



Employers Holdings, Inc.

Investor Presentation

March, 2013

EMPLOYERS™
CELEBRATING 100 YEARS 1913 - 2013

Regulation FD

This slide presentation is for informational purposes only. It should be read in conjunction with our Form 10-K for the year 2012, 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 2012, 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.

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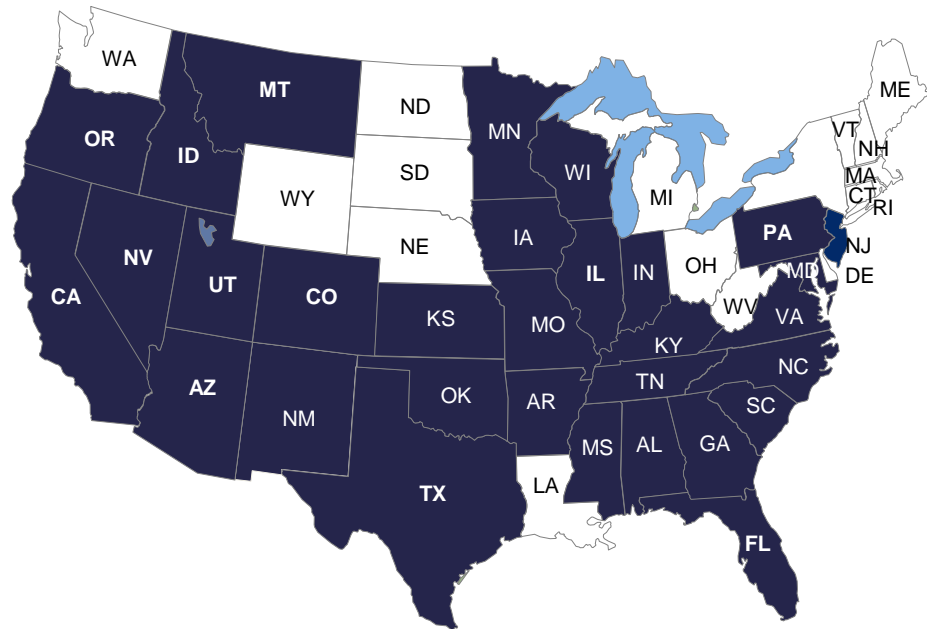
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Overview

- 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
 - 4,120 agents = 77% in-force premium
 - Strategic partners = 22.6% in-force premium (principally ADP and Anthem Blue Cross of California)

