

**Employers Holdings, Inc.**

**Q1 2019**

**Investor Presentation**

April 25, 2019



## 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 "Investors" section of our website at [www.employers.com](http://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 45 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>.

# Executive Summary

## Underwriting

- Now writing business throughout the continental United States and AK (excluding four monopolistic states). Expect to begin writing business in HI during the first half of 2019.
- Major initiatives underway designed to transform the way small businesses and insurance agents utilize digital capabilities to improve their customer experience. These initiatives are focused on: (i) improving the agent experience and enhancing agent efficiency; and (ii) providing direct-to-customer workers' compensation insurance policies through Cerity, a subsidiary separate from EMPLOYERS' other insurance businesses.

## Claims

- Claim settlement strategies and the use of an outcomes-based network continue 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 generated \$219 million in cumulative reserve salvage to-date.
- Implemented the use of predictive analytics to triage claims

## Financials

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

# EMPLOYERS *at a glance: Q1 2019*

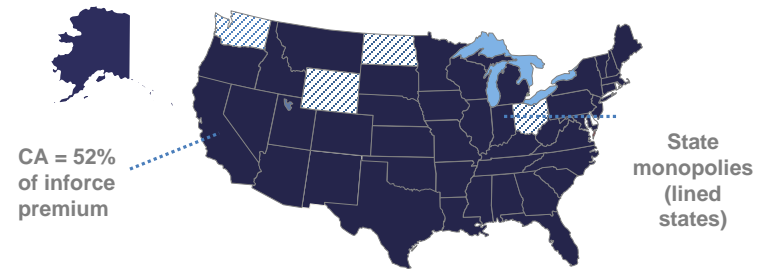
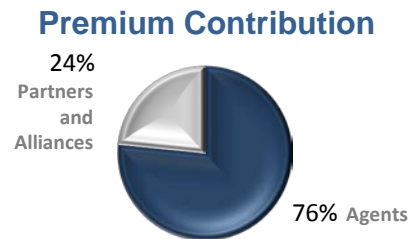
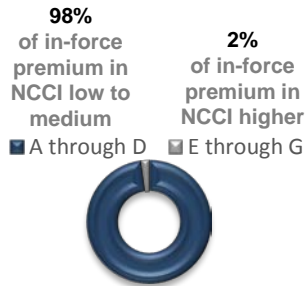
EMPLOYERS® is a mono-line writer of workers' compensation (WC) insurance focused on low to medium hazard risk small businesses

**93,864** in-force policies  
**\$7,186** average policy size  
 Multiple insurance companies

**1913** - State Fund of Nevada  
**2000** - Privatization  
**2007** - IPO  
**2019** - Operating in 45 states and DC

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

## GROWTH and MARKETS



## CAPITAL STRENGTH

### Statutory Surplus

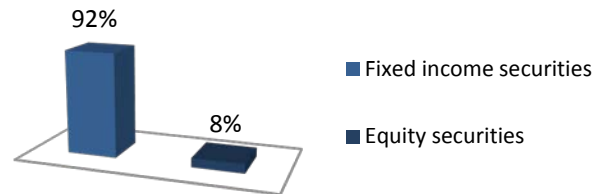


Best's Capital Adequacy Ratio at VaR 99.6

**39.8**

(at 9/30/18)

**\$2.7B**  
 Investment Portfolio (AA-)



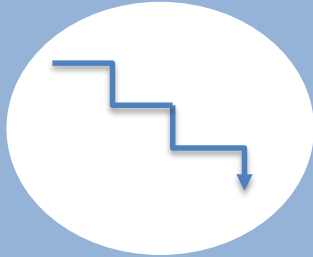
**\$566M**

returned to shareholders since IPO in share repurchases and dividends

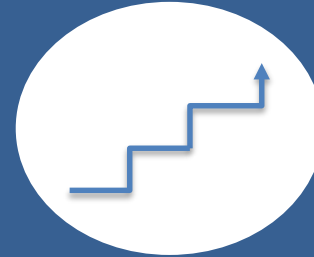
### Reinsurance

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

# Market Conditions



**Current markets are characterized by competition and generally declining rates nationally and historically low yields which challenge net investment income.**



**For EMPLOYERS, new business is up and retention remains high. The increase in new business premiums was primarily driven by higher policy counts, largely offset by decreases in average renewal rates.**

