



**Employers
Holdings, Inc.**
RESULTS



**Investor
Presentation**



2018

Executive Summary

Underwriting:

- Continued a multi-year strategy to enable the writing of business in the continental United States, excluding monopolistic states.
- Began a multi-year Initiative to improve policy lifecycle efficiencies through the enhanced use of technology and data to automate work flows.

Claims:

- Claim settlement strategies and the use of an outcomes based network in California continues to produce paid claims averages significantly better than the industry.
- Our aged pending initiative targets our most expensive strata of claims - those between 2 to 3 years old. Begun in 2015, this initiative has resulted in \$157.4 million in reserve salvage for 2015 – 2017 cumulatively.
- Implemented the use of predictive analytics in identifying “jumper” claims and initiated a project to use predictive analytics to identify medical provider fraud

Financials:

- Strong capitalization.
- Strong operating performance with significant underwriting profit.
- AM Best A-(Excellent) rating with positive outlook.

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 the underlying trends in our business.
- These measures should not be viewed as a substitute for those determined in accordance with GAAP.
- Reconciliation of these measures to their most comparable GAAP financial measures are included in the attachment to this presentation. They are also included in the earnings release Form 8-Ks filed with the Securities and Exchange Commission (SEC) and available in the "Investor Relations" section of our website at www.employers.com.

Forward- looking Statements

- This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.
- These statements often include words like "believe", "expect", "anticipate", "estimate" and "intend" or future or conditional verbs such as "will", "would", "should", "could" or "may".
- All such written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by these cautionary statements. They may reflect EMPLOYERS' current views with respect to future events, business transactions and business performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in these statements.
- The business of EMPLOYERS® and those engaged in similar lines of business could be affected by a number of factors identified in EMPLOYERS® filings with the SEC.
- Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made.

Updates

- We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

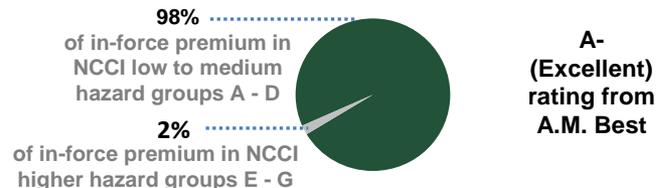
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- EMPLOYERS® and *America's small business insurance specialist*® are registered trademarks of Employers Insurance Company of Nevada.
- Employers Holdings, Inc. is a holding company with subsidiaries that are specialty providers of workers' compensation insurance and services focused on select, small businesses engaged in low to medium hazard industries.
- The company, through its subsidiaries, operates in 40 states and the District of Columbia. Insurance subsidiaries include Employers Insurance Company of Nevada, Employers Compensation Insurance Company, Employers Preferred Insurance Company, and Employers Assurance Company, all rated A- (Excellent) by A.M. Best Company. Additional information can be found at: <http://www.employers.com>.

EMPLOYERS at a glance: Q1 2018

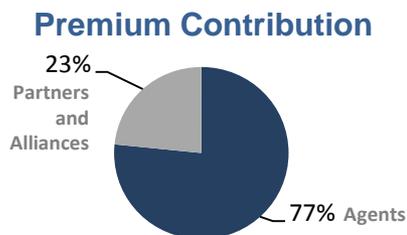
EMPLOYERS is a mono-line writer of workers' compensation (WC) insurance focused on low to medium hazard risk small businesses

86,639 in-force policies
\$7,439 average policy size
Multiple insurance companies



GROWTH and MARKETS

1913: State Fund of Nevada
2000: Privatization
2007: IPO
2017: Operating in 37 states and DC



CAPITAL STRENGTH

Statutory Surplus



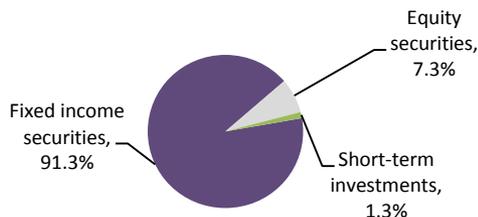
Best's Capital Adequacy Ratio (at VaR 99.6)

36

\$1.1B
 Stockholders' Equity plus LPT Deferred Gain

\$506M
 returned to shareholders since IPO in share repurchases and dividends

\$2.7B
 Investment Portfolio (AA-)