- 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 December 31, 2012

Average policy size: \$6,732

In force Premium

\$537 million

CA = 59%

IL = 6%

GA = 4%

FL = 3%

NV = 3%

Policy Count

79,814 Policies

CA = 46,829

IL = 3,302

GA = 3,150

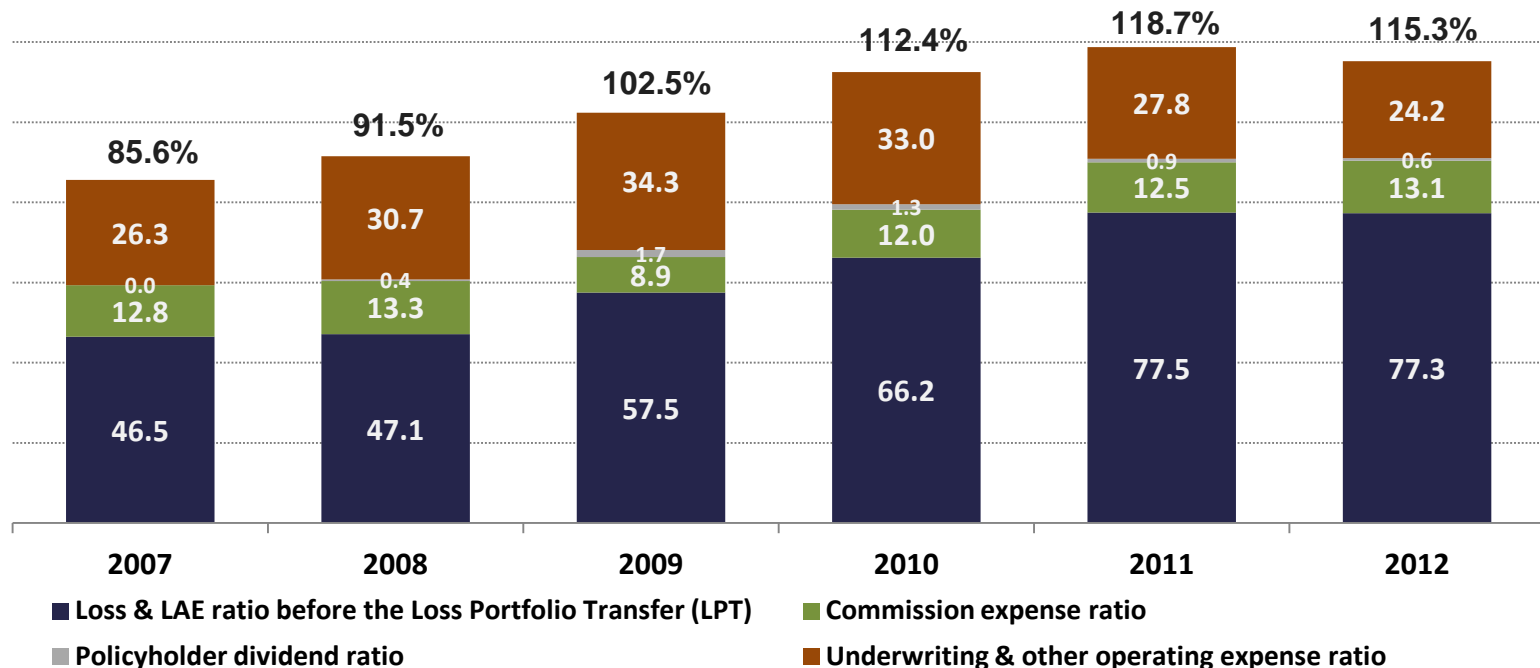
FL = 2,918

NV = 3,876



Improving Calendar Year Combined Ratio

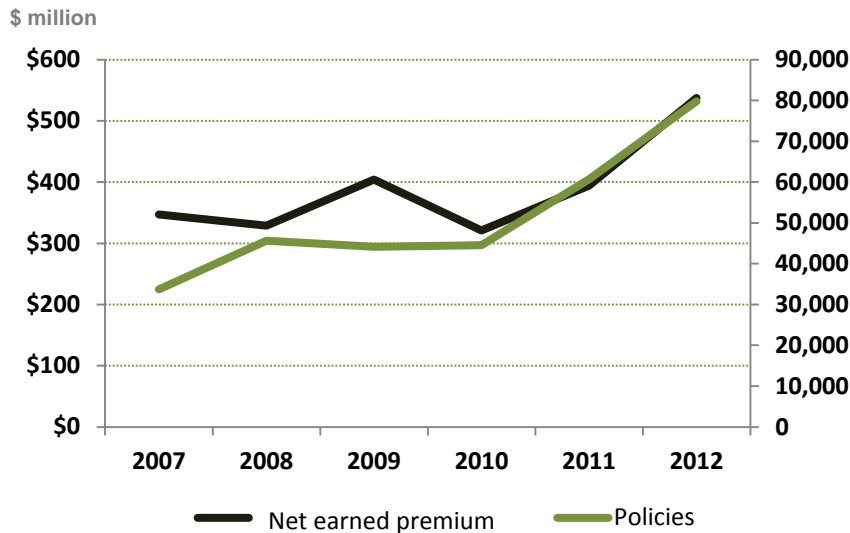
- Combined and underwriting expense ratios trending down with implementation of cost controls and increasing earned premiums; historically low annual expense ratio
- Loss ratios impacted by loss provision rates in the high seventies in 2011 and 2012 and increasing earned premiums
- Rate trends currently exceeding loss trends; plan to decrease loss provision rates incrementally throughout 2013 if rate objectives are achieved



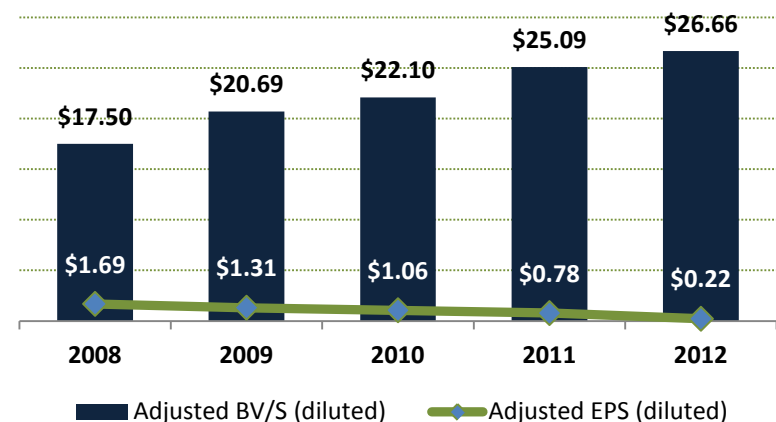
Growth

- Substantial increases in net earned premium
 - Policy count increases of 32% and 36% in 2012 and 2011 YOY
 - Increase of 8% in net rate for 2012 YOY
- Growth of 6% YOY in adjusted book value
- EPS impacted by historically low yields and high loss provisions in recent years

Substantial growth in recent years



Adjusted book value and adjusted EPS

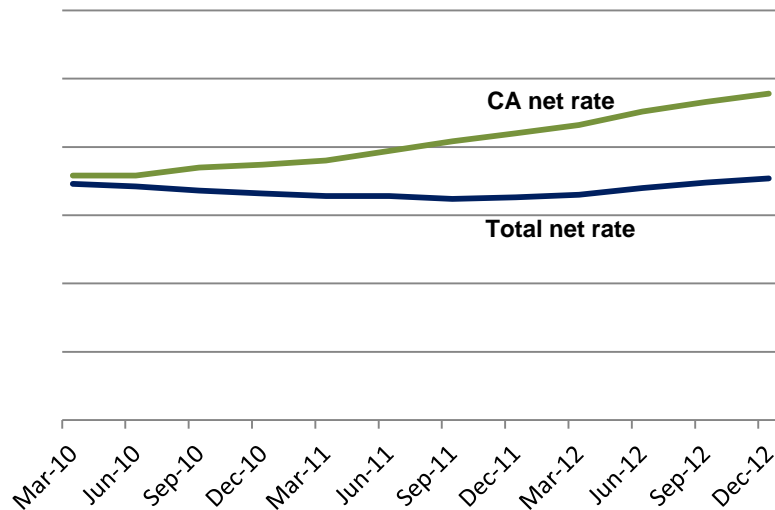


(adjusted and restated for impacts of the LPT)

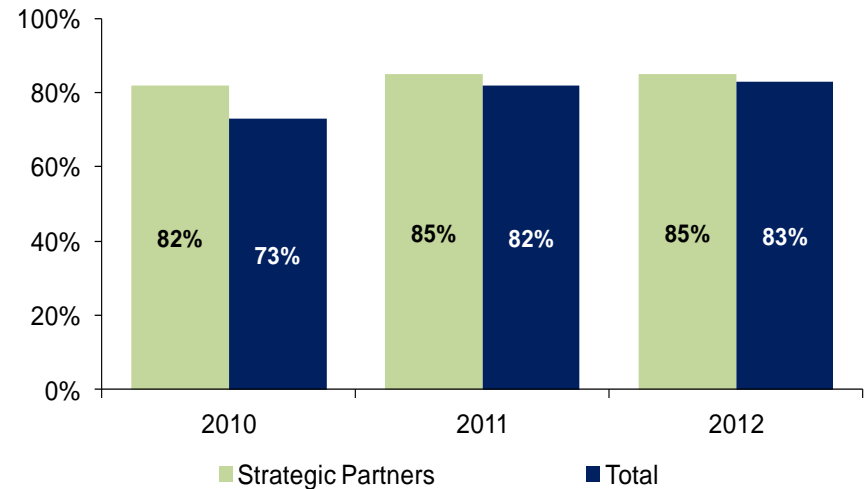
Improving Rate and Stable Retention

- **OVERALL** change in net rate up 8.3% at year-end 2012 YOY
 - *Many variables impact net rate including rate changes, underwriting risk profiles, pricing, changes in business mix*
- Positive net rate change in top five states (California, Illinois, Georgia, Florida and Nevada) and overall at year-end 2012 YOY
- Policy retention stable

