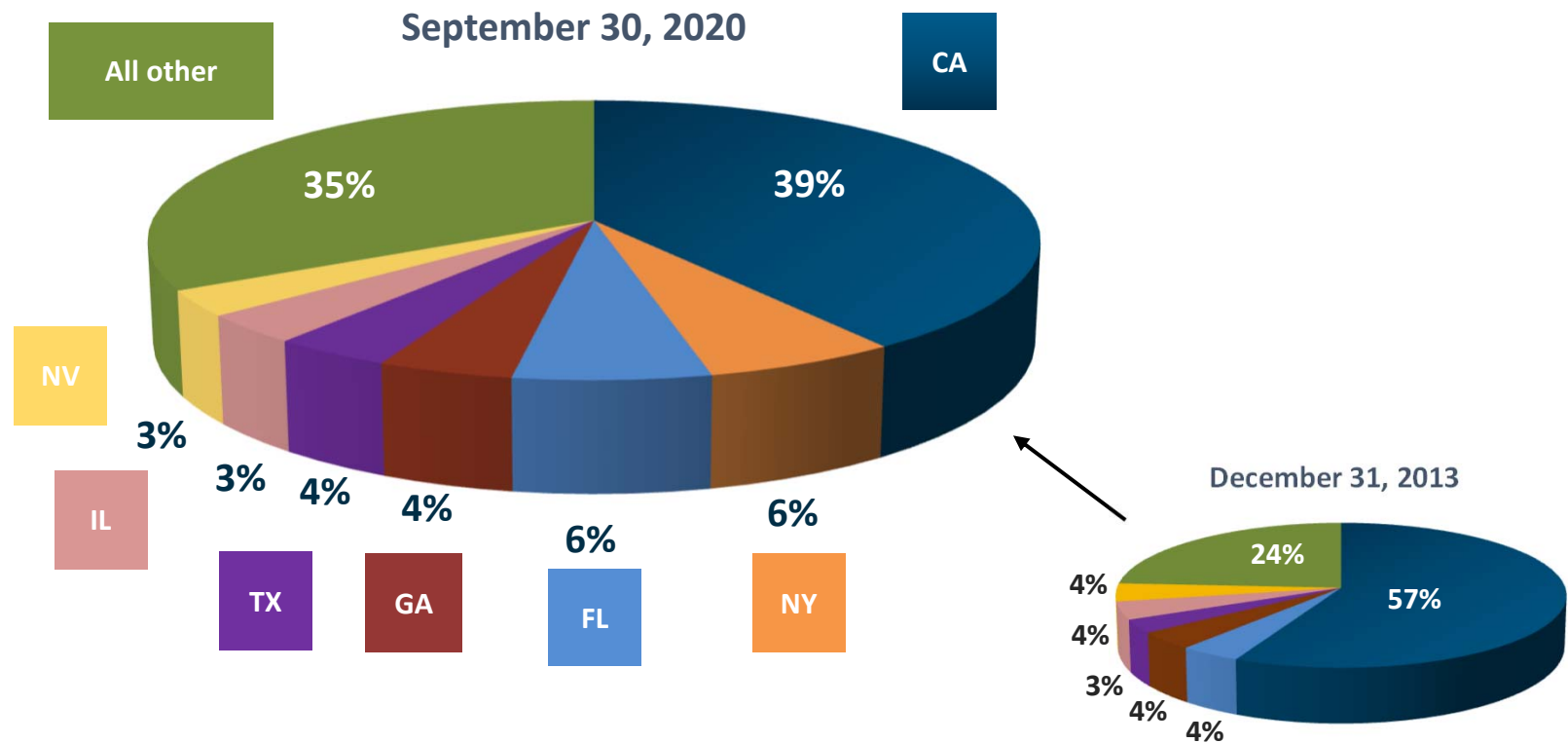


# Geographic Spread

(by policies in-force)

## Continual diversification outside of CA

Now writing business throughout the United States, with the exception of four states that are served exclusively by their state funds.



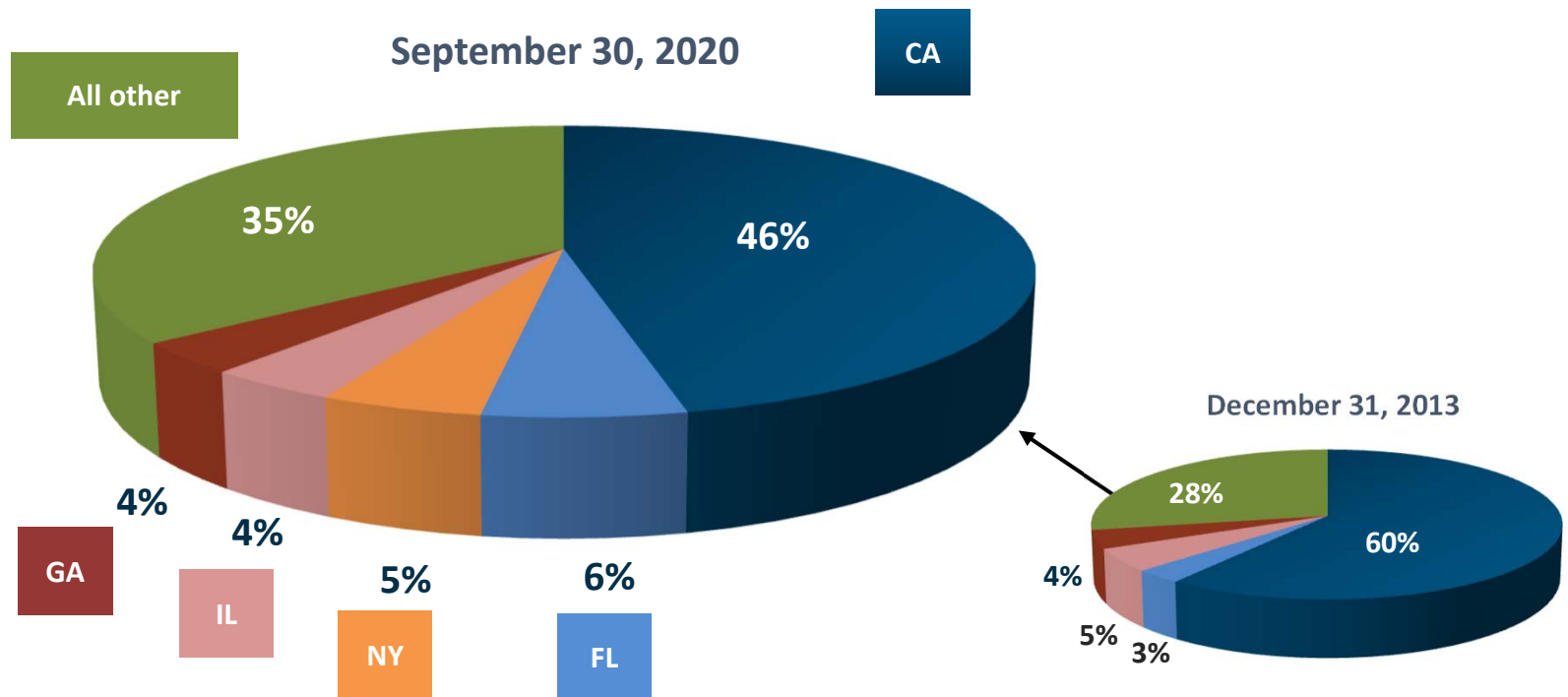


# Geographic Spread

(by in-force premium)

## Continual diversification outside of CA

Now writing business throughout the United States, with the exception of four states that are served exclusively by their state funds.