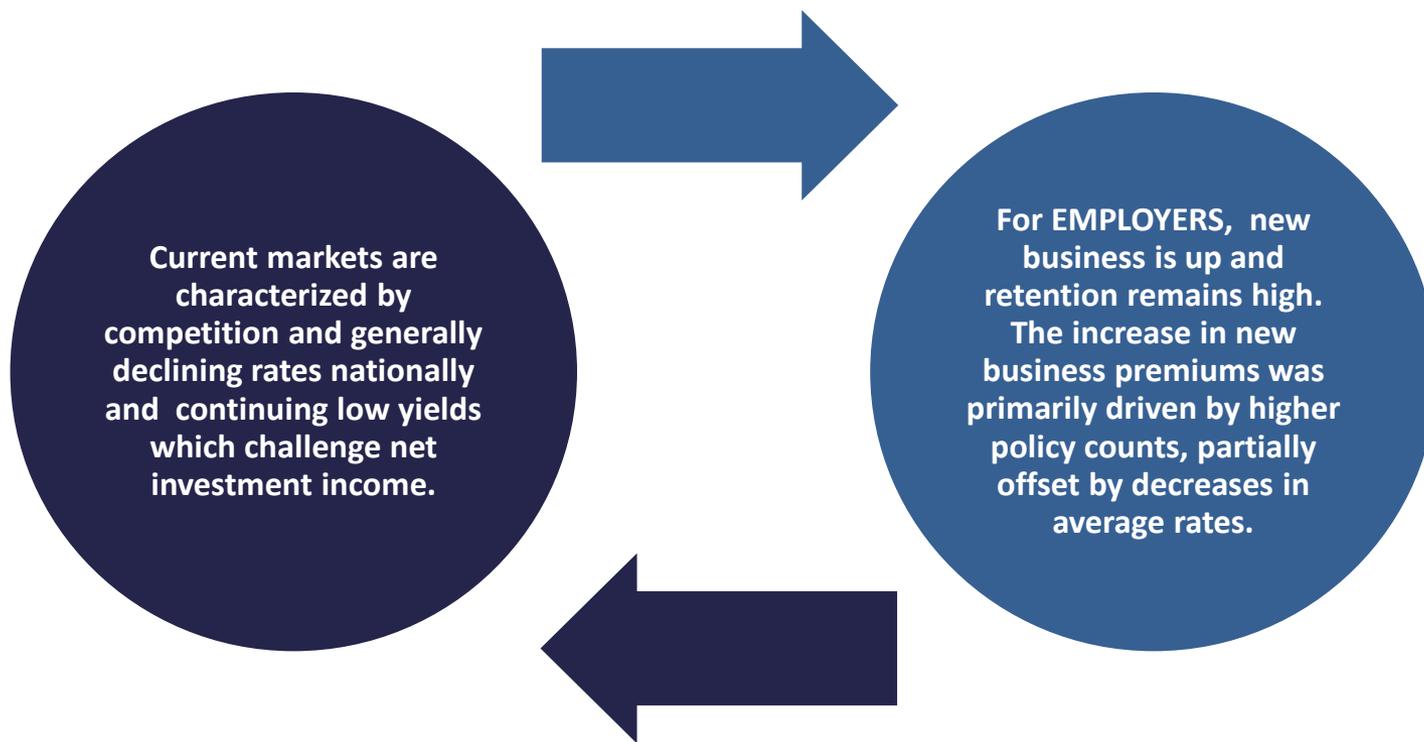


Reinsurance

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

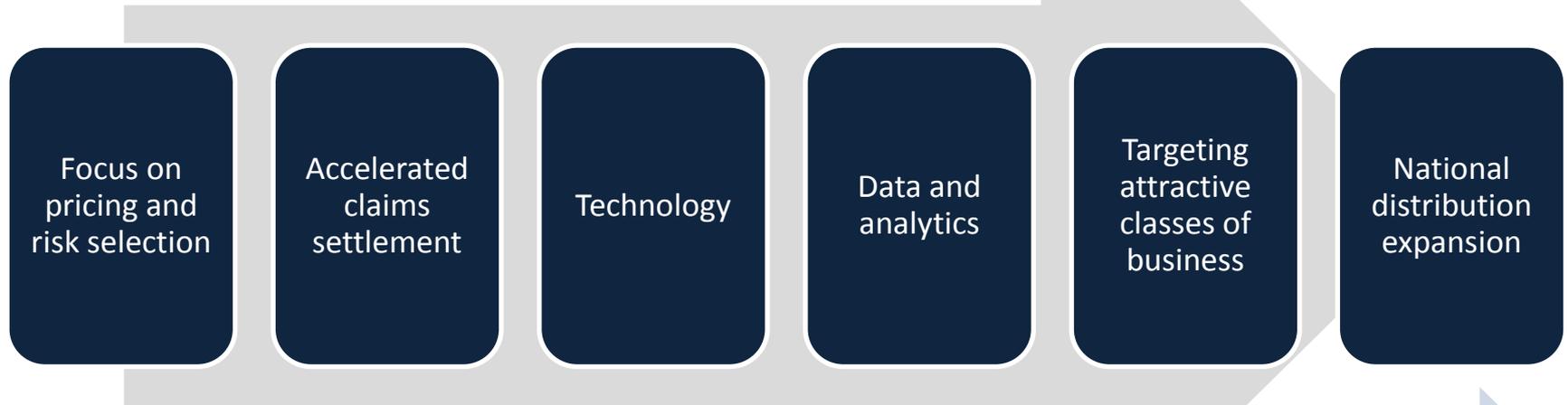
EIG
 LISTED
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Market Conditions



Business Strategies

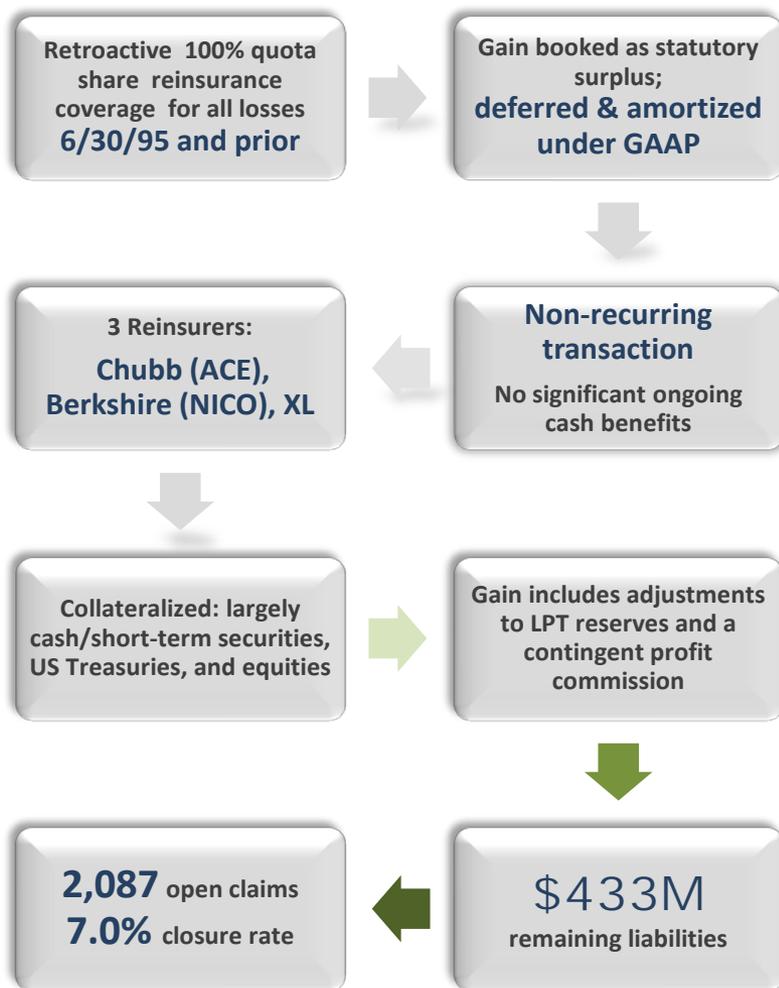
Markets are competitive with generally declining loss costs reflected in rates. Focus on book value and adjusted return on equity