Net rate (in-force premium per \$100 of payroll) increasing



Consistently high retention

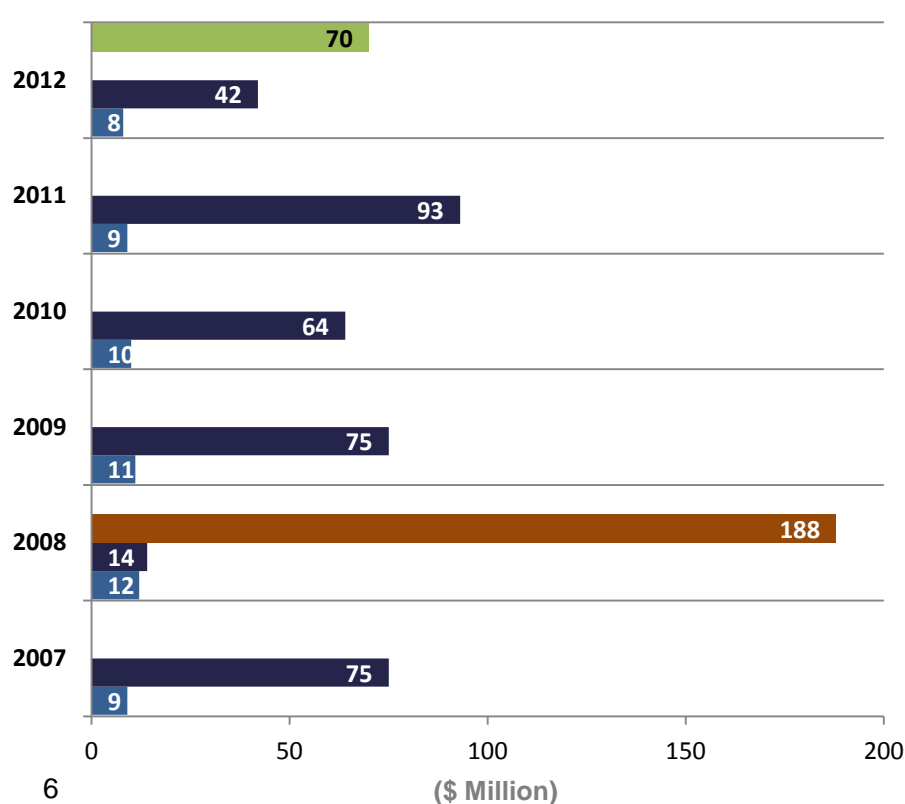


Capital Deployment

- Three uses of capital - \$216 million at 12/31/2012 in cash and securities at holding company
\$680 million deployed 2007 through 2012

1. Deploy into the business
2. Opportunistic acquisitions/mergers
3. Return to shareholders

○ Share repurchases and dividends from 2007 through 2012 represent 120% of net income before the LPT



Deploy in business

\$70 million paid to operating subsidiaries in September 2012 to support growth and financial ratings

Strategic acquisitions

\$188 million purchase of AmCOMP Inc. in 2008 expanded footprint, increased scale

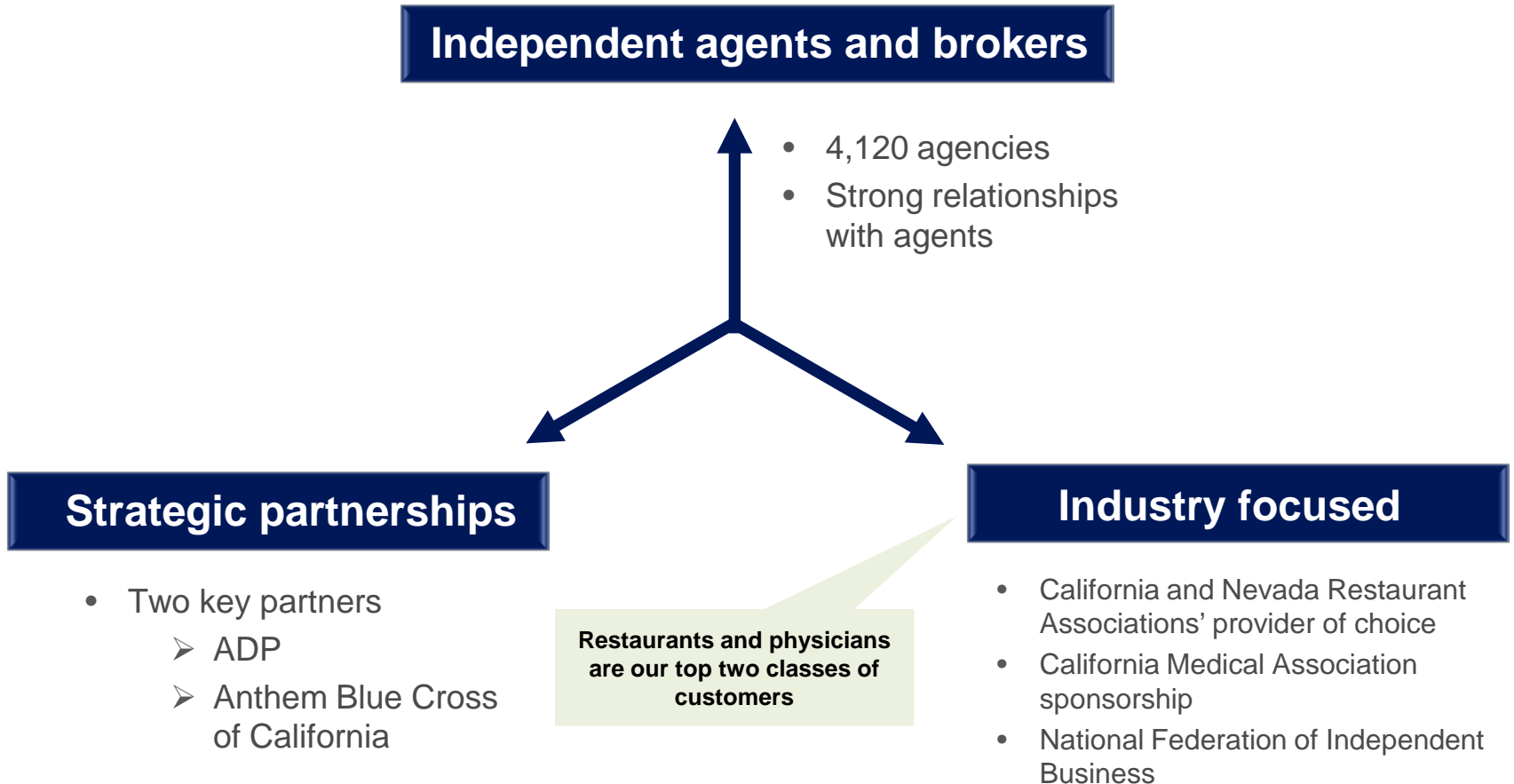
Share repurchases

\$363 million returned to shareholders, 23.4 million common shares at an average price of \$15.51, 2007 through 2012