# History of Reserve Strength

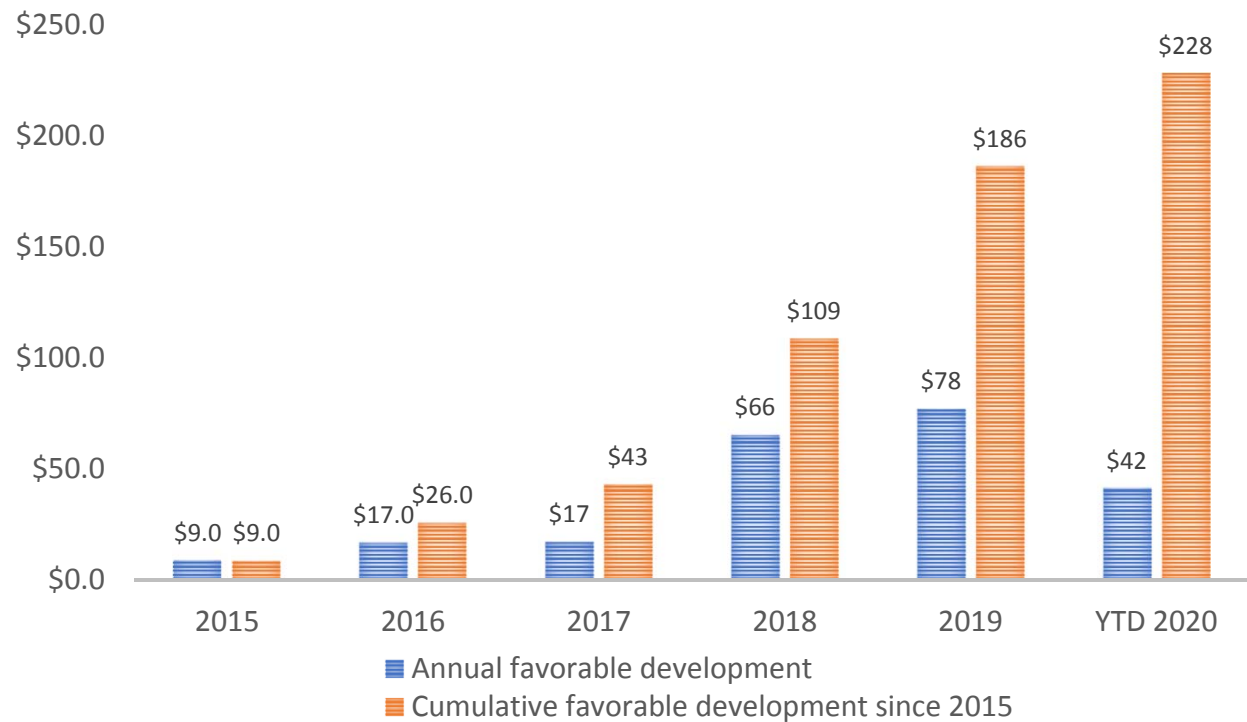
## Reserve Review

Reserves are reviewed internally each quarter

Management's best estimate is presented to the Audit Committee of the Board of Directors each quarter

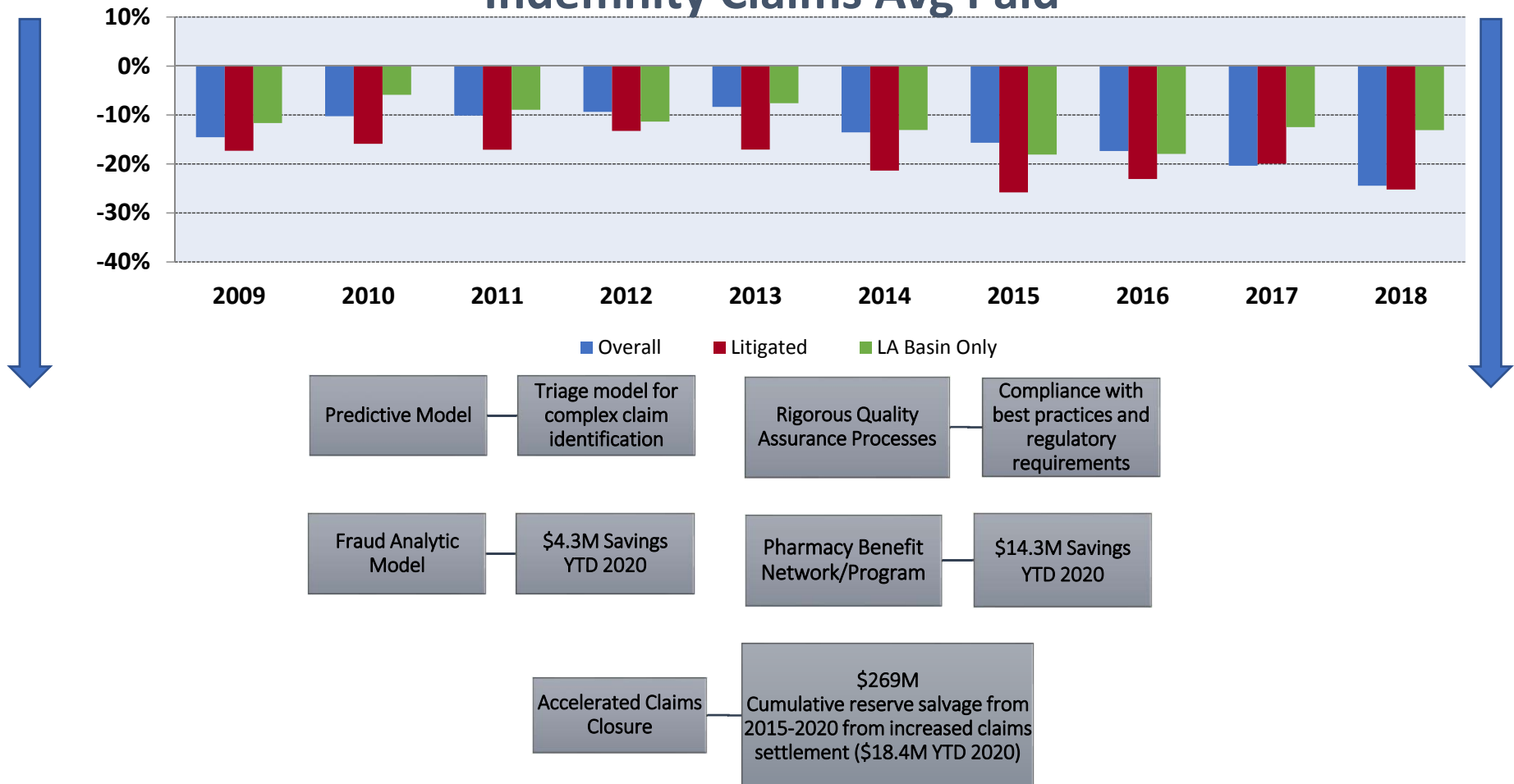
## Net Calendar Year Reserve Development in Recent Prior Accident Years

(\$ millions, excludes involuntary business)



# Superior Claims Handling

## CA - % Variance to Industry – Indemnity Claims Avg Paid\*



# Impactful Opioid Policy

Through our robust pharmacy benefit management programs we are successfully preventing long term opioid use and have achieved exceptional results over the past 5 years

	<b>% Reduction</b>
<i>Claims Receiving Opioids</i>	<b>-63%</b>
<i>Opioid Rx Transactions</i>	<b>-60%</b>
<i>Opioid Rxs w/in 90 Days of DOI</i>	<b>-77%</b>
<i>Morphine Equivalent Dosages</i>	<b>-59%</b>
<i>Opioid Spend</i>	<b>-60%</b>

- *Formularies (General and EMPLOYERS-specific)*
- *Utilization Review*
- *Pharmacy Benefit Management Program (Includes PBN in CA)*
- *Robust Analytics*
- *Peer to Peer Review / Discussion*
- *Prior Authorization Intervention*
- *Pain Management Program*

**Source: Optum Data 2014-2019.**



Workers' comp  
insurance for small  
business





# What is Cerity?



Headquartered in Austin, TX, Cerity is a digital, direct-to-customer company dedicated to providing small/micro businesses with workers' compensation insurance policies that meet their specific needs.