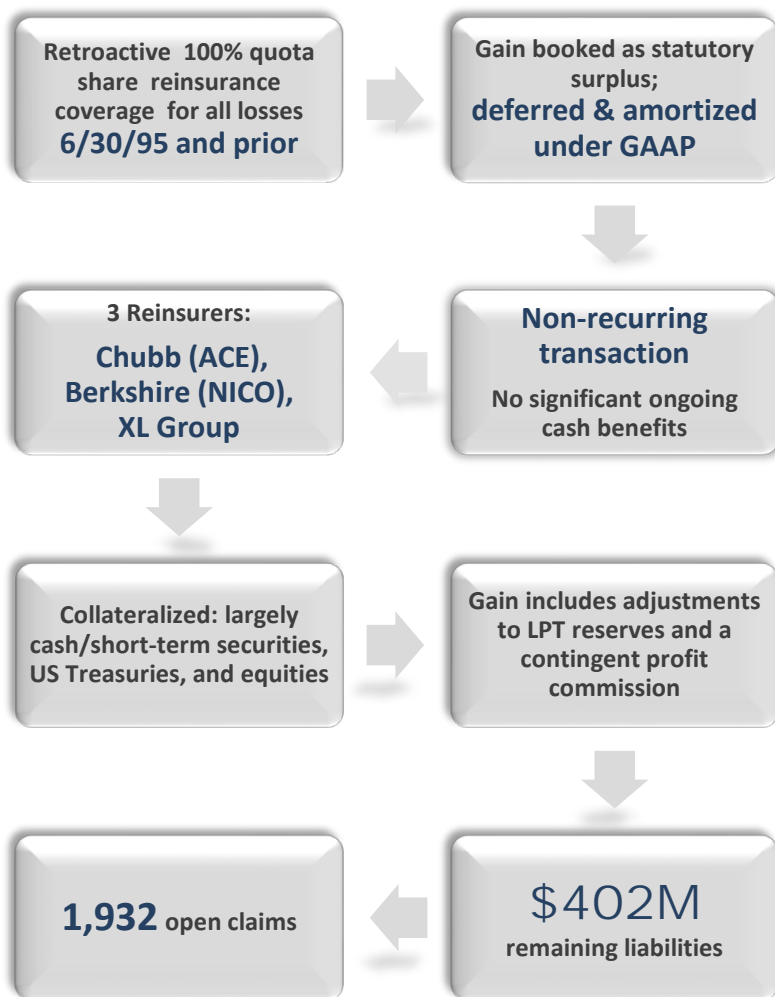


# Business Strategies

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



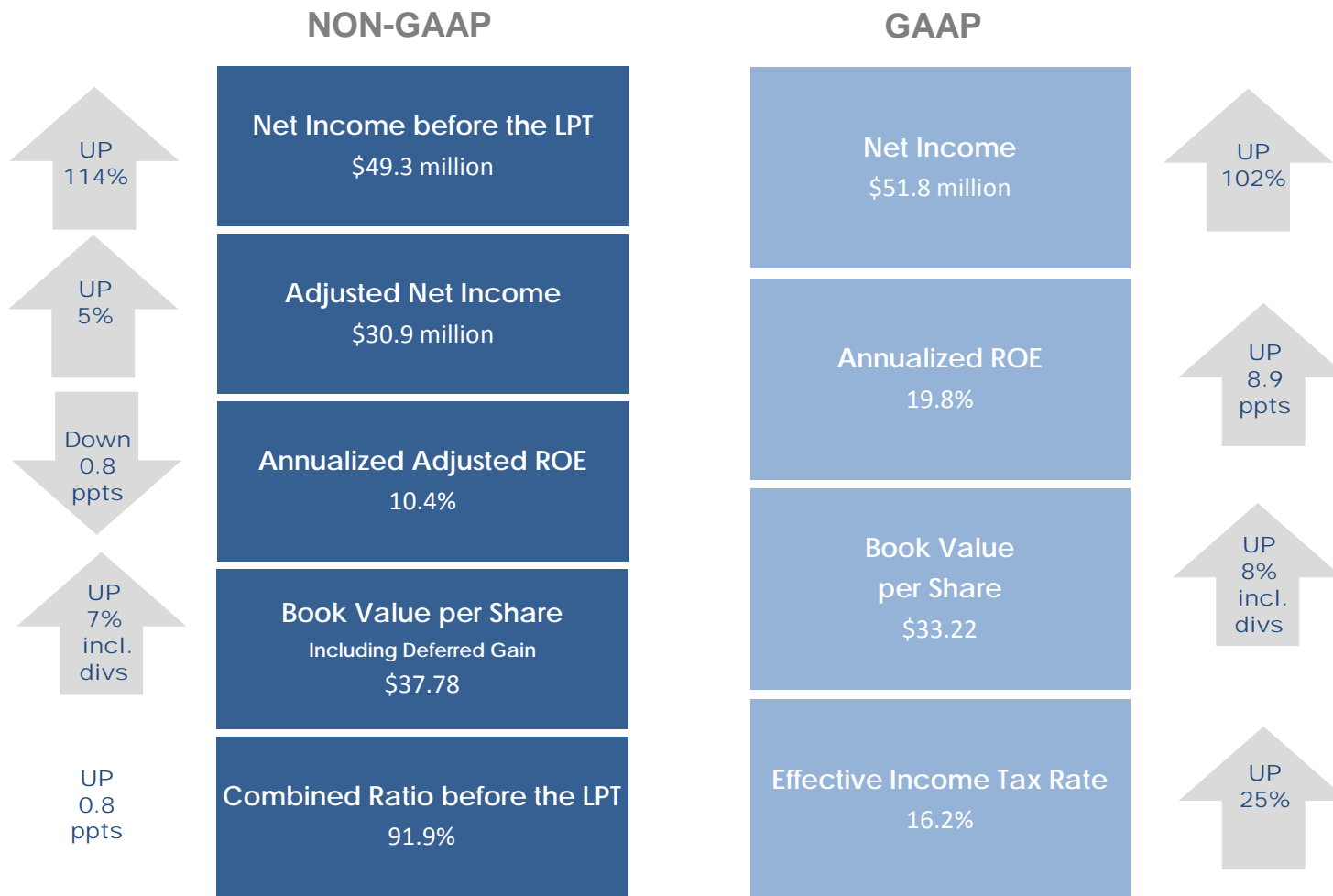
# Loss Portfolio Transfer (LPT) Accounting