Dividends

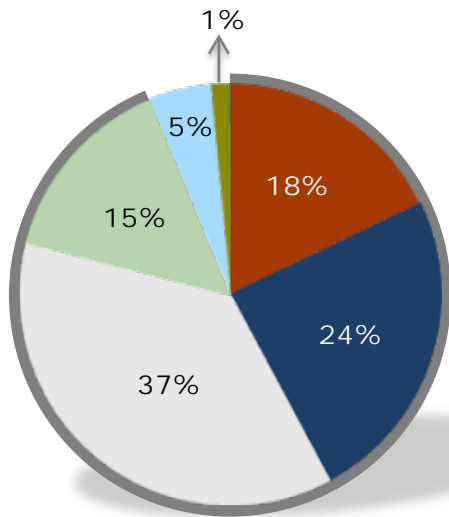
\$59 million in dividends, historically stable quarterly dividend of 6 cents per share, 2007 through 2012

Unique Distribution Network



Low Risk Focus

Underwriting focus on select low hazard groups A - D

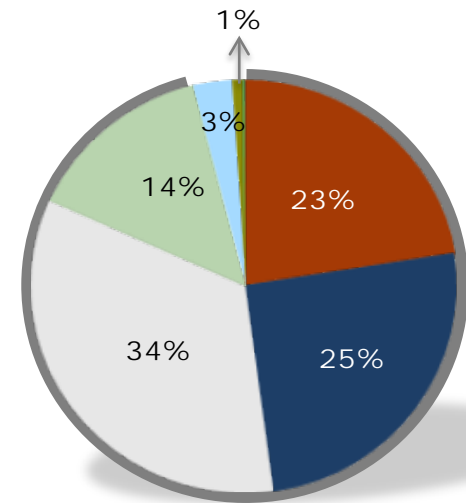


Hazard Group % at Dec. 31, 2011
94% in Hazard Groups A – D

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
- ↑ Lower Risk
↓ Higher Risk

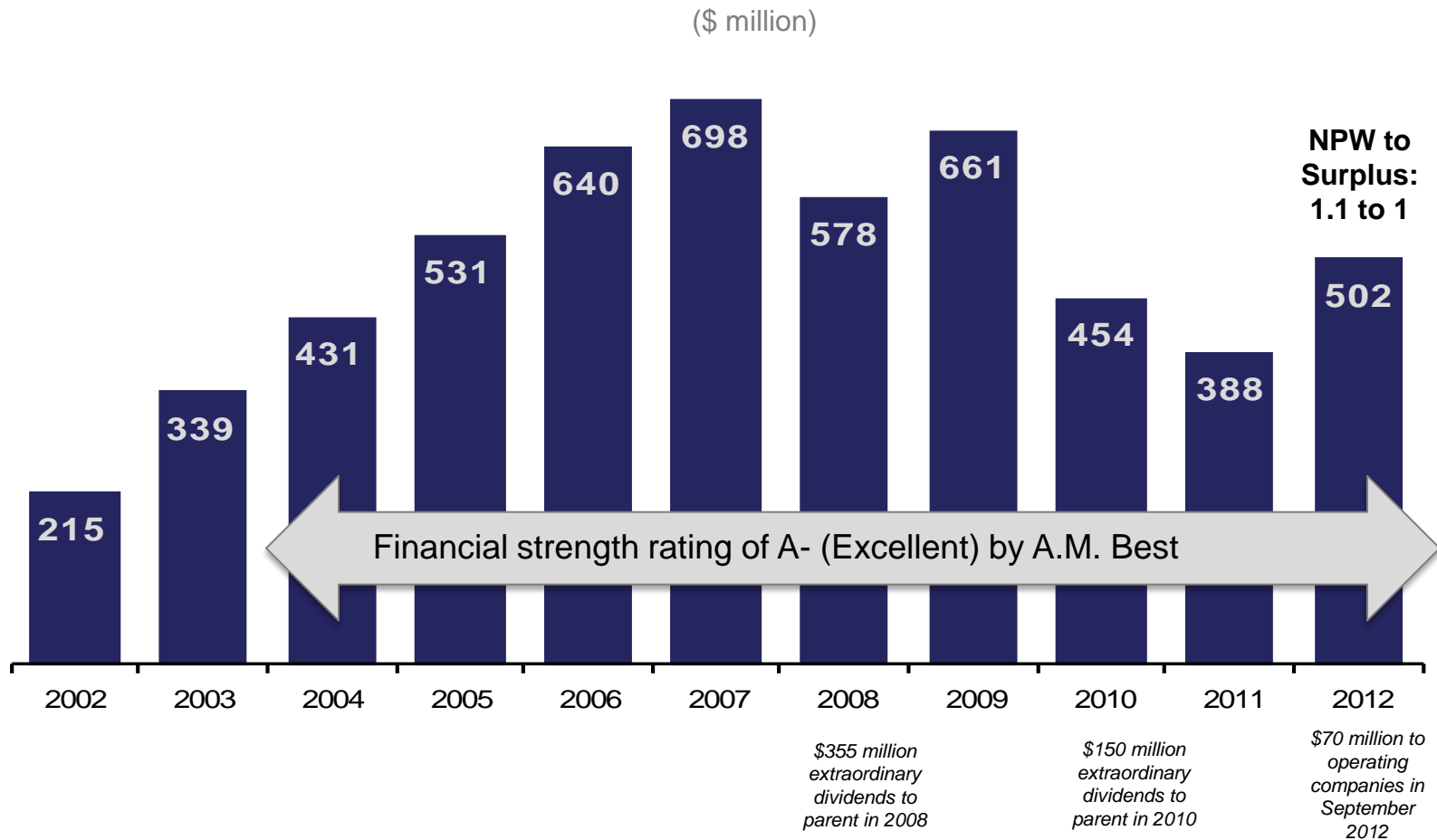
Data shown as a % of in force premiums



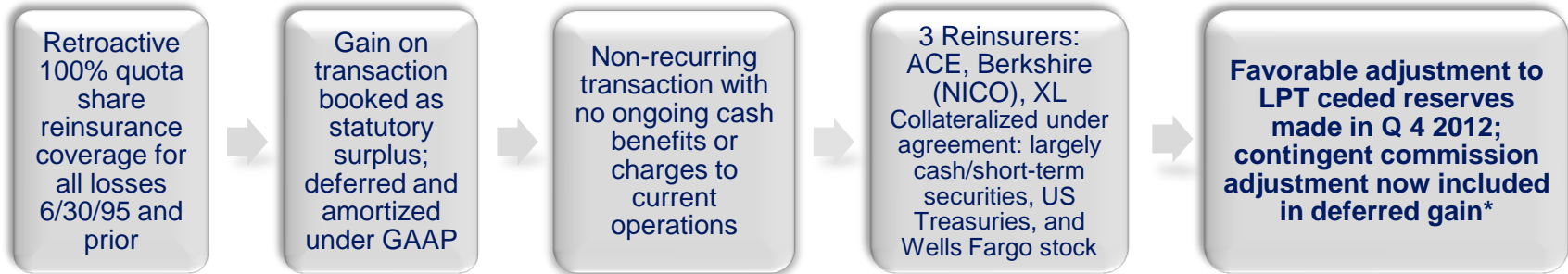
Hazard Group % at Dec. 31, 2012
96% in Hazard Groups A – D