- Cerity is a different kind of company, one that wants to make insurance easy because it should be. Cerity's goal is to make it easy for small business owners to protect their business. Cerity believes that small business owners need a simple no-hassle way to buy workers' comp insurance.
- Using innovative digital solutions, Cerity created a product that made the process simple while being transparent about what its customers are buying. Cerity's top priority is to provide a product that helps small business owners protect their business when the unexpected happens.
- Cerity is a team of advisors, educators and partners working to help small business owners save more in the long-run.



Cerity recently began offering Business Owners' Policies (BOPs) on behalf of Attune Insurance, which is backed by AIG, Hamilton and Two Sigma.

# How is Certy Different?

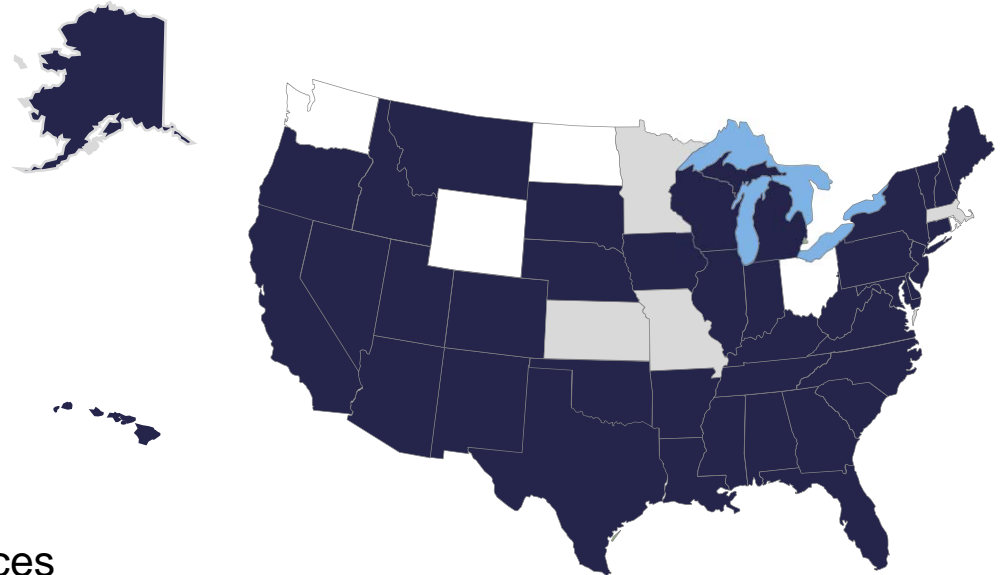


- Built from scratch with a focus exclusively on small business.
- Leverages modern technology and advanced data and analytics including a predictive model with up to 100 price points, making it fast and precise.
- Gives small businesses the ability to get a quote and purchase a policy in ***less than five minutes.***
- Enables small business owners to quote, purchase and maintain a policy from one organization.

# To Whom Will Certy Sell?



- Certy is currently open for business in 42 states and the District of Columbia, with the intention of expanding to all non-monopolistic markets.
- Certy currently covers the following businesses:
  - Food & beverage
  - Tech and Scientific services
  - Legal and Financial services
  - General retail
  - Educational services
  - Manufacturing
  - Personal and Therapeutic services
  - Clothing retail
  - Personal product retail
  - Medical professions
  - Architecture and Engineering services
  - Office, Home and Garden
  - Certy plans to expand into other classes of business in the future



# Target Customer



- 76% of small business owners within Cerity's target market indicate they would like to purchase commercial insurance online, reinforcing our belief customer buying behaviors are changing and the market is ready for a simple, digital purchasing solution.
- There are nearly 30 million small businesses in the United States and Cerity believes this number will continue to grow.
- Cerity's focus is on low-hazard business with 25 or fewer employees.

How will the U.S. Small Business Owner buy workers' compensation over the next 5, 10, 20 years???





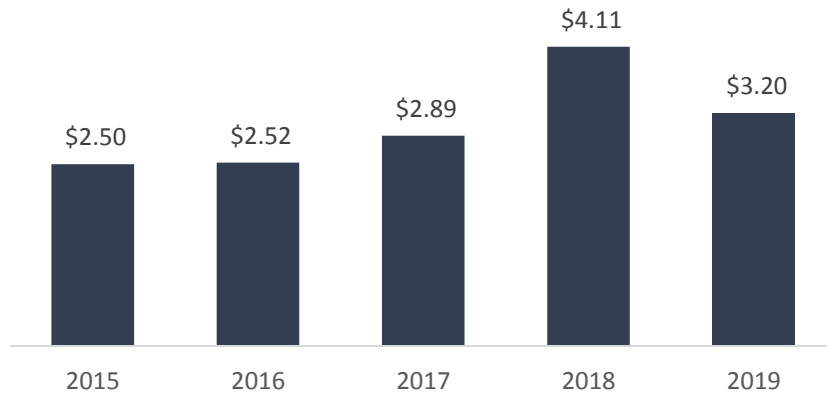


# FINANCIAL PERFORMANCE

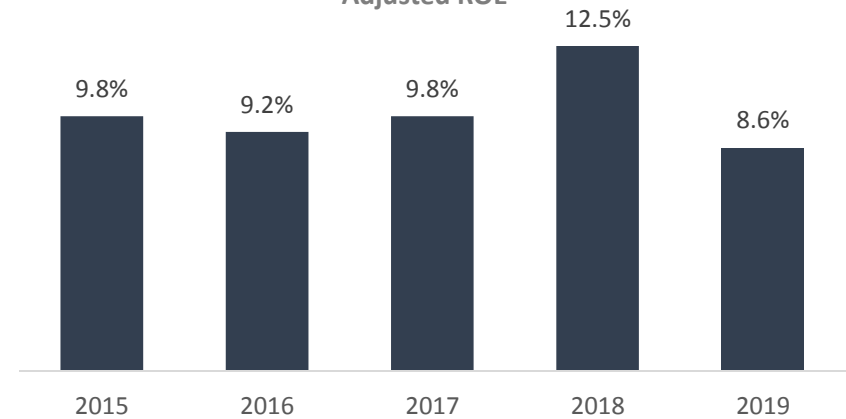


# Five-Year Performance

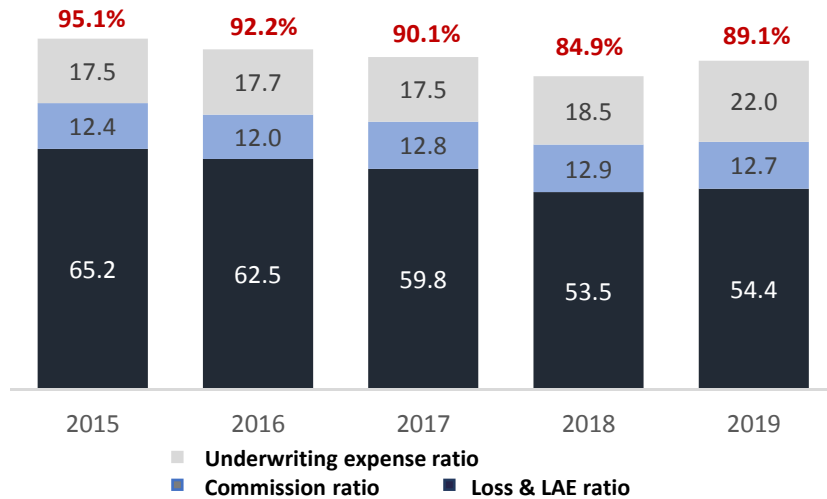
Adjusted EPS (Diluted)