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		(343)
Subsequent LPT contingent commission adjustments (profit sharing)		68
<i>Unamortized gain at 3/31/19</i>		<b>\$ 475</b>
<b>Accounting at 3/31/19</b>		
Statutory surplus created		\$ 475
Cumulative amortization to date		(328)
<b>GAAP: Deferred Reinsurance Gain-LPT Agreement</b>		<b>\$ 147</b>

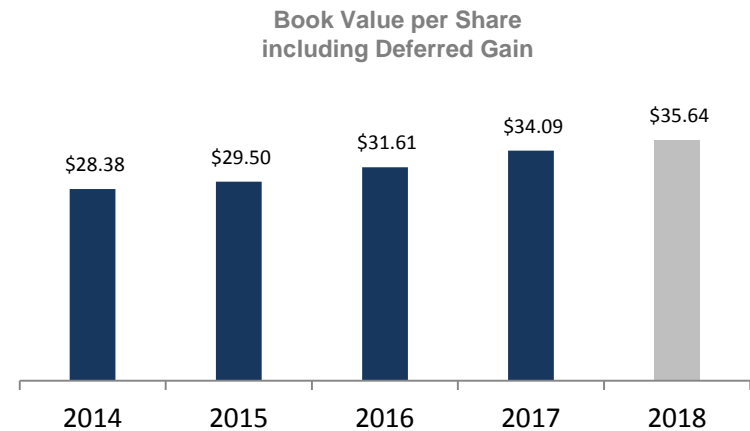
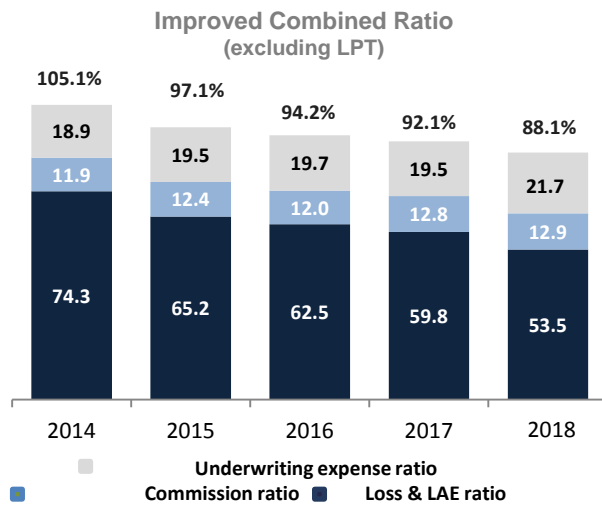
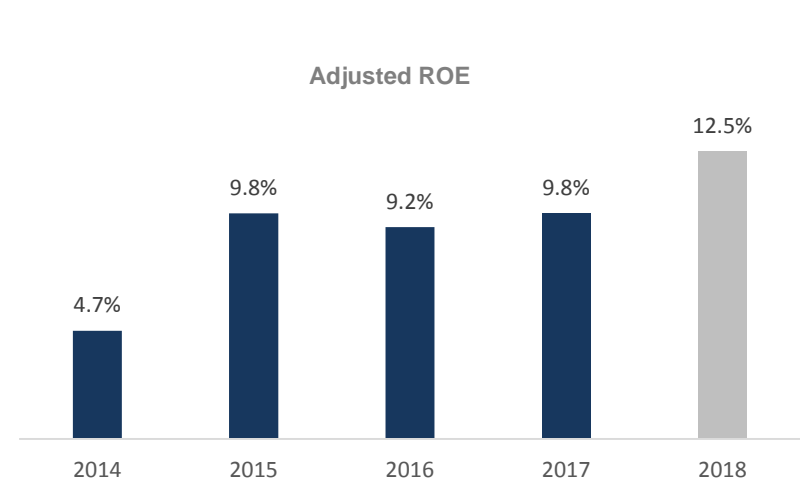
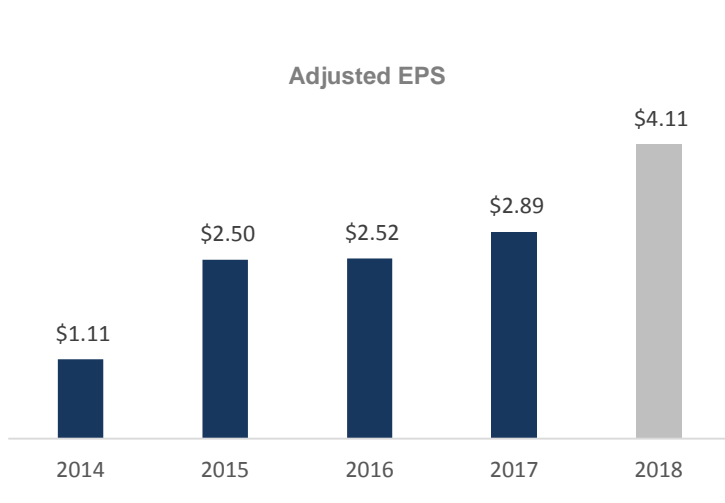
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement had all subsequent adjustments been known at that time.