Acquisition of PartnerRe New York



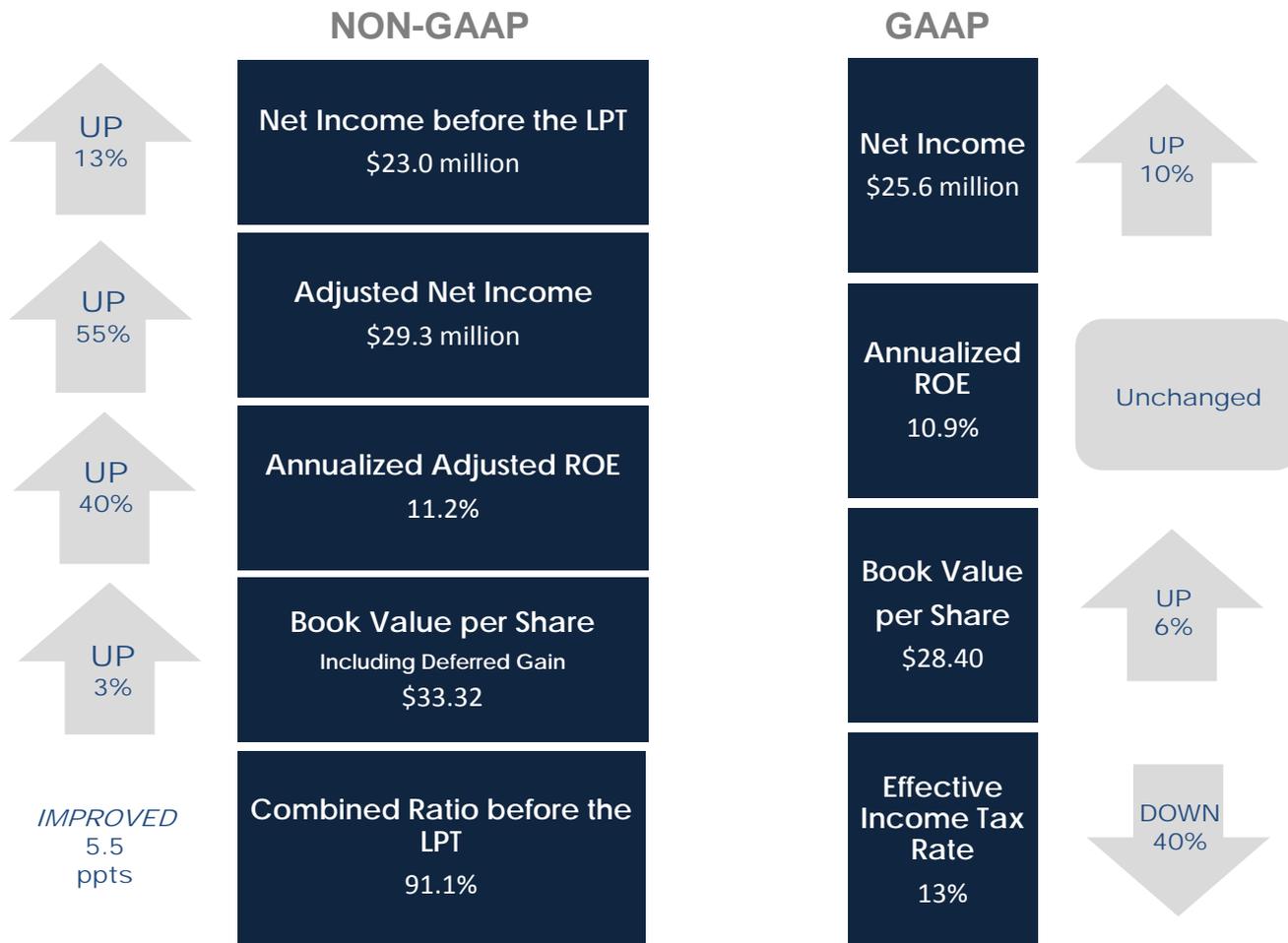
Loss Portfolio Transfer (LPT) Accounting



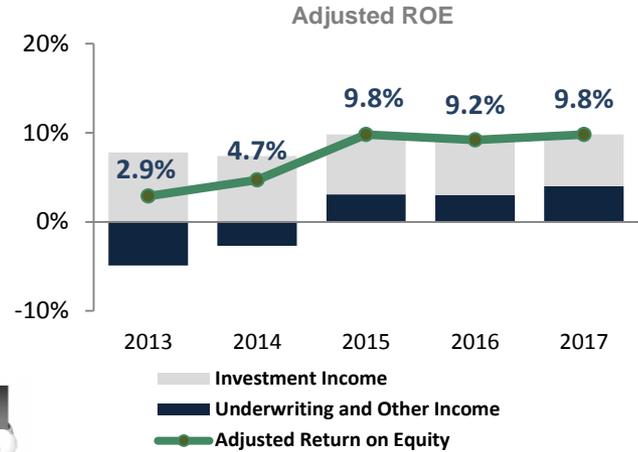
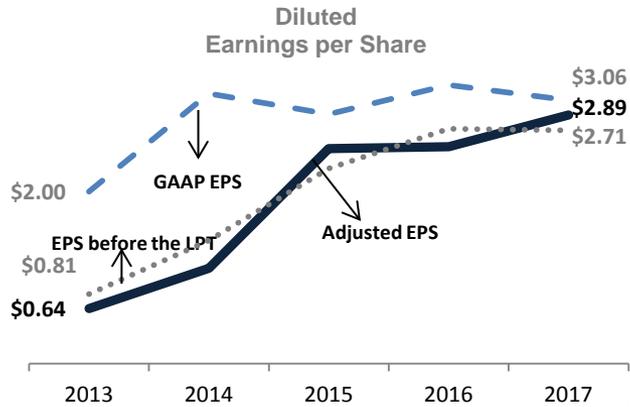
THE LPT AGREEMENT		(\$ million)
Total coverage		\$2,000
Original reserves (liabilities) transferred		1,525
Consideration		775
Unamortized gain at 6/30/1999		750
Subsequent LPT reserve adjustments		(337)
Subsequent LPT contingent commission adjustments (profit sharing)		68
Unamortized gain at 03/31/18		481
Accounting at 03/31/18		
Statutory surplus created		481
Cumulative amortization to date		320
GAAP: Deferred Reinsurance Gain-LPT Agreement		\$161

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

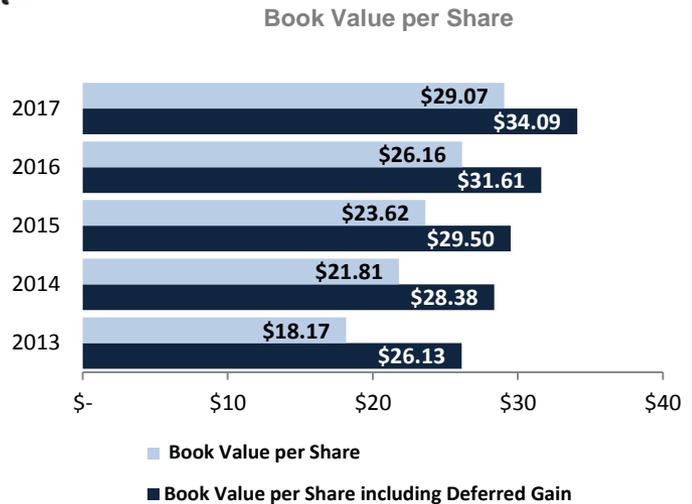
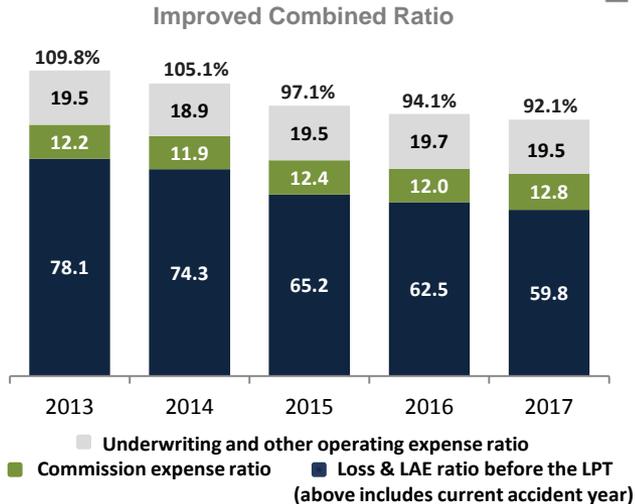
Q1 2018 Highlights (Q/Q)