Strong Capital Position

Statutory surplus provides a solid basis for underwriting



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 adjustments to the gain* | \$ (204) |
| Gain at 12/31/12 | \$ 546 |

| Accounting at 12/31/12 | |
|---|--------------|
| | (\$ million) |
| Statutory Surplus Created | \$546 |
| Cumulative Amortization To Date | (265) |
| GAAP: Deferred Reinsurance Gain – LPT Agreement | \$281 |

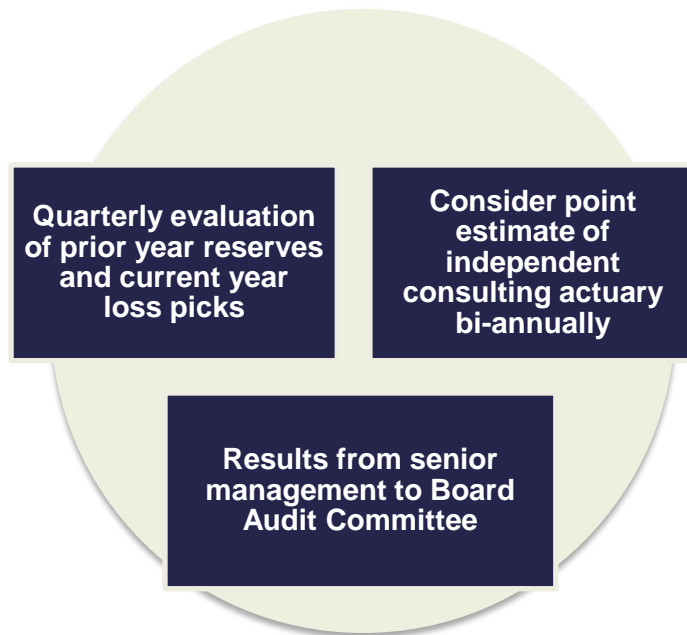
Claims 6/30/1995 and prior – Approximately 3,064 claims open as of 12/31/12 with 4.5% closing each year

Remaining liabilities at 12/31/12: \$672 million

*Any adjustment to the estimated reserves ceded under the LPT Agreement or any adjustment to the contingent profit commission under the LPT Agreement results in cumulative adjustments to the Deferred Gain, which are also included in losses and LAE incurred in the consolidated statement of income and comprehensive income, such that the Deferred Gain reflects the balance that would have existed had the revised reserves and/or the revised contingent profit commission been recognized at the inception of the LPT Agreement.

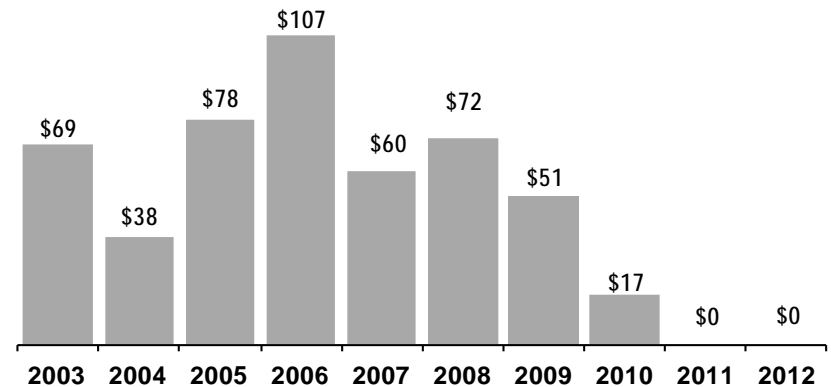
History of Reserve Strength

Reserve review



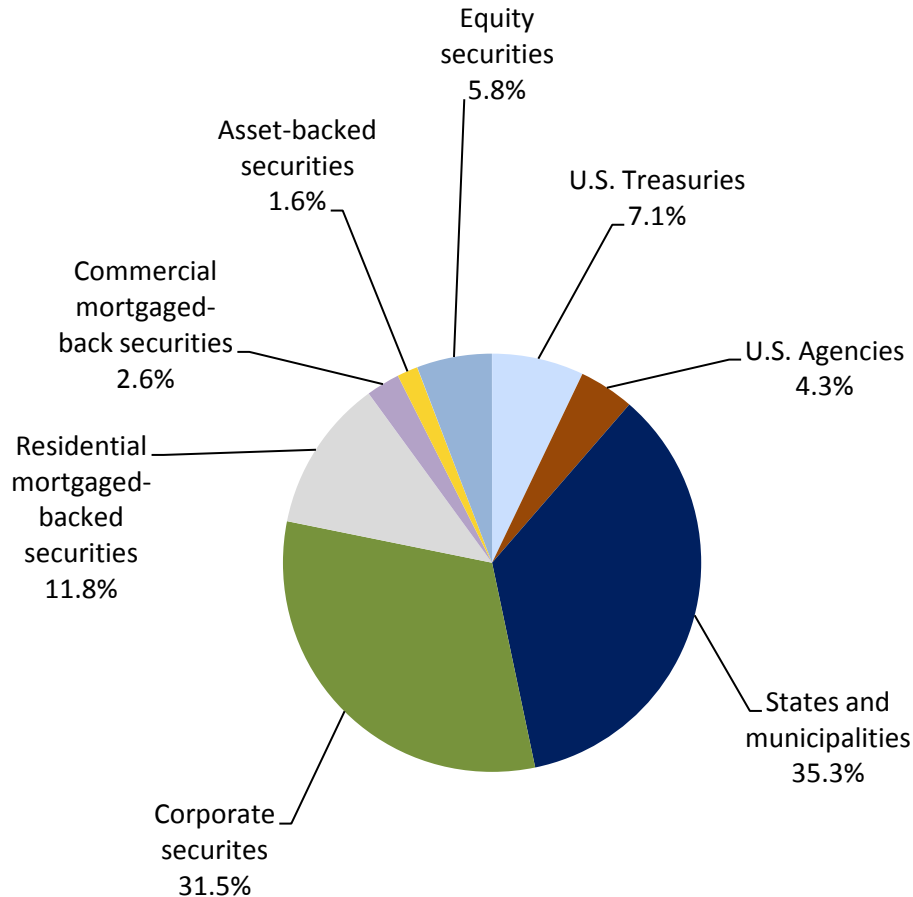
Reserve development

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



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

High Quality Investment Portfolio



12/31/2012: \$2 billion fair market value

- Fixed maturities have an average weighted rating of AA-
- 65.9% of the market value of our fixed maturities - rated AA or better
- 3.7% average book yield
- 4.4% tax equivalent book yield
- Effective duration of 4.2