# Q1 2019 Highlights (QoQ)



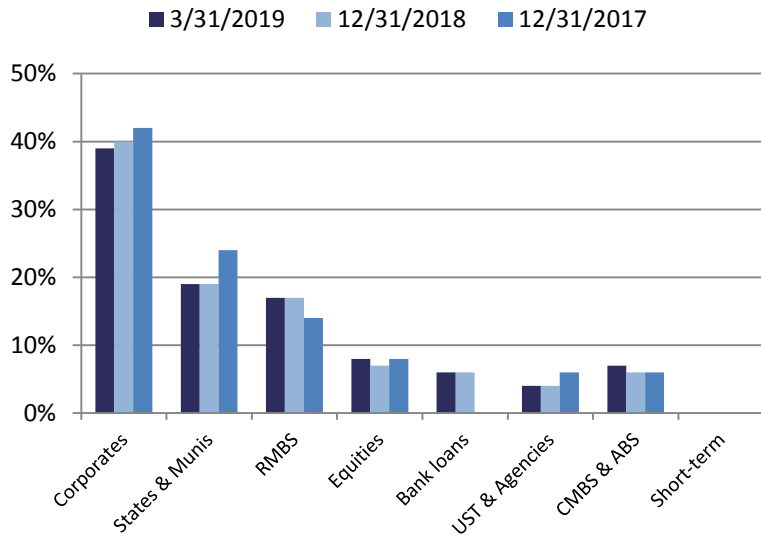


# 5 Year Performance

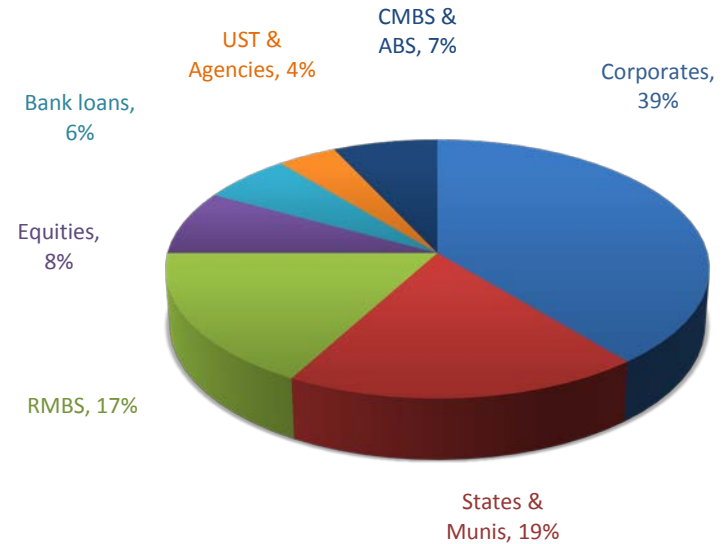


# Investment Portfolio

## Investment Portfolio Allocation



## At 3/31/19



**2019: \$2.8 billion fair market value (\$2.9 billion including cash)**

- High quality (average credit quality of AA-)
- Highly liquid (\$1.2 billion is unencumbered and available within 3 business days)
- Duration of 3.9
- 3.4% average pre-tax book yield
- 4.1% new money rate

# Components of Adjusted Net Income

\$ In Millions	Three Months Ended March 31,		Years Ended December 31,	
	2019	2018	2017	2016
Net investment income	\$ 21.8	\$ 81.2	\$ 74.6	\$ 73.2
Underwriting income/loss (CAY ex LPT)	(7.8)	21.6	39.0	23.7
Underwriting income (PAY vol. dev.)	22.0	65.5	17.4	17.0
Other operating items	<u>—</u>	<u>(0.1)</u>	<u>(0.3)</u>	<u>(0.6)</u>
Adjusted income (pretax)	36.0	168.2	130.7	113.3
Income taxes	<u>(5.1)</u>	<u>(31.4)</u>	<u>(35.2)</u>	<u>(30.3)</u>
Adjusted net income	<u>\$ 30.9</u>	<u>\$ 136.8</u>	<u>\$ 95.5</u>	<u>\$ 83.0</u>

# Book Mix by Hazard Group

## Focus on Select Low to Medium Hazard Groups

Data shown as a % of in-force premium

March 31, 2019

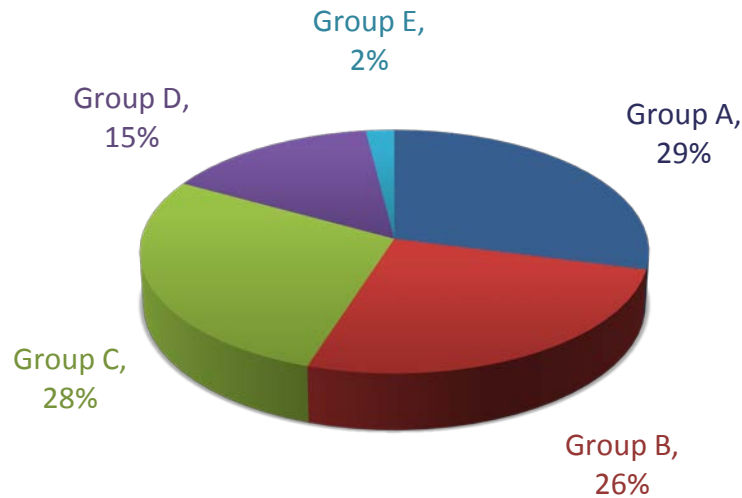
98% in Hazard Groups A – D

Lower Risk



Higher Risk

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



### 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

# Geographic Spread

(by in-force premium)

**All other (including DC)**

\$205.0 million (31%)

**California**

\$353.9 million (52%)