5 Year Performance



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



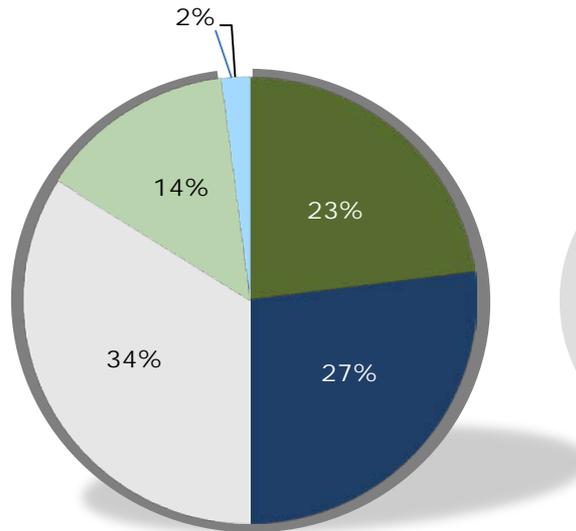
Low Risk Focus

Focus on Select Low to Medium Hazard Groups

Data shown as a % of in-force premium

NCCI Hazard Groups

- | | | |
|----------------|---|-------------|
| Hazard Group A | ■ | Lower Risk |
| Hazard Group B | ■ | |
| Hazard Group C | ■ | |
| Hazard Group D | ■ | |
| Hazard Group E | ■ | |
| Hazard Group F | ■ | |
| Hazard Group G | ■ | Higher Risk |
- ↑
↓



EMPLOYERS® Top 10 types of insureds:

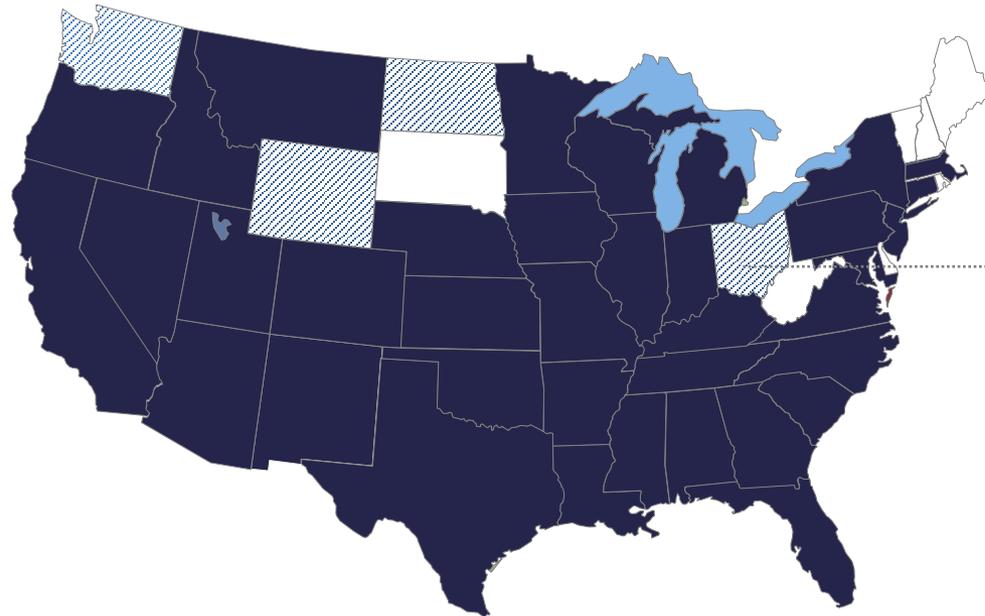
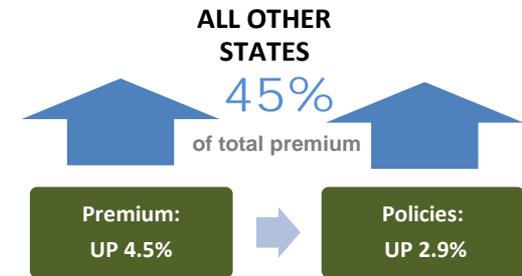
- Restaurants
- Hotels, Motels
- Clubs
- Automobile Service or Repair Shops
- Dentists, Optometrists, and Physicians
- Stores
- Real Estate Management
- Wholesale Stores
- Professional Services
- Groceries and Provisions

98.0% in Hazard Groups A – D

In-force Growth

OVERALL

- YTD YoY premium renewal rate:
- Premium: UP 2.8%
- Policies: UP 1.3%
- Average policy size: UP 1.4%
- Payroll exposure: UP 6.6%



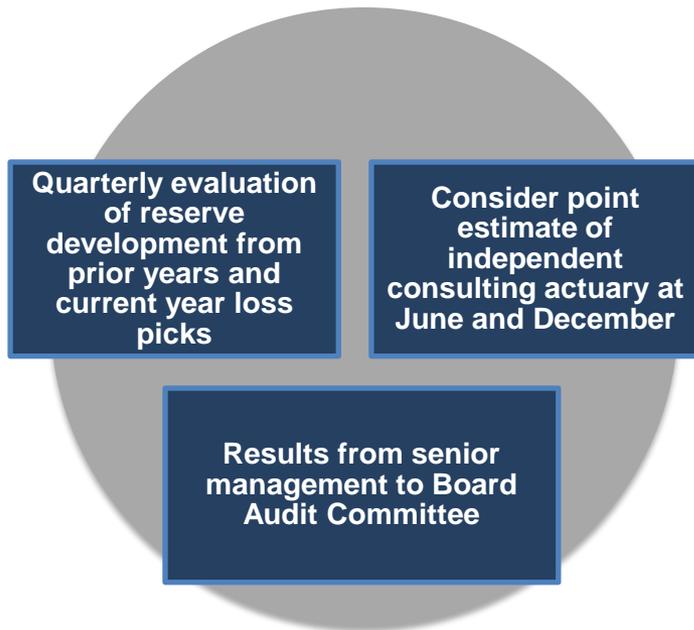
CALIFORNIA
55%
of total premium

Premium: UP 1.5% → Policies: DOWN 0.3%

State monopolies
(lined states)