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

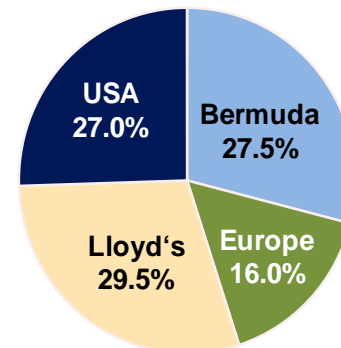
Rated A or better

Program structure, effective 7/1/12

Limits of \$200M

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

Reinsurers by Market



Key Strengths



- **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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Appendix

Corporate Structure



Operating Conditions

Economic conditions

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

Workers' compensation market

- High combined ratios
- Firming market
- Rate increases in largest markets

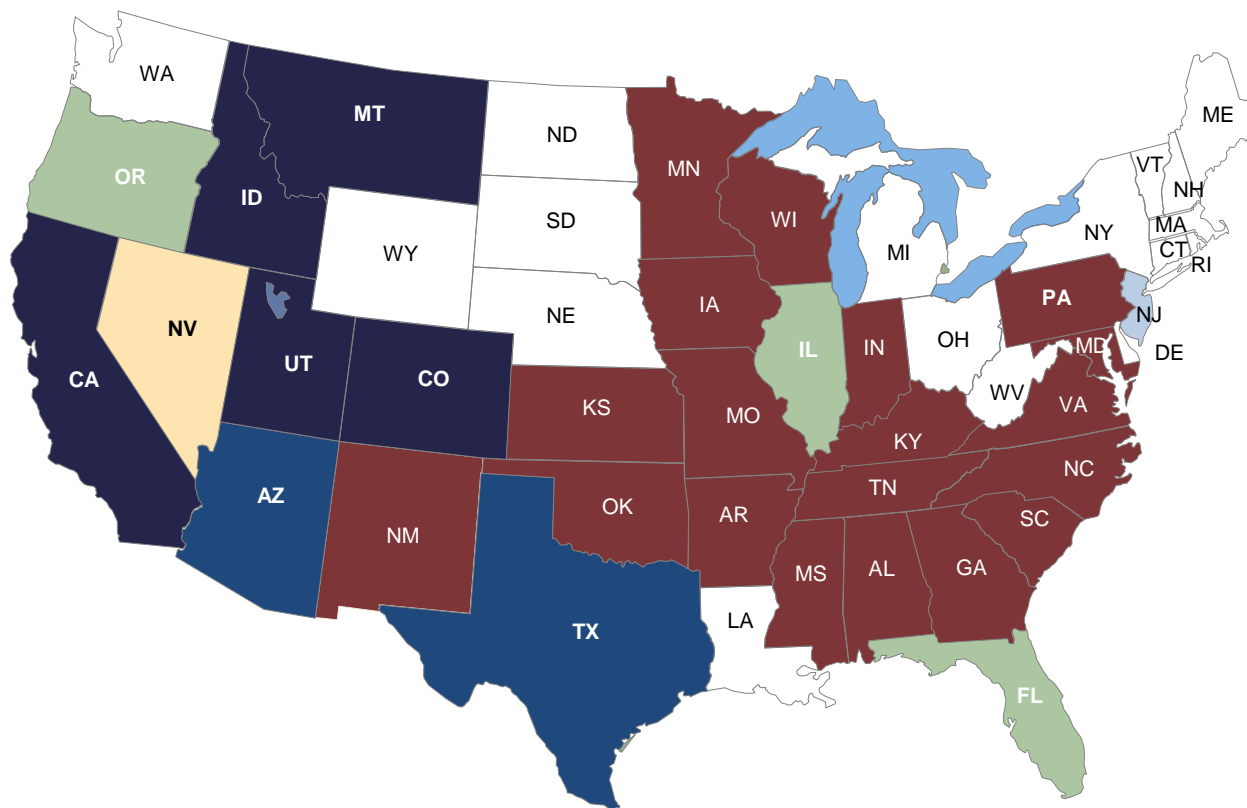
P & C Segment

- Over capitalization
- Improving pricing

EHI: solid financial position

- Significant capital
- Stable investment portfolio

Selectively Expanding Footprint



HISTORY

| 2000 | 2002 | 2006 | 2007 | 2008 | 2009-2012 |
|--|---|---|---|--|--|
| 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 – 2012 Focus on growth in existing states; entry into New Jersey |