**Georgia**

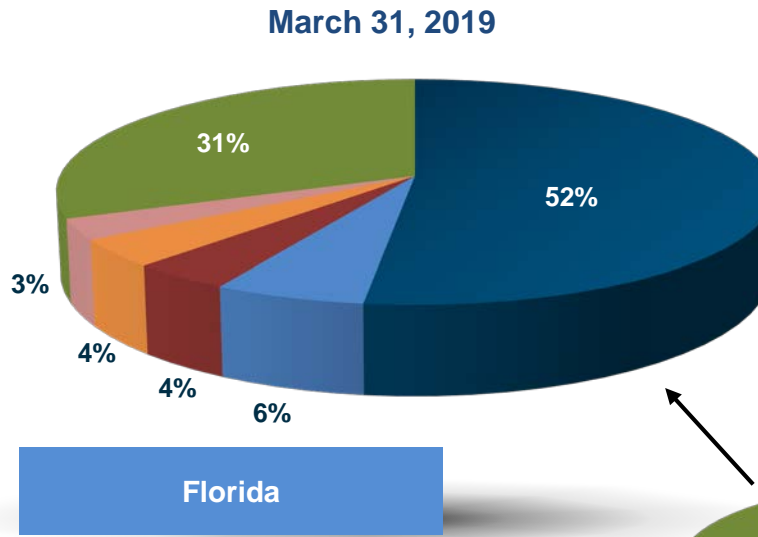
\$21.7 million (3%)

**New York**

\$26.2 million (4%)

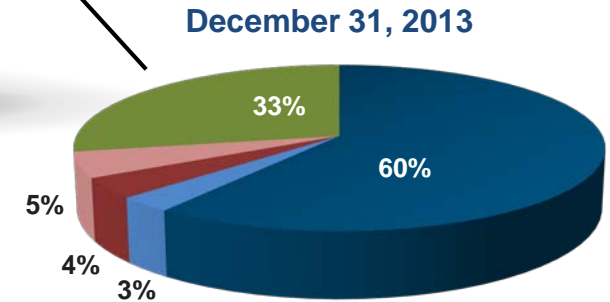
**Illinois**

\$26.8 million (4%)



**Florida**

\$40.8 million (6%)



**Continual diversification outside of CA**

# Geographic Spread

(by policies in-force)

All other (including DC)

34,082 policies (40%)

California

42,973 policies (46%)

Georgia

3,777 policies (4%)

New York

4,185 policies (4%)

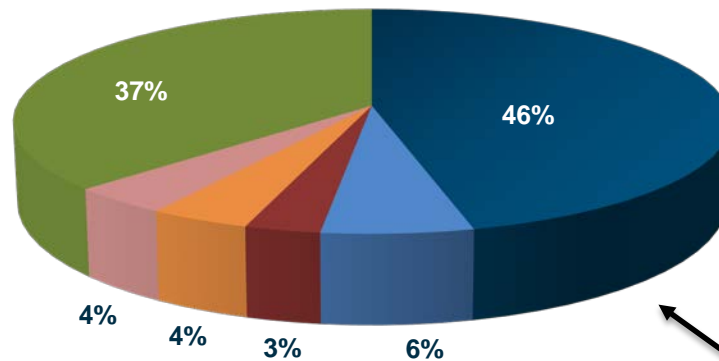
Illinois

3,094 policies (3%)

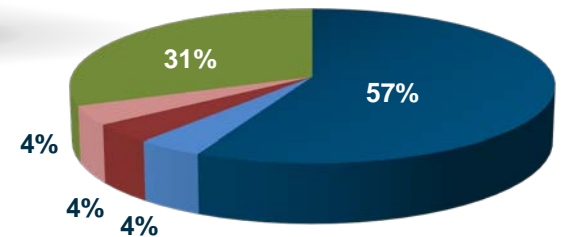
Florida

5,753 policies (6%)

March 31, 2019



December 31, 2013



Continual diversification outside of CA

# In-force Growth

## OVERALL

YTD YoY premium renewal rate:

- Premium: UP 4.7%
- Policies: UP 8.3%
- Average policy size: DOWN 3.4%
- Payroll exposure: UP 22.0%

ALL OTHER STATES

48%

of total premium

Premium:  
UP 10.6%

Policies:  
UP 10.1%

State monopolies  
(WA, WY, ND, OH)