History of Reserve Strength

Reserve review



Reserve development

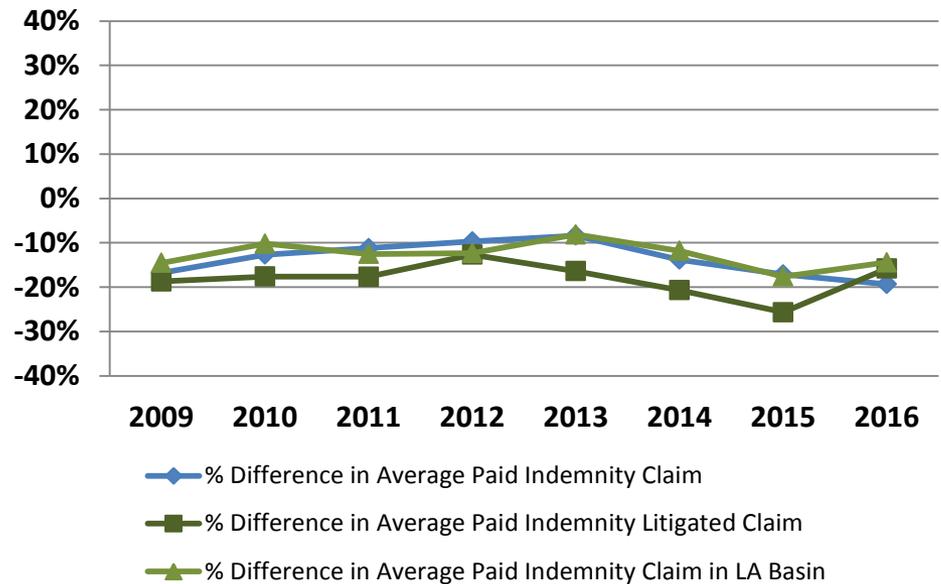
Net Calendar Year Reserve Development for Prior Accident Years
(\$ million, excludes involuntary business)



Superior Claims Results



**% Difference: EMPLOYERS[®]
average cost per paid claim in
California
vs.
the California industry average**



Source: California Workers' Compensation Institute, data as of June 30, 2017.

Strong Capital Position

- \$2.7 billion invested assets

PORTFOLIO



- \$78.1 million at parent
- Low debt
- No advances under credit facilities at operating cos

FINANCIAL FLEXIBILITY



- \$887 million

STATUTORY CAPITAL



- 33% increase in cash dividend in 2018
- \$50 million share repurchase program
- \$506 million returned to shareholders since IPO

ACTIVE CAPITAL MANAGEMENT



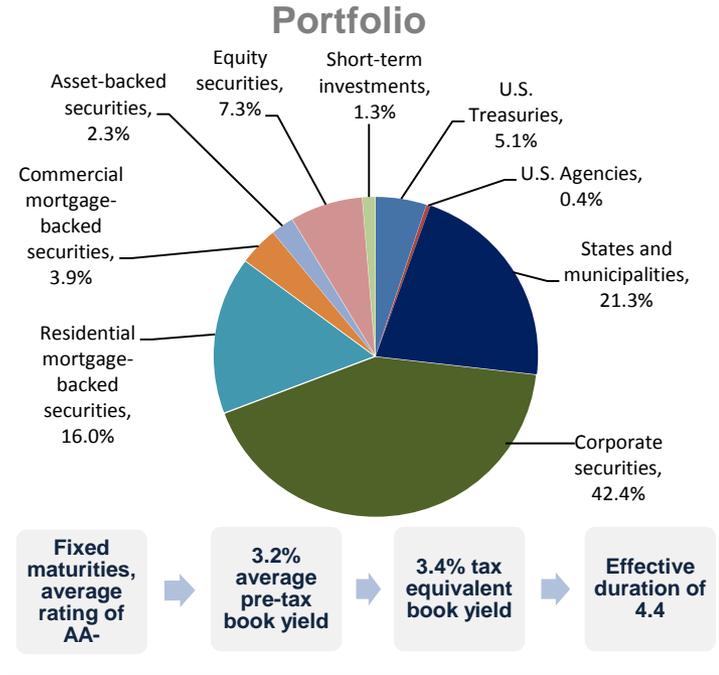
- BVPS \$28.40
- BVPS (Including Deferred Gain) \$33.32

BVPS



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

HIGH QUALITY REINSURANCE

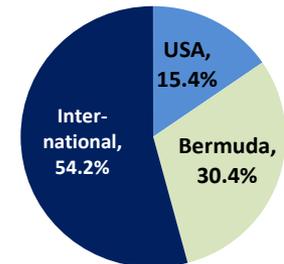


Reinsurance: renews 7/1/17

Limits of \$200M

Retention of \$10M (increased from \$7 million)

Maximum any one life - \$20M



EIG
LISTED
NYSE

A.M. Best's Capital Adequacy Ratio - BCAR

Employers indicative BCAR at September 30, 2017 is approximately 36 (at VaR 99.6) as measured under A.M. Best's stochastic-based BCAR introduced in October 2017

The BCAR formula:

$$((\text{Available Capital} - \text{Net Required Capital}) / \text{Available Capital}) \times 100$$

Description	Indicative BCAR	FSR
Strongest	> 25 at 99.6	A
Very Strong	> 10 at 99.6	A / A -
Strongest	> 0 at 99.5	A - / B++
Adequate	> 0 at 99	B++ / B +
Weak	> 0 at 95	B / B -
Very Weak	< 0 at 95	C++ and below



Employers indicative FSR if based purely on BCAR*

* Additional rating considerations include: stress tests, quality of reinsurance, financial and operating leverage, liquidity, quality of capital, internal capital models, as well as diversification and concentration considerations.