Ongoing Distribution Network

Partnerships



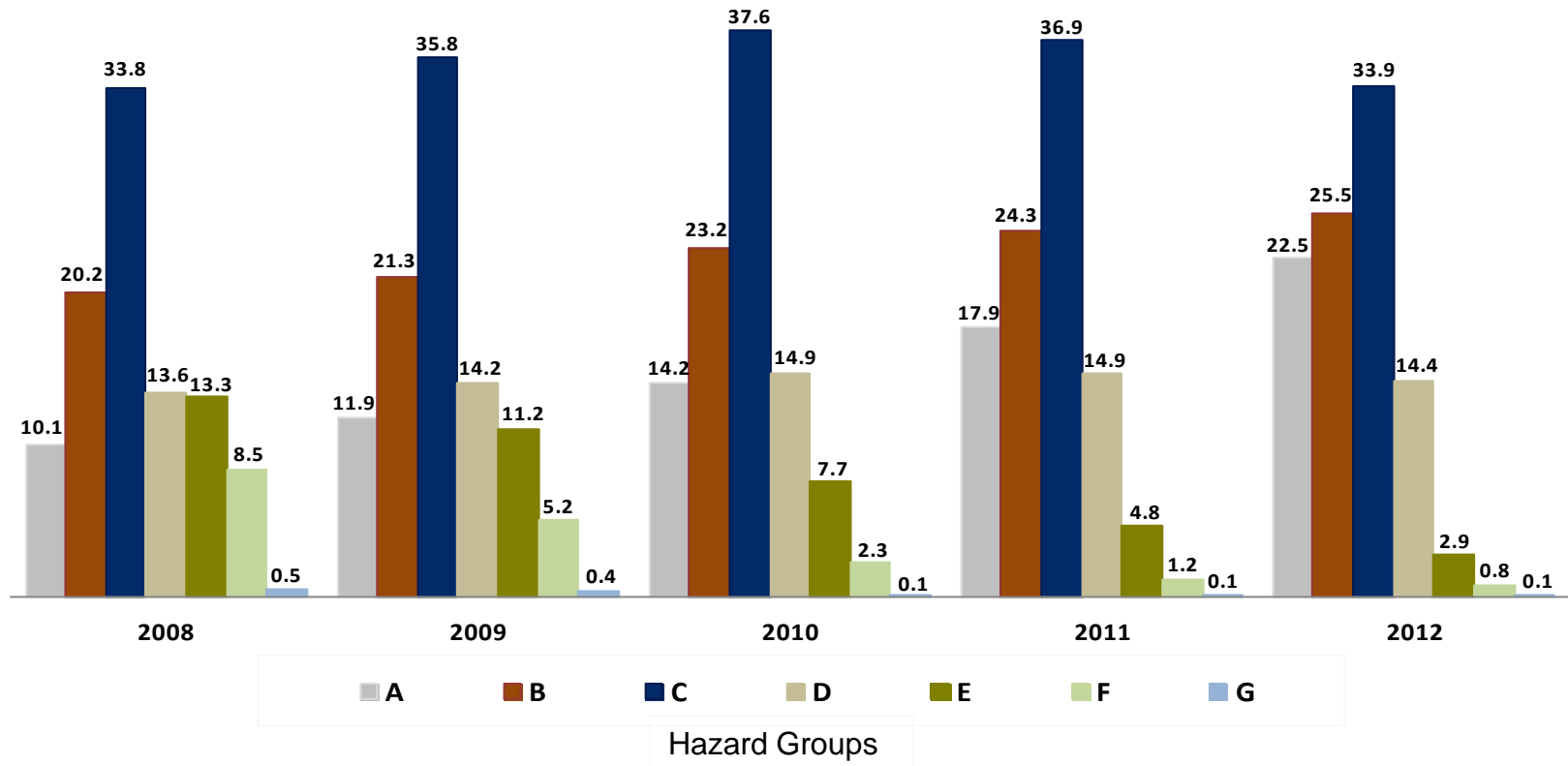
| | |
|---|---|
|  | <i>Largest payroll services company in the U.S. Partner since 2002 – business originates with ADP’s field sales staff and insurance agency with “Pay-by-Pay®” premium collection</i> |
|  | <i>Largest group health carrier in CA – exclusive relationship – use medical provider network - Partner since 2002 – business originated by health agents with a single bill to customers</i> |
|  | <i>Specialty provider of payroll and human resource services, 2nd largest payroll provider in U.S. Partner since Q 4 2012</i> |
|  | <i>Specialty provider of payroll services / insurance broker Partner since Q4 2006, expanded alliance in 2008</i> |
|  | <i>Provider of insurance software services – partner since Q4 2007</i> |
|  | <i>Small business payroll services – partner since Q2 2008</i> |
|  | <i>Online payroll services and payment processing One of the largest independent payroll processors in Southern CA Partner since Q1 2009</i> |
|  | <i>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</i> |
|  | <i>New Partnerships</i> |

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Disciplined Risk Selection

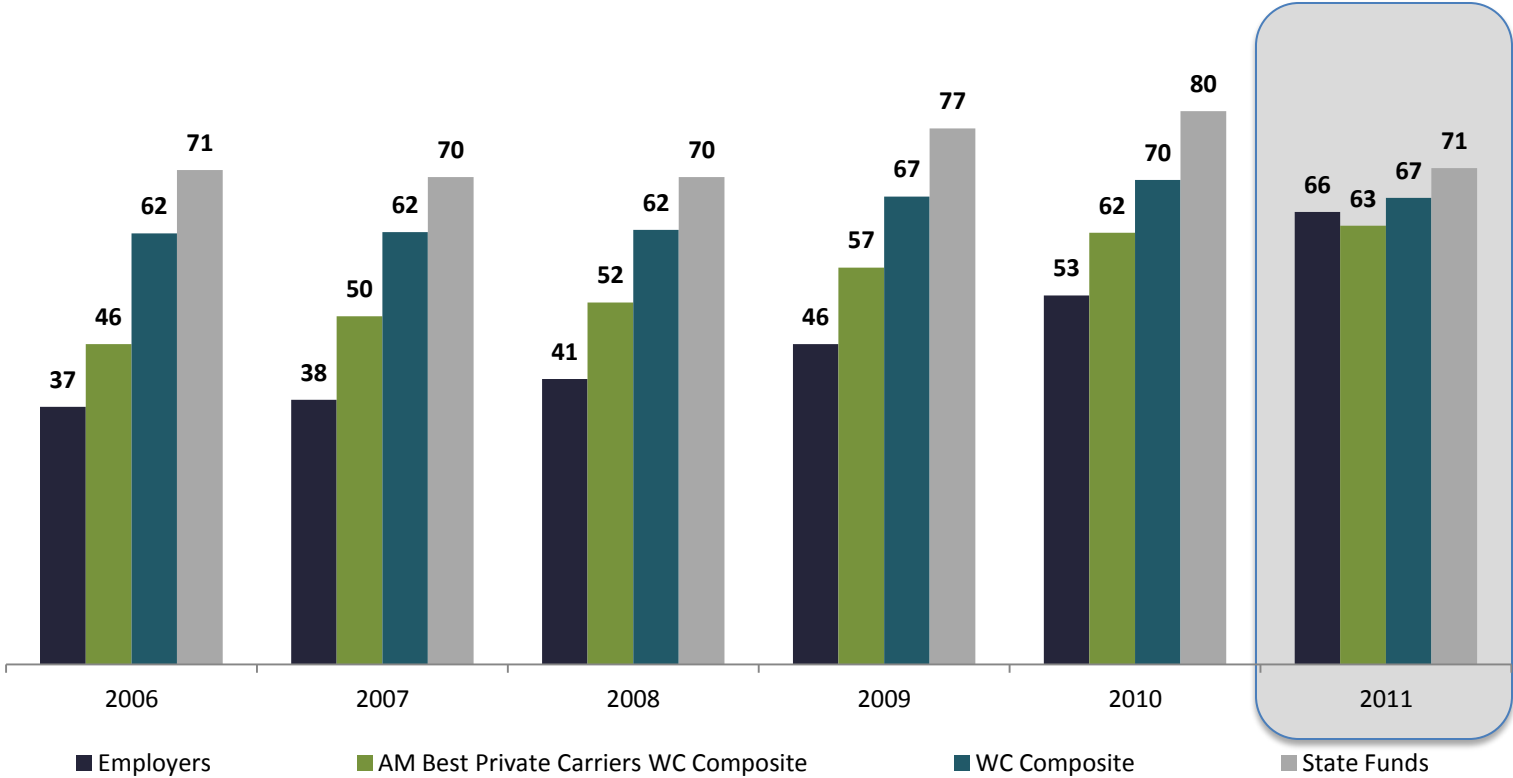
% of In-Force Premium by Hazard Group

Groups A - G, 12/31/2008 – 12/31/2012



Statutory Loss Ratios

EMPLOYERS: Historically low loss ratios (%)