Adjusted ROE



Combined Ratio – Employers Segment



Book Value per Share including Deferred Gain



# Adjusted Net Income

\$ in millions	YTD	Years ended December 31,			
	Sept 30, 2020	2019	2018	2017	2016
Net investment income	\$ 58.3	\$ 88.1	\$ 81.2	\$ 74.6	\$ 73.2
Underwriting income (CAY ex LPT)	(27.6)	(17.6)	39.2	53.3	37.6
Underwriting income (PAY devel.)	41.5	77.5	65.5	17.4	17.0
Other operating items	<u>(9.3)</u>	<u>(18.0)</u>	<u>(17.7)</u>	<u>(14.6)</u>	<u>(14.5)</u>
Adjusted income (pretax)	62.9	130.0	168.2	130.7	113.3
Income taxes	<u>(12.1)</u>	<u>(26.0)</u>	<u>(31.4)</u>	<u>(35.2)</u>	<u>(30.3)</u>
Adjusted net income	<u>\$ 50.8</u>	<u>\$ 104.0</u>	<u>\$ 136.8</u>	<u>\$ 95.5</u>	<u>\$ 83.0</u>

# 3Q20 Highlights (YoY)

	NON-GAAP	GAAP	
<i>DOWN</i> <i>50%</i>	<b>Adjusted Net Income</b> \$14.1 million	<b>Net Income</b> \$31.1 million	<i>DOWN</i> <i>5%</i>
<i>DOWN</i> <i>4.5</i> <i>ppts</i>	<b>Annualized Adjusted ROE</b> 4.8%	<b>Annualized ROE</b> 10.8%	<i>DOWN</i> <i>0.7</i> <i>ppts</i>
<i>UP</i> <i>3% QTD</i> <i>including</i> <i>dividends</i>	<b>Book Value per Share</b> Including Deferred Gain \$44.62	<b>Book Value per Share</b> \$40.16	<i>UP</i> <i>4% QTD</i> <i>including</i> <i>dividends</i>
<i>DOWN</i> <i>6%</i>	<b>Net Income before the LPT*</b> \$28.6 million	<b>Effective Income Tax Rate</b> 18.8 %	<i>VS</i> <i>19.8%</i>

# YTD 2020 Highlights (YoY)

	NON-GAAP	GAAP	
<i>DOWN</i> 43%	<b>Adjusted Net Income</b> \$50.8 million	<b>Net Income</b> \$55.8 million	<i>DOWN</i> 56%
<i>DOWN</i> 4.2 ppts	<b>Annualized Adjusted ROE</b> 5.6%	<b>Annualized ROE</b> 6.4%	<i>DOWN</i> 8.9 ppts
<i>UP</i> 9% YTD including dividends	<b>Book Value per Share</b> Including Deferred Gain \$44.62	<b>Book Value per Share</b> \$40.16	<i>UP</i> 10% YTD including dividends
<i>DOWN</i> 58%	<b>Net Income before the LPT*</b> \$48.4 million	<b>Effective Income Tax Rate</b> 17.1 %	<i>VS</i> 17.7%

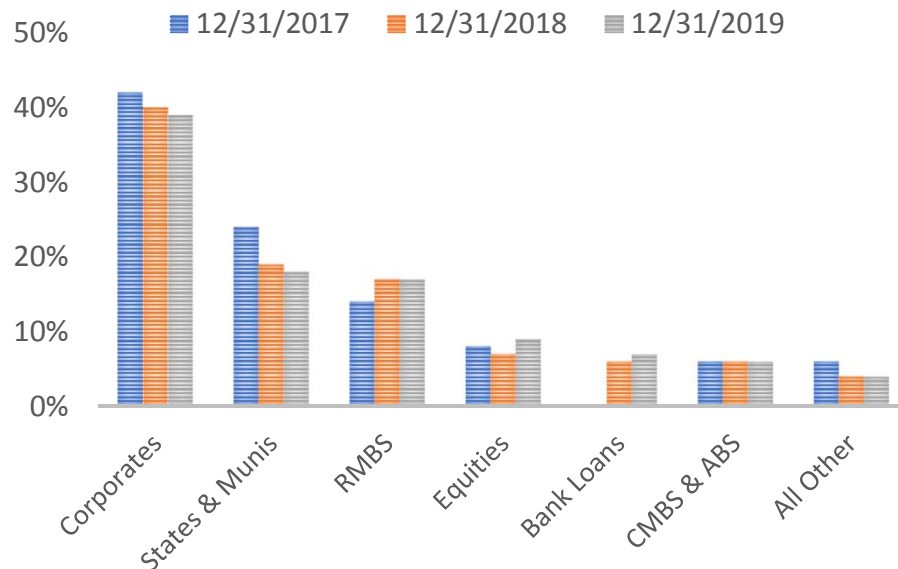
# Investment Portfolio

**2020: \$2.7 billion fair market value (\$3.0 billion including cash)**

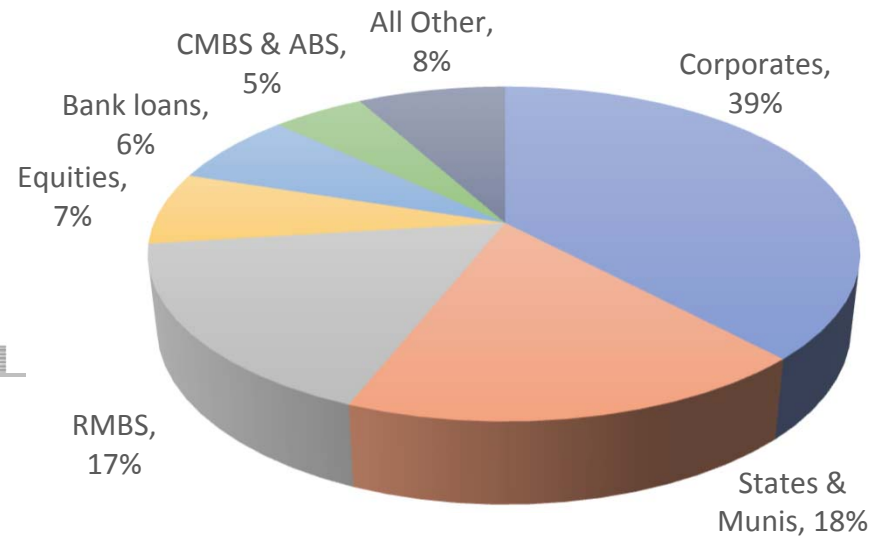
- High quality (average credit quality of A+)
- Highly liquid (\$1.5 billion is unencumbered and available within 3 business days)
- Duration of 3.0
- 2019 total investment return of 8.7%, annualized 2020 YTD total investment return of 6.0%
- 3.0% average ending pre-tax book yield

## Investment Portfolio Allocation

### Last Three Years



### At 9/30/2020



# The History of the LPT

In 1999, the Nevada State Industrial Insurance System (our predecessor) entered into a retroactive 100% quota share reinsurance agreement for all losses incurred 6/30/95 and prior through a loss portfolio transfer transaction with third party reinsurers (LPT Agreement).

Upon entry into the LPT Agreement, an initial deferred reinsurance gain (Deferred Gain) was recorded as a liability on our GAAP Balance Sheets which is being periodically amortized to income as a reduction to our losses and loss adjustment expenses.



## ***So What Does that Mean?***

Pursuant to the LPT Agreement, through 2024 we are entitled to receive a contingent profit commission which is based on both actual paid results to-date and projections of expected paid losses under the LPT Agreement.

The LPT Agreement is a non-recurring transaction that provides us with no significant ongoing cash benefits.

As a result of the LPT Agreement, within each of our non-GAAP measures we include the remaining Deferred Gain in our book value calculations and exclude the current period amortization of the Deferred Gain from our operating results and underwriting ratios.