EMPLOYERS Financial Strength Rating and Long-Term Credit Ratings of “A-” were affirmed on February 22, 2018 with a revised outlook of “positive”



OVER 100 YEAR OPERATING HISTORY

Strong underwriting focus with established presence in attractive markets

Realized growth, expense management, improving operating ratios

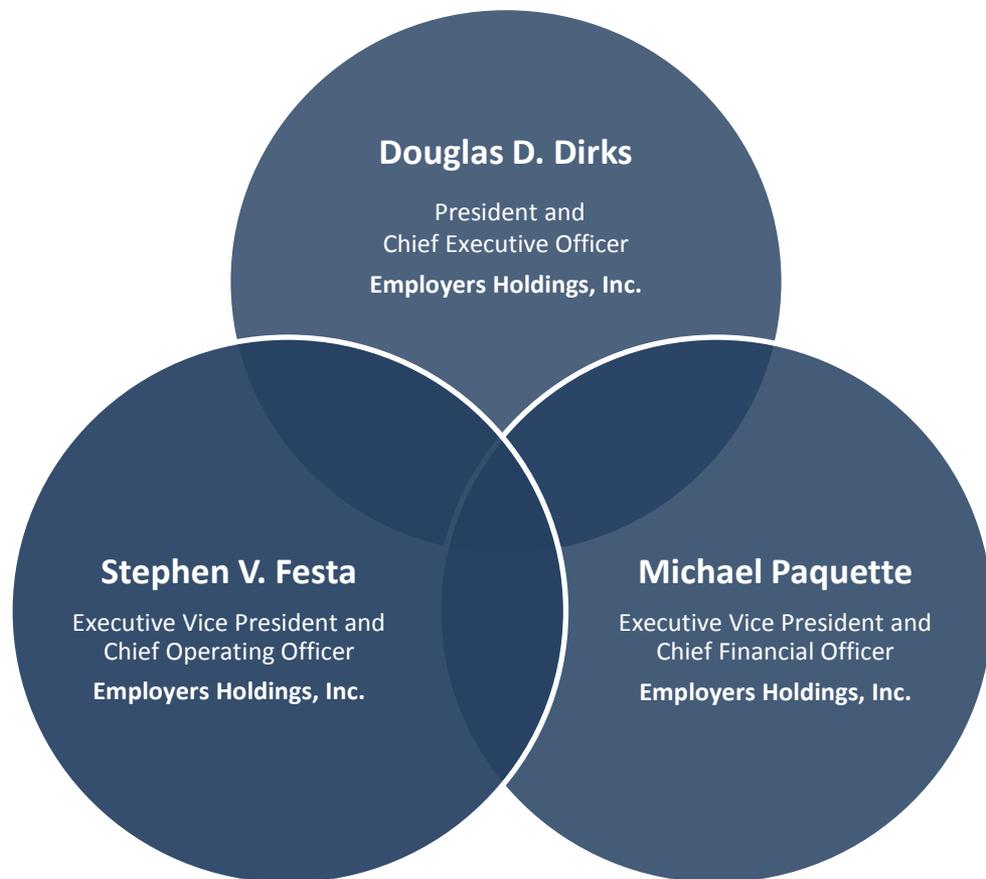
Unique, long-standing strategic distribution relationships

Conservative risk profile and prudent capital management

Solid financial position and strong balance sheet

Experienced management team with deep knowledge of workers' compensation

Demonstrated ability to manage through challenging operating conditions



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Chief Financial Officer
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Definitions and Reconciliations of Non-GAAP to GAAP Measures

Within this investor presentation we present various financial measures, some of which are "non-GAAP financial measures" as defined in Regulation G pursuant to Section 401 of the Sarbanes - Oxley Act of 2002. A description of these non-GAAP financial measures, as well as a reconciliation of such non-GAAP measures to EMPLOYERS most directly comparable GAAP financial measures is included in the attached Financial Supplement. Management believes that these non-GAAP measures are meaningful to the Company's investors, analysts and other interested parties who benefit from having an objective and consistent basis for comparison with other companies within our industry. These non-GAAP measures are not a substitute for GAAP measures and investors should be careful when comparing the Company's non-GAAP financial measures to similarly titled measures used by other companies.

Employers Holdings, Inc.
First Quarter 2018
Financial Supplement

EMPLOYERS[®]

America's small business insurance specialist[®]

EMPLOYERS HOLDINGS, INC.
Consolidated Financial Highlights (unaudited)
\$ in millions, except per share amounts

	Three Months Ended		% change
	March 31,		
	2018	2017	
Selected financial highlights:			
Gross premiums written	\$ 211.6	\$ 197.6	7 %
Net premiums written	210.1	196.1	7
Net premiums earned	176.6	175.3	1
Net investment income	19.4	18.8	3
Underwriting income ⁽¹⁾	18.3	8.9	106
Net income before impact of the LPT ⁽¹⁾	23.0	20.3	13
Adjusted net income ⁽¹⁾	29.3	18.9	55
Net income	25.6	23.2	10
Comprehensive (loss) income	(9.8)	31.2	n/m
Total assets	3,847.9	3,833.6	—
Stockholders' equity	930.3	867.5	7
Stockholders' equity including the Deferred Gain ⁽²⁾	1,091.3	1,039.4	5
Adjusted stockholders' equity ⁽²⁾	1,093.3	956.9	14
Annualized adjusted return on stockholders' equity ⁽³⁾	11.2 %	8.0 %	40 %
Amounts per share:			
Cash dividends declared per share	\$ 0.20	\$ 0.15	33 %
Earnings per diluted share ⁽⁴⁾	0.77	0.70	10
Earnings per diluted share before impact of the LPT ⁽⁴⁾	0.69	0.62	11
Adjusted earnings per diluted share ⁽⁴⁾	0.88	0.57	54
Book value per share ⁽²⁾	28.40	26.88	6
Book value per share including the Deferred Gain ⁽²⁾	33.32	32.20	3
Adjusted book value per share ⁽²⁾	33.38	29.65	13
Combined ratio before impact of the LPT:⁽⁵⁾			
Loss and loss adjustment expense ratio:			
Current year	62.5 %	63.8 %	
Prior year	(7.0)	—	
Loss and loss adjustment expense ratio	55.5 %	63.8 %	
Commission expense ratio	13.4	12.3	
Underwriting and other operating expenses ratio	22.2	20.4	
Combined ratio before impact of the LPT	91.1 %	96.6 %	

(1) See Slide 21 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(2) See Slide 26 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(3) See Slide 22 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(4) See Slide 27 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(5) See Slide 23 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