CALIFORNIA

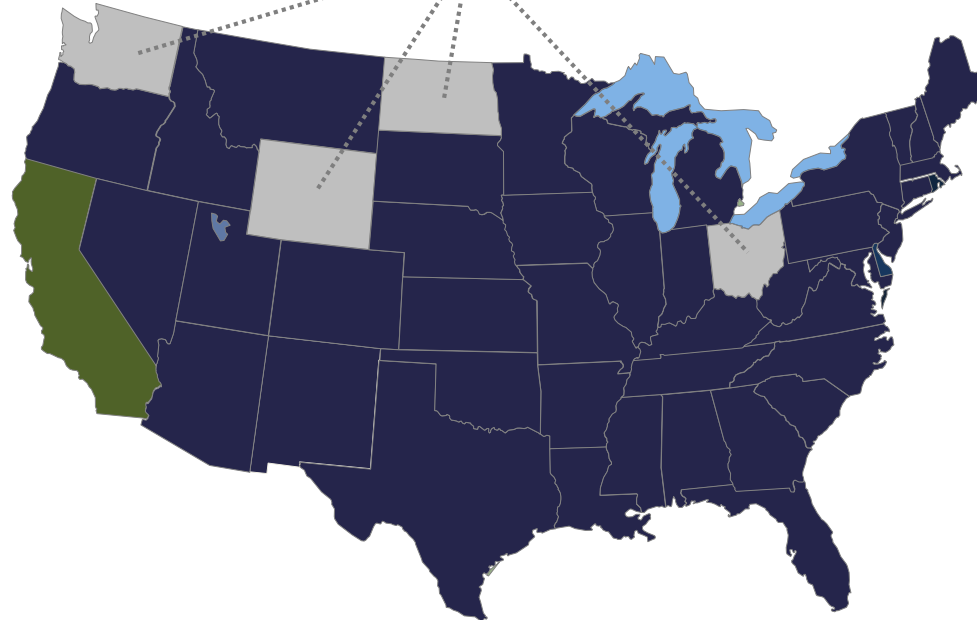
52%

of total premium

Premium:  
DOWN  
(0.2%)