# LPT Status

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



Gain booked as statutory surplus; deferred & amortized under GAAP



Non-recurring transaction  
No significant ongoing cash benefits



Gain includes ITD adjustments to LPT reserves and a contingent profit commission



Collateralized: largely cash/short-term securities, US Treasuries, and equities



3 Reinsurers:  
**Chubb (ACE), Berkshire (NICO), XL Group**

**\$363M**  
remaining liabilities

**1,711**  
open claims

THE LPT AGREEMENT	(\$ million)
Total coverage	\$2,000
Original reserves (liabilities) transferred	1,525
Consideration	<u>775</u>
Unamortized gain at 9/30/1999	750
Subsequent LPT reserve adjustments	(348)
Subsequent LPT contingent commission adjustments (profit sharing)	69
<i>Unamortized gain at 9/30/20</i>	<b>\$ 470</b>
Accounting at 9/30/20	
Statutory surplus created	\$ 470
Cumulative amortization to date	(340)
<b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>	<b>\$ 130</b>

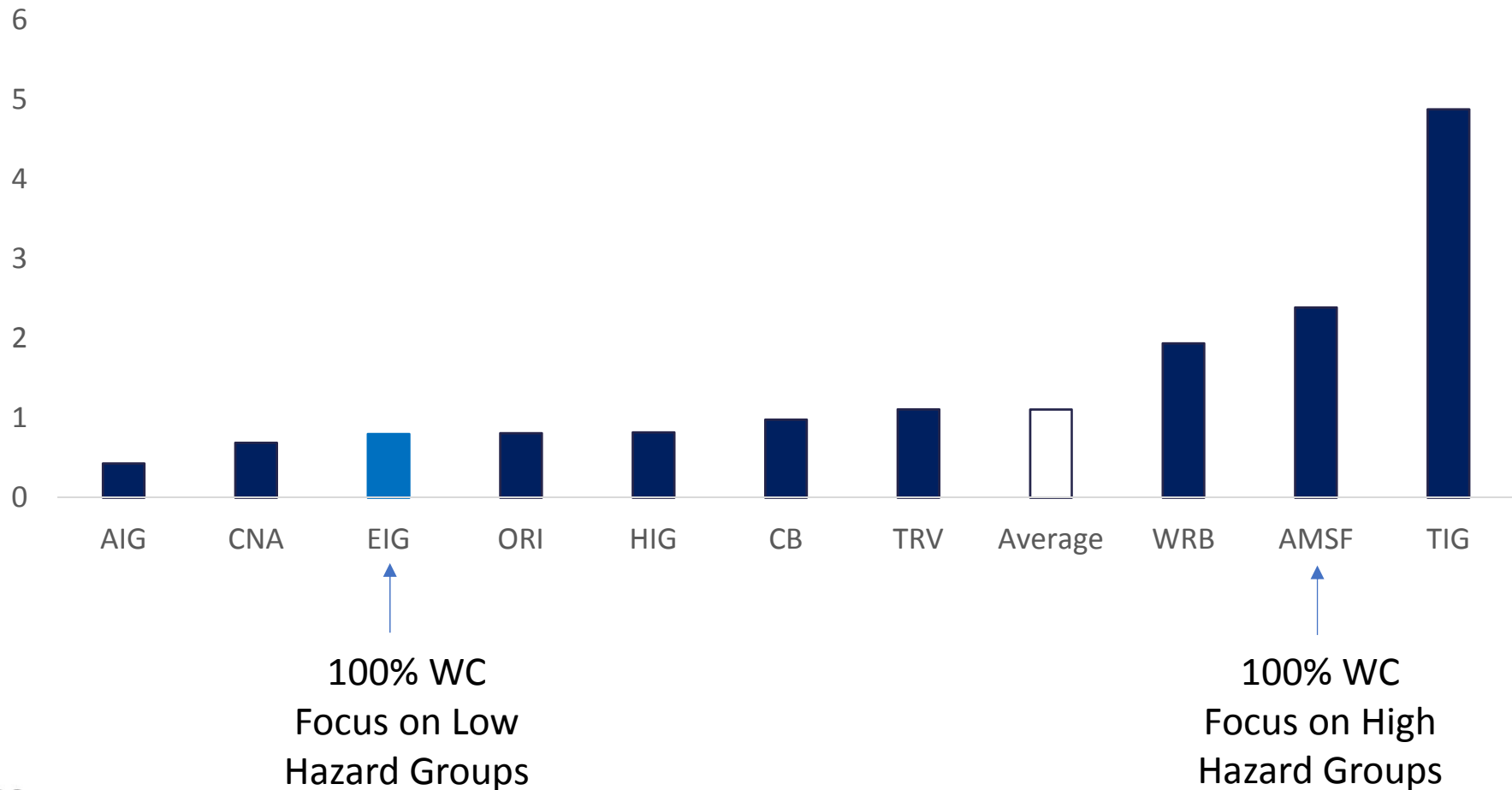
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement had all subsequent adjustments been known at that time.

# Valuation and Comparing Public Comps

Price to Book ratios as of 10/20/2020 for top 20 publicly-held workers' compensation writers

(EIG and AMSF are the only pure play publicly traded workers' compensation writers)

(based on 9/30/2020 GAAP book value)





America's small business insurance specialist.®

## Douglas D. Dirks

President and  
Chief Executive Officer

## Stephen V. Festa

Executive Vice President and  
Chief Operating Officer

## Michael Paquette

Executive Vice President and  
Chief Financial Officer

### About Employers Holdings, Inc.

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### Contact Information

#### Company Contact:

**Michael Paquette**

**Executive Vice President/Chief Financial Officer**

**(775) 327-2562**

[mpaquette@employers.com](mailto:mpaquette@employers.com)

#### Investor Relations Contact:

**Adam Prior**

**The Equity Group Inc.**

**(212) 836-9606**

[aprior@equityny.com](mailto:aprior@equityny.com)



# APPENDIX

Q3 2020 FINANCIAL SUPPLEMENT

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**Employers Holdings, Inc.**

Third Quarter 2020

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 September 30,			Nine Months Ended September 30,		
	2020	2019	% change	2020	2019	% change
<b>Selected financial highlights:</b>						
Gross premiums written	\$ 131.3	\$ 166.5	(21)%	\$ 456.2	\$ 553.1	(18)%
Net premiums written	129.6	165.2	(22)	452.0	549.1	(18)
Net premiums earned	144.4	175.8	(18)	463.8	526.1	(12)
Net investment income	18.5	22.3	(17)	58.3	65.5	(11)
Net income before impact of the LPT <sup>(1)</sup>	28.6	30.5	(6)	48.4	114.9	(58)
Adjusted net income <sup>(1)</sup>	14.1	28.4	(50)	50.8	88.6	(43)
Net income before income taxes	38.3	40.9	(6)	67.3	152.4	(56)
Net income	31.1	32.8	(5)	55.8	125.4	(56)
Comprehensive income	37.8	47.6	(21)	102.2	207.2	(51)
Total assets				3,985.1	4,024.9	(1)
Stockholders' equity				1,167.4	1,160.4	1
Stockholders' equity including the Deferred Gain <sup>(2)</sup>				1,297.1	1,299.8	—
Adjusted stockholders' equity <sup>(2)</sup>				1,185.4	1,231.7	(4)
Annualized adjusted return on stockholders' equity <sup>(3)</sup>	4.8 %	9.3 %	(48)%	5.6 %	9.8 %	(43)%
<b>Amounts per share:</b>						
Cash dividends declared per share	\$ 0.25	\$ 0.22	14 %	\$ 0.75	\$ 0.66	14 %
Earnings per diluted share <sup>(4)</sup>	1.05	1.01	4	1.83	3.85	(52)
Earnings per diluted share before impact of the LPT <sup>(4)</sup>	0.97	0.94	3	1.59	3.53	(55)
Adjusted earnings per diluted share <sup>(4)</sup>	0.48	0.88	(45)	1.66	2.72	(39)
Book value per share <sup>(2)</sup>				40.16	36.47	10
Book value per share including the Deferred Gain <sup>(2)</sup>				44.62	40.86	9
Adjusted book value per share <sup>(2)</sup>				40.78	38.71	5
<b>Financial information by Segment<sup>(5)</sup>:</b>						
Net income (loss) before income taxes						
Employers	\$ 42.8	\$ 46.8	(9)%	\$ 80.6	\$ 160.9	(50)%
Cerity	(3.2)	(3.8)	(16)	(9.9)	(11.4)	13
Corporate and Other	(1.3)	(2.1)	(38)	(3.4)	2.9	(217)

(1) See Page 3 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 11 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 8 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 12 for description and calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

(5) See Pages 4-7 for details and Page 14 for a description of our reportable segments.