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

Selected Results

| Income Statement (\$ million) | 12 Months Ended December 31, | |
|--|------------------------------|--------------|
| | 2011* (As Restated) | 2012** |
| Gross written premium | 418.5 | 580.3 |
| Net written premium | 410.0 | 569.7 |
| Net earned premium | 363.4 | 501.5 |
| Net investment income | 80.1 | 72.4 |
| Net income | 48.6 | 106.9 |
| Net income before LPT | 29.3 | 7.0 |
| Balance Sheet (\$ million except per share data) | 2011 | 2012 |
| Total investments | 1,950.7 | 2,149.5 |
| Cash and cash equivalents | 258.6 | 146.0 |
| Total assets | 3,482.3 | 3,511.3 |
| Reserves for losses and LAE | 2,272.4 | 2,231.5 |
| Shareholders' equity | 462.0 | 539.4 |
| Equity including LPT deferred gain | 828.0 | 820.4 |
| Book value (equity plus LPT deferred gain) per share | 25.09 | 26.66 |

•Includes LPT revisions related to the LPT contingent profit commission. (see Forms 8-K dated February 27, 2013 and Form 10-K for the period ending December 31, 2012)

** Includes adjustments to the LPT Agreement deferred gain for favorable prior period development of ceded reserves and the LPT contingent profit commission (see Forms 8-K dated February 27, 2013 and Form 10-K for the period ending December 31, 2012)

Superior Claims Management

In-house medical management staff

- Coordinate care and manage medical costs

Comprehensive fraud program

- \$2.9 million savings in 2012

Rigorous quality assurance processes

- Compliance with best practices and regulatory requirements

Dedicated subrogation unit

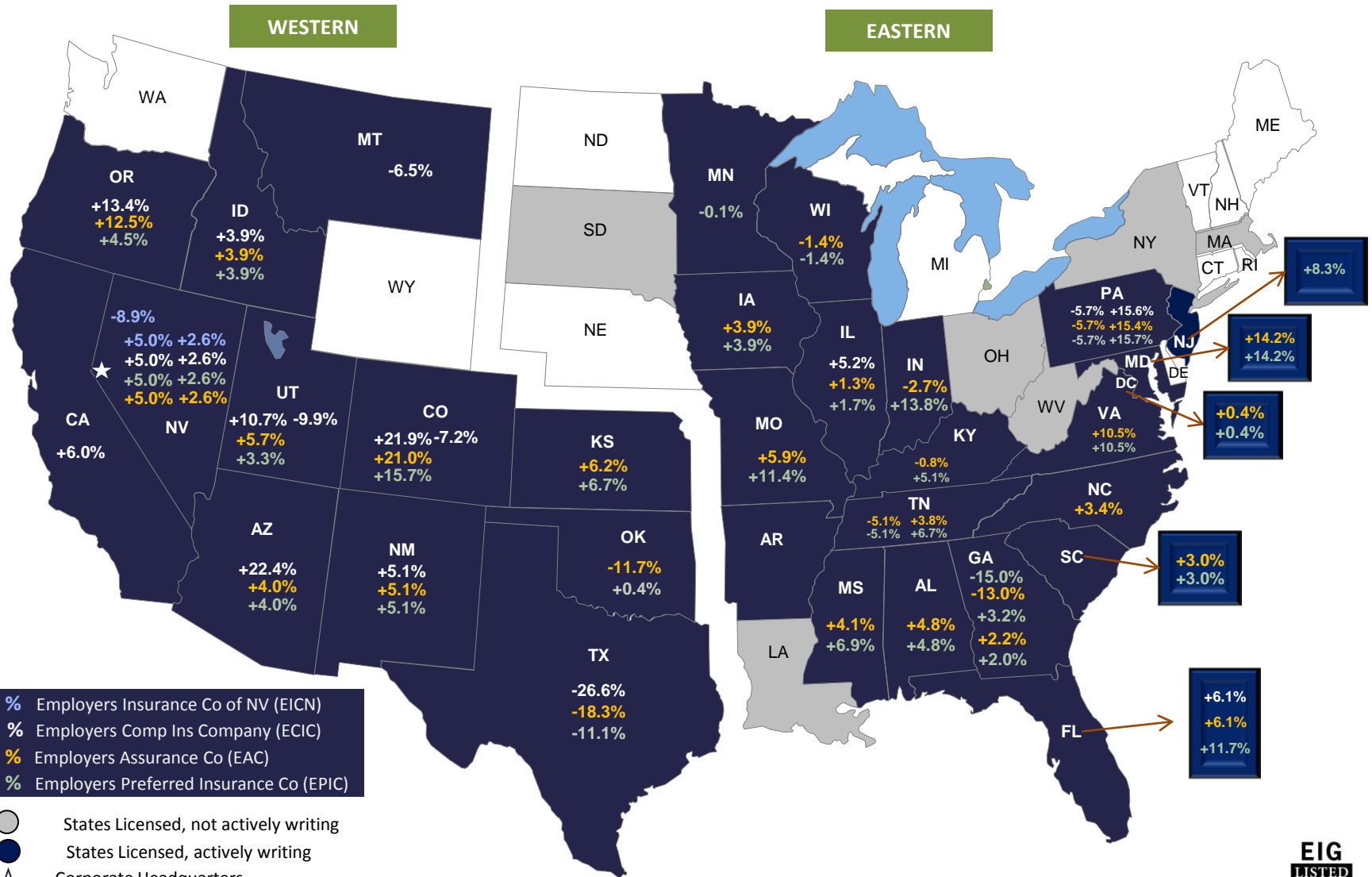
- Recoveries over \$2.0 million in 2012

Pharmacy benefit management program

- \$3.4 million savings in 2012

Claims professionals average over a decade of experience

Filed Rate Changes: 04/01/12 thru 03/31/13



% 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