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

	March 31, 2018	December 31, 2017
ASSETS		
Investments, cash and cash equivalents	\$ 2,725.6	\$ 2,752.0
Accrued investment income	18.9	19.6
Premiums receivable, net	350.0	326.7
Reinsurance recoverable on paid and unpaid losses	538.0	544.2
Deferred policy acquisition costs	50.8	45.8
Deferred income taxes, net	26.5	28.7
Contingent commission receivable—LPT Agreement	31.4	31.4
Other assets	106.7	91.7
Total assets	\$ 3,847.9	\$ 3,840.1
LIABILITIES		
Unpaid losses and LAE	\$ 2,258.1	\$ 2,266.1
Unearned premiums	351.9	318.3
Commissions and premium taxes payable	55.8	55.3
Deferred Gain	161.0	163.6
Notes payable	20.0	20.0
Other liabilities	70.8	69.1
Total liabilities	\$ 2,917.6	\$ 2,892.4
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 381.0	\$ 381.8
Retained earnings ⁽²⁾	935.0	842.2
Accumulated other comprehensive (loss) income, net ⁽²⁾	(2.0)	107.4
Treasury stock, at cost	(383.7)	(383.7)
Total stockholders' equity	930.3	947.7
Total liabilities and stockholders' equity	\$ 3,847.9	\$ 3,840.1
Stockholders' equity including the Deferred Gain ⁽¹⁾	\$ 1,091.3	\$ 1,111.3
Adjusted stockholders' equity ⁽¹⁾	1,093.3	1,003.9
Book value per share ⁽¹⁾	\$ 28.40	\$ 29.07
Book value per share including the Deferred Gain ⁽¹⁾	33.32	34.09
Adjusted book value per share ⁽¹⁾	33.38	30.80

(1) See Slide 26 for calculations and Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulted in a \$74.0 million reclassification adjustment from Accumulated other comprehensive income to Retained earnings as of January 1, 2018.

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

	Three Months Ended	
	March 31,	
	2018	2017
Underwriting revenues:		
Gross premiums written	\$ 211.6	\$ 197.6
Premiums ceded	(1.5)	(1.5)
Net premiums written	210.1	196.1
Net premiums earned	176.6	175.3
Underwriting expenses:		
Losses and LAE incurred	(95.4)	(109.0)
Commission expense	(23.7)	(21.5)
Underwriting and other operating expenses	(39.2)	(35.9)
Underwriting income	18.3	8.9
Net investment income	19.4	18.8
Net realized and unrealized (losses) gains on investments ⁽²⁾	(8.0)	2.2
Interest and financing expenses	(0.3)	(0.4)
Income tax expense	(3.8)	(6.3)
Net income	25.6	23.2
Unrealized AFS investment (losses) gains arising during the period, net of tax ⁽³⁾	(35.8)	9.4
Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax ⁽³⁾	0.4	(1.4)
Comprehensive (loss) income	\$ (9.8)	\$ 31.2
Net Income	\$ 25.6	\$ 23.2
Amortization of the Deferred Gain - losses	(2.1)	(2.4)
Amortization of the Deferred Gain - contingent commission	(0.5)	(0.5)
Net income before impact of the LPT Agreement ⁽¹⁾	23.0	20.3
Net realized and unrealized losses (gains) on investments	8.0	(2.2)
Amortization of intangibles	—	0.1
Income tax (benefit) expense related to items excluded from Net income	(1.7)	0.7
Adjusted net income ⁽¹⁾	\$ 29.3	\$ 18.9
(1) See Slide 28 regarding our use of Non-GAAP Financial Measures.		
(2) Adoption of a new accounting standard (ASU No. 2016-01) resulting in \$12.9 million of unrealized losses on equity securities at March 31, 2018.		
(3) AFS = Available for Sale securities.		

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

		Three Months Ended	
		March 31,	
		2018	2017
Net income	A	\$ 25.6	\$ 23.2
Impact of the LPT Agreement		(2.6)	(2.9)
Net realized and unrealized losses (gains) on investments ⁽²⁾		8.0	(2.2)
Amortization of intangibles		—	0.1
Income tax (benefit) expense related to items excluded from Net income		(1.7)	0.7
Adjusted net income ⁽¹⁾	B	29.3	18.9
Stockholders' equity - end of period		\$ 930.3	\$ 867.5
Stockholders' equity - beginning of period		947.7	840.6
Average stockholders' equity	C	939.0	854.1
Stockholders' equity - end of period		\$ 930.3	\$ 867.5
Deferred Gain - end of period		161.0	171.9
Accumulated other comprehensive loss (income) - end of period ⁽³⁾		2.5	(126.9)
Income taxes related to accumulated other comprehensive gains and losses - end of period		(0.5)	44.4
Adjusted stockholders' equity - end of period		1,093.3	956.9
Adjusted stockholders' equity - beginning of period		1,003.9	941.0
Average adjusted stockholders' equity ⁽¹⁾	D	1,048.6	949.0
Return on stockholders' equity	A / C	2.7 %	2.7 %
Annualized return on stockholders' equity		10.9	10.9
Adjusted return on stockholders' equity ⁽¹⁾	B / D	2.8 %	2.0 %
Annualized adjusted return on stockholders' equity ⁽¹⁾		11.2	8.0

(1) See Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulting in \$12.9 million of unrealized losses on equity securities at March 31, 2018.

(3) Adoption of a new accounting standard (ASU No. 2016-01) resulted in a \$74.0 million reclassification adjustment from Accumulated other comprehensive income to Retained earnings as of January 1, 2018.

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

		Three Months Ended	
		March 31,	
		2018	2017
Net premiums earned	A	\$ 176.6	\$ 175.3
Losses and LAE incurred	B	95.4	109.0
Amortization of the Deferred Gain - losses		2.1	2.4
Amortization of the Deferred Gain - contingent commission		0.5	0.5
Losses and LAE before impact of the LPT ⁽¹⁾	C	98.0	111.9
Prior accident year favorable loss reserve development		(12.4)	—
Losses and LAE before impact of the LPT - current accident year	D	\$ 110.4	\$ 111.9
Commission expense	E	\$ 23.7	\$ 21.5
Underwriting and other operating expenses	F	39.2	35.9
Combined ratio:			
Loss and LAE ratio	B/A	54.0 %	62.2 %
Commission expense ratio	E/A	13.4	12.3
Underwriting and other operating expenses ratio	F/A	22.2	20.4
Combined ratio		89.6 %	94.9 %
Combined ratio before impact of the LPT: ⁽¹⁾			
Loss and LAE ratio before impact of the LPT	C/A	55.5 %	63.8 %
Commission expense ratio	E/A	13.4	12.3
Underwriting and other operating expenses ratio	F/A	22.2	20.4
Combined ratio before impact of the LPT		91.1 %	96.6 %
Combined ratio before impact of the LPT: current accident year ⁽¹⁾			
Loss and LAE ratio before impact of the LPT	D/A	62.5 %	63.8 %
Commission expense ratio	E/A	13.4	12.3
Underwriting and other operating expenses ratio	F/A	22.2	20.4
Combined ratio before impact of the LPT: current accident year		98.1 %	96.6 %

(1) See Slide 28 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	
	March 31,	
	2018	2017
Unpaid losses and LAE at beginning of period	\$ 2,266.1	\$ 2,301.0
Reinsurance recoverable on unpaid losses and LAE	537.0	580.0
Net unpaid losses and LAE at beginning of period	<u>1,729.1</u>	<u>1,721.0</u>
Losses and LAE incurred:		
Current year losses	110.4	111.9
Prior year losses on voluntary business	(12.0)	—
Prior year losses on involuntary business	(0.4)	—
Total losses incurred	<u>98.0</u>	<u>111.9</u>
Losses and LAE paid:		
Current year losses	5.9	4.7
Prior year losses	94.2	102.9
Total paid losses	<u>100.1</u>	<u>107.6</u>
Net unpaid losses and LAE at end of period	1,727.0	1,725.3
Reinsurance recoverable on unpaid losses and LAE	531.1	572.9
Unpaid losses and LAE at end of period	<u>\$ 2,258.1</u>	<u>\$ 2,298.2</u>

Total losses and LAE shown in the above table exclude amortization of the Deferred Gain, which totaled \$2.6 million and \$2.9 million for the three months ended March 31, 2018 and 2017, respectively.