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Investments, cash and cash equivalents	\$ 2,954.2	\$ 2,933.6
Accrued investment income	17.2	16.4
Premiums receivable, net	251.6	285.7
Reinsurance recoverable, net of allowance, on paid and unpaid losses and LAE	521.0	539.7
Deferred policy acquisition costs	46.6	47.9
Contingent commission receivable—LPT Agreement	13.2	13.2
Other assets	181.3	167.6
<b>Total assets</b>	<b>\$ 3,985.1</b>	<b>\$ 4,004.1</b>
<b>LIABILITIES</b>		
Unpaid losses and LAE	\$ 2,141.4	\$ 2,192.8
Unearned premiums	325.6	337.1
Commissions and premium taxes payable	45.5	48.6
Deferred Gain	129.7	137.1
FHLB Advances <sup>(1)</sup>	35.0	—
Other liabilities	140.5	122.7
<b>Total liabilities</b>	<b>\$ 2,817.7</b>	<b>\$ 2,838.3</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and additional paid-in capital	\$ 402.2	\$ 397.0
Retained earnings	1,191.4	1,158.8
Accumulated other comprehensive income, net	111.7	65.3
Treasury stock, at cost	(537.9)	(455.3)
<b>Total stockholders' equity</b>	<b>1,167.4</b>	<b>1,165.8</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,985.1</b>	<b>\$ 4,004.1</b>
Stockholders' equity including the Deferred Gain <sup>(2)</sup>	\$ 1,297.1	\$ 1,302.9
Adjusted stockholders' equity <sup>(2)</sup>	1,185.4	1,237.6
Book value per share <sup>(2)</sup>	\$ 40.16	\$ 37.18
Book value per share including the Deferred Gain <sup>(2)</sup>	44.62	41.55
Adjusted book value per share <sup>(2)</sup>	40.78	39.47

(1) FHLB=Federal Home Loan Bank

(2) See Page 11 for calculations and Page 13 for information regarding our use of Non-GAAP Financial Measures.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenues:</b>				
Gross premiums written	\$ 131.3	\$ 166.5	\$ 456.2	\$ 553.1
Premiums ceded	(1.7)	(1.3)	(4.2)	(4.0)
Net premiums written	129.6	165.2	452.0	549.1
Net premiums earned	\$ 144.4	\$ 175.8	\$ 463.8	\$ 526.1
Net investment income	18.5	22.3	58.3	65.5
Net realized and unrealized gains (losses) on investments <sup>(1)</sup>	19.1	2.6	(2.3)	33.3
Other income (loss)	(0.1)	0.3	0.5	0.6
Total revenues	181.9	201.0	520.3	625.5
<b>Expenses:</b>				
Losses and LAE incurred	(77.1)	(92.9)	(254.5)	(268.2)
Commission expense	(19.4)	(21.9)	(59.9)	(67.7)
Underwriting and general and administrative expenses	(46.4)	(45.3)	(137.9)	(136.6)
Interest and financing expenses	—	—	—	(0.6)
Other expenses	(0.7)	—	(0.7)	—
Total expenses	(143.6)	(160.1)	(453.0)	(473.1)
Net income before income taxes	38.3	40.9	67.3	152.4
Income tax expense	(7.2)	(8.1)	(11.5)	(27.0)
<b>Net income</b>	31.1	32.8	55.8	125.4
Unrealized AFS investment gains arising during the period, net of tax <sup>(2)</sup>	8.0	16.4	48.2	84.1
Reclassification adjustment for realized AFS investment gains in net income, net of tax <sup>(2)</sup>	(1.3)	(1.6)	(1.8)	(2.3)
<b>Total comprehensive income</b>	\$ 37.8	\$ 47.6	\$ 102.2	\$ 207.2
Net income	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Amortization of the Deferred Gain - losses	(2.0)	(1.9)	(6.1)	(7.1)
Amortization of the Deferred Gain - contingent commission	(0.5)	(0.4)	(1.3)	(1.4)
LPT reserve adjustment	—	—	—	(1.8)
LPT contingent commission adjustments	—	—	—	(0.2)
<b>Net income before impact of the LPT Agreement<sup>(3)</sup></b>	28.6	30.5	48.4	114.9
Net realized and unrealized (gains) losses on investments	(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases	0.7	—	0.7	—
Income tax expense (benefit) related to items excluded from Net income	3.9	0.5	(0.6)	7.0
<b>Adjusted net income</b>	\$ 14.1	\$ 28.4	\$ 50.8	\$ 88.6

(1) Includes unrealized gains (losses) on equity securities of \$3.7 million and \$(10.3) million for the three months ended September 30, 2020 and 2019, respectively, and \$(23.2) million and \$17.7 million for the nine months ended September 30, 2020 and 2019, respectively.

(2) AFS = Available for Sale securities.

(3) See Page 13 regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Three Months Ended September 30, 2020</b>				
Gross premiums written	\$ 131.2	\$ 0.1	\$ —	\$ 131.3
Net premiums written	129.5	0.1	—	129.6
Net premiums earned	<b>A</b> 144.4	—	—	144.4
Net investment income	17.5	0.8	0.2	18.5
Net realized and unrealized gains (losses) on investments	19.2	(0.1)	—	19.1
Other income (loss)	(0.1)	—	—	(0.1)
Total revenues	<u>181.0</u>	<u>0.7</u>	<u>0.2</u>	<u>181.9</u>
Losses and LAE incurred	<b>B</b> (79.5)	(0.1)	2.5	(77.1)
Commission expense	<b>C</b> (19.4)	—	—	(19.4)
Underwriting and general and administrative expenses	<b>D</b> (38.6)	(3.8)	(4.0)	(46.4)
Other expenses	(0.7)	—	—	(0.7)
Total expenses	<u>(138.2)</u>	<u>(3.9)</u>	<u>(1.5)</u>	<u>(143.6)</u>
<b>Net income (loss) before income taxes</b>	<u>\$ 42.8</u>	<u>\$ (3.2)</u>	<u>\$ (1.3)</u>	<u>\$ 38.3</u>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> 6.9	(3.9)		
Loss and LAE expense ratio:				
Current year	65.3 %	n/m		
Prior years	(10.2)	—		
Loss and LAE ratio	<u>55.1</u>	<u>n/m</u>		
Commission expense ratio	13.4	n/m		
Underwriting expense ratio	<u>26.7</u>	<u>n/m</u>		
<b>Combined ratio</b>	<u>95.2 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Three Months Ended September 30, 2019</b>				
Gross premiums written	\$ 166.4	\$ 0.1	\$ —	\$ 166.5
Net premiums written	165.1	0.1	—	165.2
Net premiums earned	<b>A</b> 175.8	—	—	175.8
Net investment income	21.4	0.2	0.7	22.3
Net realized and unrealized gains (losses) on investments	2.6	0.1	(0.1)	2.6
Other income	0.3	—	—	0.3
Total revenues	<u>200.1</u>	<u>0.3</u>	<u>0.6</u>	<u>201.0</u>
Losses and LAE incurred	<b>B</b> (95.2)	—	2.3	(92.9)
Commission expense	<b>C</b> (21.9)	—	—	(21.9)
Underwriting and general and administrative expenses	<b>D</b> (36.2)	(4.1)	(5.0)	(45.3)
Total expenses	<u>(153.3)</u>	<u>(4.1)</u>	<u>(2.7)</u>	<u>(160.1)</u>
<b>Net income (loss) before income taxes</b>	<u>\$ 46.8</u>	<u>\$ (3.8)</u>	<u>\$ (2.1)</u>	<u>\$ 40.9</u>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> \$ 22.5	\$ (4.1)		
Loss and LAE expense ratio:				
Current year	65.6 %	n/m		
Prior years	(11.4)	—		
Loss and LAE ratio	<u>54.2</u>	<u>n/m</u>		
Commission expense ratio	12.5	n/m		
Underwriting expense ratio	<u>20.6</u>	<u>n/m</u>		
<b>Combined ratio</b>	<u>87.3 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Nine Months Ended September 30, 2020</b>				
Gross premiums written	\$ 456.1	\$ 0.1	\$ —	\$ 456.2
Net premiums written	451.9	0.1	—	452.0
Net premiums earned	<b>A</b> 463.7	0.1	—	463.8
Net investment income	54.9	2.5	0.9	58.3
Net realized and unrealized gains (losses) on investments	0.1	(0.5)	(1.9)	(2.3)
Other income	0.5	—	—	0.5
Total revenues	<u>519.2</u>	<u>2.1</u>	<u>(1.0)</u>	<u>520.3</u>
Losses and LAE incurred	<b>B</b> (261.8)	(0.1)	7.4	(254.5)
Commission expense	<b>C</b> (59.9)	—	—	(59.9)
Underwriting and general and administrative expenses	<b>D</b> (116.2)	(11.9)	(9.8)	(137.9)
Other expenses	(0.7)	—	—	(0.7)
Total expenses	<u>(438.6)</u>	<u>(12.0)</u>	<u>(2.4)</u>	<u>(453.0)</u>
<b>Net income (loss) before income taxes</b>	<u>\$ 80.6</u>	<u>\$ (9.9)</u>	<u>\$ (3.4)</u>	<u>\$ 67.3</u>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> 25.8	(11.9)		
Loss and LAE expense ratio:				
Current year	65.5 %	n/m		
Prior years	(9.0)	—		
Loss and LAE ratio	<u>56.5</u>	<u>n/m</u>		
Commission expense ratio	12.9	n/m		
Underwriting expense ratio	<u>25.1</u>	<u>n/m</u>		
<b>Combined ratio</b>	<u>94.5 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments



**EMPLOYERS HOLDINGS, INC.**  
**Net Income Before Income Taxes by Segment <sup>(1)</sup> (unaudited)**  
**\$ in millions**

	<u>Employers</u>	<u>Cerity</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
<b>Nine Months Ended September 30, 2019</b>				
Gross premiums written	\$ 553.0	\$ 0.1	\$ —	\$ 553.1
Net premiums written	549.0	0.1	—	549.1
Net premiums earned	<b>A</b> 526.1	—	—	526.1
Net investment income	62.3	0.2	3.0	65.5
Net realized and unrealized gains on investments	30.3	0.1	2.9	33.3
Other income	0.6	—	—	0.6
Total revenues	<u>619.3</u>	<u>0.3</u>	<u>5.9</u>	<u>625.5</u>
Losses and LAE incurred	<b>B</b> (278.7)	—	10.5	(268.2)
Commission expense	<b>C</b> (67.7)	—	—	(67.7)
Underwriting and general and administrative expenses	<b>D</b> (111.4)	(11.7)	(13.5)	(136.6)
Interest and financing expenses	(0.6)	—	—	(0.6)
Total expenses	<u>(458.4)</u>	<u>(11.7)</u>	<u>(3.0)</u>	<u>(473.1)</u>
<b>Net income (loss) before income taxes</b>	<u>\$ 160.9</u>	<u>\$ (11.4)</u>	<u>\$ 2.9</u>	<u>\$ 152.4</u>
<b>Underwriting income (loss)</b>	<b>A+B+C+D</b> \$ 68.3	\$ (11.7)		
Loss and LAE expense ratio:				
Current year	65.5 %	n/m		
Prior years	(12.5)	—		
Loss and LAE ratio	<u>53.0</u>	<u>n/m</u>		
Commission expense ratio	12.9	n/m		
Underwriting expense ratio	<u>21.2</u>	<u>n/m</u>		
<b>Combined ratio</b>	<u>87.1 %</u>	<u>n/m</u>		

n/m - not meaningful

(1) See Page 14 for a description of our reportable segments

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

		<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
		<b>September 30,</b>		<b>September 30,</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Net income</b>	<b>A</b>	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Impact of the LPT Agreement		(2.5)	(2.3)	(7.4)	(10.5)
Net realized and unrealized (gains) losses on investments		(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases		0.7	—	0.7	—
Income tax expense (benefit) related to items excluded from Net income		3.9	0.5	(0.6)	7.0
<b>Adjusted net income <sup>(1)</sup></b>	<b>B</b>	14.1	28.4	50.8	88.6
Stockholders' equity - end of period		\$ 1,167.4	\$ 1,160.4	\$ 1,167.4	\$ 1,160.4
Stockholders' equity - beginning of period		1,144.0	1,121.5	1,165.8	1,018.2
<b>Average stockholders' equity</b>	<b>C</b>	1,155.7	1,141.0	1,166.6	1,089.3
Stockholders' equity - end of period		\$ 1,167.4	\$ 1,160.4	\$ 1,167.4	\$ 1,160.4
Deferred Gain - end of period		129.7	139.4	129.7	139.4
Accumulated other comprehensive income - end of period		(141.4)	(86.2)	(141.4)	(86.2)
Income taxes related to accumulated other comprehensive income - end of period		29.7	18.1	29.7	18.1
Adjusted stockholders' equity - end of period		1,185.4	1,231.7	1,185.4	1,231.7
Adjusted stockholders' equity - beginning of period		1,171.2	1,209.9	1,237.6	1,181.5
<b>Average adjusted stockholders' equity <sup>(1)</sup></b>	<b>D</b>	1,178.3	1,220.8	1,211.5	1,206.6
Return on stockholders' equity	<b>A / C</b>	2.7 %	2.9 %	4.8 %	11.5 %
<b>Annualized return on stockholders' equity</b>		10.8	11.5	6.4	15.3
Adjusted return on stockholders' equity <sup>(1)</sup>	<b>B / D</b>	1.2 %	2.3 %	4.2 %	7.3 %
<b>Annualized adjusted return on stockholders' equity <sup>(1)</sup></b>		4.8	9.3	5.6	9.8

(1) See Page 13 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		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Unpaid losses and LAE at beginning of period	\$ 2,170.7	\$ 2,161.8	\$ 2,192.8	\$ 2,207.9
Reinsurance recoverable on unpaid losses and LAE	523.6	484.2	532.5	504.4
Net unpaid losses and LAE at beginning of period	1,647.1	1,677.6	1,660.3	1,703.5
Losses and LAE incurred:				
Current year losses	94.4	115.4	303.8	344.8
Prior year losses on voluntary business	(15.0)	(20.0)	(41.5)	(66.0)
Prior year losses on involuntary business	0.2	(0.2)	(0.4)	(0.1)
Total losses incurred	79.6	95.2	261.9	278.7
Losses and LAE paid:				
Current year losses	26.7	32.9	50.7	63.5
Prior year losses	72.3	69.7	243.8	248.5
Total paid losses	99.0	102.6	294.5	312.0
Net unpaid losses and LAE at end of period	1,627.7	1,670.2	1,627.7	1,670.2
Reinsurance recoverable, excluding CECL allowance, on unpaid losses and LAE	513.7	527.1	513.7	527.1
Unpaid losses and LAE at end of period	<u>\$ 2,141.4</u>	<u>\$ 2,197.3</u>	<u>\$ 2,141.4</u>	<u>\$ 2,197.3</u>

Total losses and LAE shown in the above table exclude amortization of the Deferred Gain, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments which totaled \$2.5 million and \$2.3 million for the three months ended September 30, 2020 and 2019, respectively and \$7.4 million and \$10.5 million for the nine months ended September 30, 2020 and 2019, respectively.