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

	March 31, 2018				December 31, 2017	
	Cost or Amortized Cost	Net Unrealized (Loss) Gain	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,437.3	\$ (2.5)	\$ 2,434.8	89 %	\$ 2,463.4	83 %
Equity securities	118.0	80.7	198.7	7	210.3	7
Short-term investments	34.9	—	34.9	1	4.0	—
Cash and cash equivalents	56.3	—	56.3	2	73.3	2
Restricted cash and cash equivalents	0.9	—	0.9	—	1.0	—
Total investments and cash	<u>\$ 2,647.4</u>	<u>\$ 78.2</u>	<u>\$ 2,725.6</u>	<u>100 %</u>	<u>\$ 2,962.3</u>	<u>100 %</u>
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 148.8	\$ (0.2)	\$ 148.6	6 %	\$ 148.8	6 %
States and Municipalities	550.1	14.9	565.0	23	642.5	26
Corporate Securities	1,134.8	(7.5)	1,127.3	46	1,118.0	45
Mortgage-Backed Securities	541.5	(9.6)	531.9	22	495.3	20
Asset-Backed Securities	62.1	(0.1)	62.0	3	58.8	2
Total fixed maturities	<u>\$ 2,437.3</u>	<u>\$ (2.5)</u>	<u>\$ 2,434.8</u>	<u>100 %</u>	<u>\$ 2,463.4</u>	<u>100 %</u>
Weighted average book yield			3.2%		3.1%	
Average credit quality (S&P)			AA-		AA-	
Duration			4.4		4.2	

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

		March 31, 2018	December 31, 2017	March 31, 2017	December 31, 2016
Numerators:					
Stockholders' equity	A	\$ 930.3	\$ 947.7	\$ 867.5	\$ 840.6
Plus: Deferred Gain		161.0	163.6	171.9	174.9
Stockholders' equity including the Deferred Gain ⁽¹⁾	B	1,091.3	1,111.3	1,039.4	1,015.5
Accumulated other comprehensive loss (income) ⁽²⁾		2.5	(136.0)	(126.9)	(114.6)
Income taxes related to accumulated other comprehensive gains and losses		(0.5)	28.6	44.4	40.1
Adjusted stockholders' equity ⁽¹⁾	C	\$ 1,093.3	\$ 1,003.9	\$ 956.9	\$ 941.0
Denominator (shares outstanding)	D	32,752,139	32,597,819	32,276,213	32,128,922
Book value per share ⁽¹⁾	A / D	\$ 28.40	\$ 29.07	\$ 26.88	\$ 26.16
Book value per share including the Deferred Gain ⁽¹⁾	B / D	33.32	34.09	32.20	31.61
Adjusted book value per share ⁽¹⁾	C / D	33.38	30.80	29.65	29.29
Cash dividends declared per share		\$ 0.20	\$ 0.60	\$ 0.15	\$ 0.36
YTD Change in: ⁽³⁾					
Book value per share		(1.6)%		3.3 %	
Book value per share including the Deferred Gain		(1.7)		2.3	
Adjusted book value per share		9.0		1.7	

(1) See Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulted in a \$74.0 million reclassification adjustment from Accumulated other comprehensive income to Retained earnings as of January 1, 2018.

(3) Reflects the change in book value per share after taking into account dividends declared in the period.

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

		Three Months Ended	
		March 31,	
		2018	2017
Numerators:			
Net income	A	\$ 25.6	\$ 23.2
Impact of the LPT Agreement		(2.6)	(2.9)
Net income before impact of the LPT ⁽¹⁾	B	23.0	20.3
Net realized and unrealized losses (gains) on investments ⁽²⁾		8.0	(2.2)
Amortization of intangibles		—	0.1
Income tax (benefit) expense related to items excluded from Net income		(1.7)	0.7
Adjusted net income ⁽¹⁾	C	\$ 29.3	\$ 18.9
Denominators:			
Average common shares outstanding (basic)	D	32,830,481	32,327,784
Average common shares outstanding (diluted)	E	33,320,420	32,965,367
Earnings per share:			
Basic	A / D	\$ 0.78	\$ 0.72
Diluted	A / E	0.77	0.70
Earnings per share before impact of the LPT: ⁽¹⁾			
Basic	B / D	\$ 0.70	\$ 0.63
Diluted	B / E	0.69	0.62
Adjusted earnings per share: ⁽¹⁾			
Basic	C / D	\$ 0.89	\$ 0.58
Diluted	C / E	0.88	0.57

(1) See Slide 28 for information regarding our use of Non-GAAP Financial Measures.

(2) Adoption of a new accounting standard (ASU No. 2016-01) resulting in \$12.9 million of unrealized losses on equity securities at March 31, 2018.

Glossary of 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 4 for calculations) is net income excluding the effects of the LPT Agreement, net realized and unrealized gains (losses) on investments (net of tax), and amortization of intangible assets (net of tax). Management believes that providing this non-GAAP measures is helpful to investors, analysts and other interested parties in identifying trends in the Company's operating performance because such items have limited significance to its ongoing operations or can be impacted by both discretionary and other economic factors and may not represent operating trends. The Company previously referred to Adjusted net income as Operating income.

Stockholders' equity including the Deferred Gain 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 8 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 operating return on equity metric.

Return on stockholders' equity and Adjusted return on stockholders' equity (see Page 4 for calculations). Management believes that these profitability measures are widely used by our investors, analysts and other interested parties. The Company previously referred to Adjusted return on stockholders' equity as Operating return on adjusted stockholders' equity.

Book value per share, Book value per share including the Deferred Gain, and Adjusted book value per share (see Page 8 for calculations). Management believes that these valuation measures are widely used by our investors, analysts and other interested parties. The Company previously referred to Book value per share as GAAP book value per share, and Book value per share including Deferred Gain as Book value per share.

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