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

	September 30, 2020				December 31, 2019	
	Cost or Amortized Cost	Net Unrealized Gain (Loss)	Fair Value	%	Fair Value	%
<b>Investment Positions:</b>						
Fixed maturity securities	\$ 2,301.6	\$ 141.0	\$ 2,442.6	83 %	\$ 2,485.9	85 %
Equity securities	117.5	77.9	195.4	7	263.4	9
Short-term investments	45.4	0.4	45.8	2	—	—
Other invested assets	33.0	(0.2)	32.8	1	29.1	1
Cash and cash equivalents	237.3	—	237.3	8	154.9	5
Restricted cash and cash equivalents	0.3	—	0.3	—	0.3	—
Total investments and cash	\$ 2,735.1	\$ 219.1	\$ 2,954.2	100 %	\$ 2,933.6	100 %
<b>Breakout of Fixed Maturity Securities:</b>						
U.S. Treasuries and agencies	\$ 81.0	\$ 5.0	\$ 86.0	4 %	\$ 88.5	4 %
States and municipalities	445.2	33.5	478.7	20	484.5	19
Corporate securities	949.6	80.3	1,029.9	42	1,079.0	43
Mortgage-backed securities	544.8	25.2	570.0	23	591.0	24
Asset-backed securities	32.9	0.1	33.0	1	61.2	2
Collateralized loan obligations	84.4	(1.5)	82.9	3	—	—
Bank loans	163.7	(1.6)	162.1	7	181.7	7
Total fixed maturity securities	\$ 2,301.6	\$ 141.0	\$ 2,442.6	100 %	\$ 2,485.9	100 %
Weighted average book yield			3.0%		3.3%	
Average credit quality (S&P)			A+		A+	
Duration			3.0		3.3	

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

		<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<b>Numerators:</b>					
<b>Stockholders' equity</b>	<b>A</b>	\$ 1,167.4	\$ 1,144.0	\$ 1,165.8	\$ 1,160.4
Plus: Deferred Gain		129.7	132.2	137.1	139.4
<b>Stockholders' equity including the Deferred Gain <sup>(1)</sup></b>	<b>B</b>	1,297.1	1,276.2	1,302.9	1,299.8
Accumulated other comprehensive income		(141.4)	(132.9)	(82.6)	(86.2)
Income taxes related to accumulated other comprehensive gains		29.7	27.9	17.3	18.1
<b>Adjusted stockholders' equity <sup>(1)</sup></b>	<b>C</b>	<u>\$ 1,185.4</u>	<u>\$ 1,171.2</u>	<u>\$ 1,237.6</u>	<u>\$ 1,231.7</u>
<b>Denominator (shares outstanding)</b>	<b>D</b>	29,069,753	29,382,894	31,355,378	31,814,678
Book value per share <sup>(1)</sup>	<b>A / D</b>	\$ 40.16	\$ 38.93	\$ 37.18	\$ 36.47
Book value per share including the Deferred Gain <sup>(1)</sup>	<b>B / D</b>	44.62	43.43	41.55	40.86
Adjusted book value per share <sup>(1)</sup>	<b>C / D</b>	40.78	39.86	39.47	38.71
<b>YTD Change in: <sup>(2)</sup></b>					
Book value per share		10.0 %		19.5 %	
Book value per share including the Deferred Gain		9.2		16.5	
Adjusted book value per share		5.2		9.2	

(1) See Page 13 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 of \$0.75 and \$0.66 for the nine months ended September 30, 2020 and 2019, respectively.

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

		<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
		<b>September 30,</b>		<b>September 30,</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Numerators:</b>					
<b>Net income</b>	<b>A</b>	\$ 31.1	\$ 32.8	\$ 55.8	\$ 125.4
Impact of the LPT Agreement		(2.5)	(2.3)	(7.4)	(10.5)
<b>Net income before impact of the LPT <sup>(1)</sup></b>	<b>B</b>	<b>28.6</b>	<b>30.5</b>	<b>48.4</b>	<b>114.9</b>
Net realized and unrealized (gains) losses on investments		(19.1)	(2.6)	2.3	(33.3)
Abandonment of operating leases		0.7	—	0.7	—
Income tax expense related to items excluded from Net income		3.9	0.5	(0.6)	7.0
<b>Adjusted net income <sup>(1)</sup></b>	<b>C</b>	<b>\$ 14.1</b>	<b>\$ 28.4</b>	<b>\$ 50.8</b>	<b>\$ 88.6</b>
<b>Denominators:</b>					
Average common shares outstanding (basic)	<b>D</b>	29,337,426	31,946,851	30,241,148	32,168,826
Average common shares outstanding (diluted)	<b>E</b>	29,568,406	32,318,017	30,532,910	32,587,455
<b>Earnings per share:</b>					
Basic	<b>A / D</b>	\$ 1.06	\$ 1.03	\$ 1.85	\$ 3.90
Diluted	<b>A / E</b>	1.05	1.01	1.83	3.85
<b>Earnings per share before impact of the LPT: <sup>(1)</sup></b>					
Basic	<b>B / D</b>	\$ 0.97	\$ 0.95	\$ 1.60	\$ 3.57
Diluted	<b>B / E</b>	0.97	0.94	1.59	3.53
<b>Adjusted earnings per share: <sup>(1)</sup></b>					
Basic	<b>C / D</b>	\$ 0.48	\$ 0.89	\$ 1.68	\$ 2.75
Diluted	<b>C / E</b>	0.48	0.88	1.66	2.72

(1) See Page 13 for information regarding our use of Non-GAAP Financial Measures.



## **Non-GAAP Financial Measures**

Within this earnings release we present the following measures, each of which are "non-GAAP financial measures." 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 (Deferred 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.

**Adjusted net income** (see Page 3 for calculations) is net income excluding the effects of the LPT Agreement, and net realized and unrealized gains and losses on investments (net of tax), and any miscellaneous non-recurring transactions (net of tax). Management believes that providing this non-GAAP measure 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 Gain** (see Page 11 for calculations) is stockholders' equity including the Deferred 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 11 for calculations) is stockholders' equity including the Deferred 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 adjusted return on stockholders' equity metric.

**Return on stockholders' equity and Adjusted return on stockholders' equity** (see Page 8 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties.

**Book value per share, Book value per share including the Deferred Gain, and Adjusted book value per share** (see Page 11 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties.

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

## **Description of Reportable Segments**

The Company has recently made changes to its corporate structure, mainly involving the launch and further development of a new digital insurance platform offered under the Cerity brand name (Cerity), resulting in changes to its reportable segments. The Company has determined that it has two reportable segments: Employers and Cerity. Each of these segments represents a separate and distinct underwriting platform through which the Company conducts insurance business.

The nature and composition of each reportable segment and its Corporate and Other activities are as follows:

- The Employers segment is defined as traditional business offered through the EMPLOYERS brand name (Employers) through its agents, including business originated from its strategic partnerships and alliances;
- The Cerity segment is defined as business offered under the Cerity brand name, which includes the Company's direct-to-customer business; and
- Corporate and Other activities consist of those holding company expenses that are not considered to be underwriting in nature, the financial impact of the LPT agreement and legacy (pre-acquisition) business assumed and ceded by Cerity Insurance Company. These expenses are not considered to be part of a reportable segment and are not otherwise allocated to a reportable segment.

Prior to December 31, 2019, the Company operated under a single reportable segment and presented its Combined Ratio on that basis. In light of its change in reporting segments, the Company now presents a separate Combined Ratio for each of its reporting segments.

All periods prior to December 31, 2019 presented herein have been conformed to the current presentation.