Policies:  
UP 6.3%

HI expected in 2019



# History of Reserve Strength

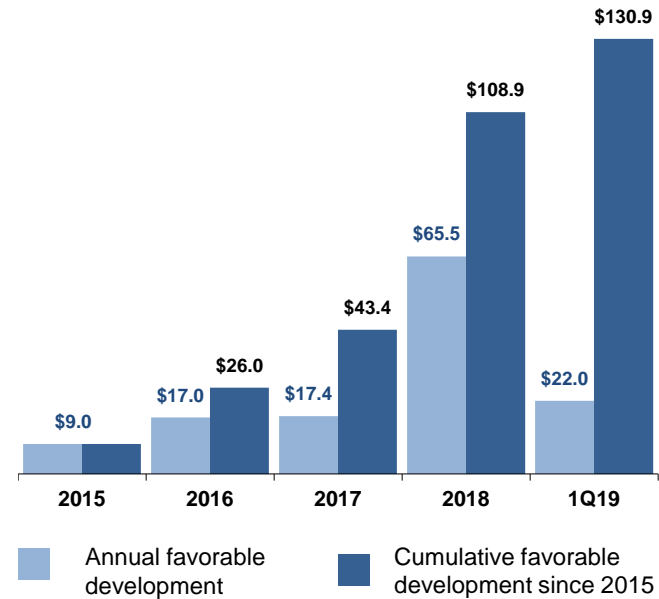
## Reserve review



## Favorable reserve development

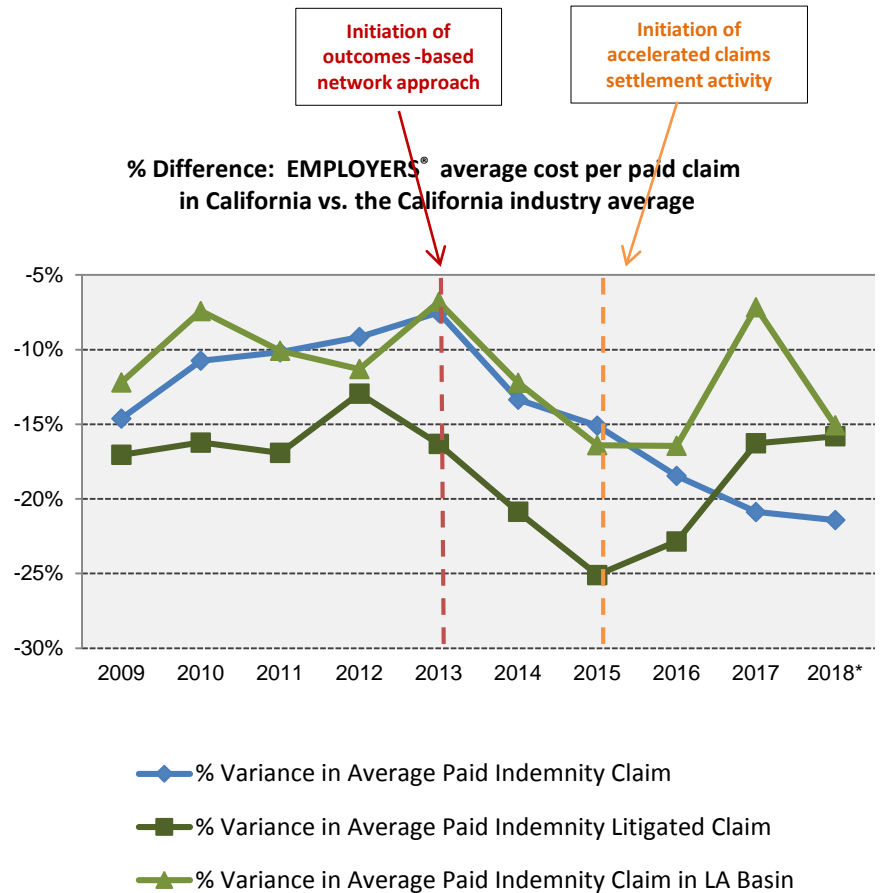
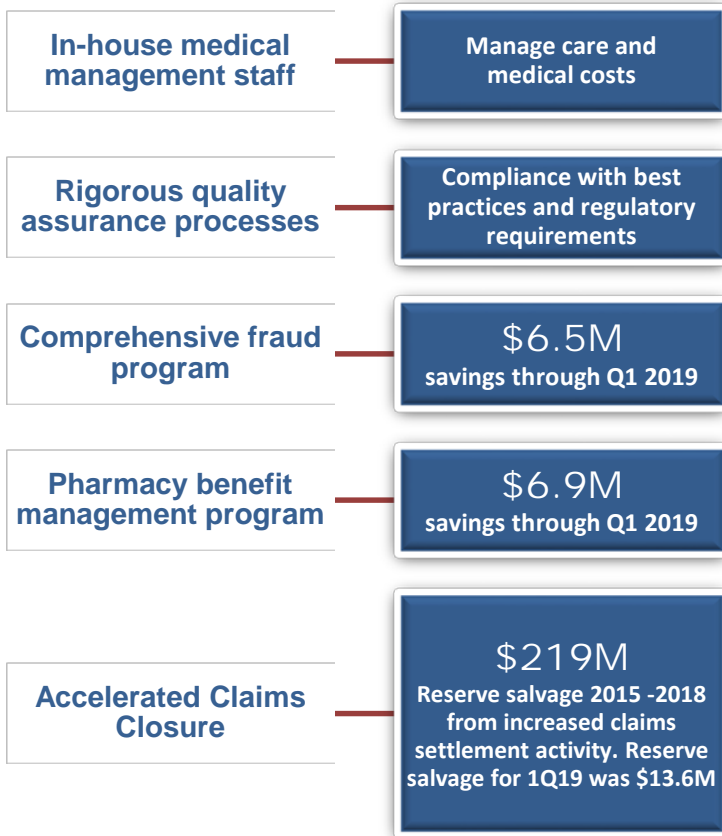
### Net Calendar Year Reserve Development in Recent Prior Accident Years

(\$ millions, excludes involuntary business)





# Superior Claims Handling



Source: California Workers' Compensation Institute

\* Data as of June 30, 2018

# Strong and Transparent Balance Sheet

Low premium leverage



Favorable reserving track record



LPT protection



High-quality reinsurance recoverables



Low duration investment portfolio



No significant intangible assets



**Strong and  
Transparent  
Balance  
Sheet**

# 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's Mission: Reimagine the way small business owners purchase and maintain their workers' compensation insurance

Cerity's Vision: Make protecting small business easy



# How is Cerity 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

The Cerity logo is displayed within a thin black rectangular border. The word "Cerity" is written in a dark blue, sans-serif font. A small registered trademark symbol (®) is located at the bottom right of the letter "y".

# To Whom Will Cerity Sell?

- Cerity is currently open for business in AZ, KY, IL, MT, NV, OR, TX and UT with the intention of expanding to all non-monopolistic markets as soon as possible
- Cerity currently targets the following business: professional services; financial services; tech businesses; business services; food & beverage; food and personal product retail; home and garden retail; personal product retail; medical professionals; and clothing retail. In the future, Cerity will expand to other classes of business

The Cerity logo is displayed within a white rectangular box. The word "Cerity" is written in a dark blue, sans-serif font. The letter "i" is lowercase and has a small blue dot above it. The period at the end of the word is a small blue dot.

# 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 less employees

The Cerity logo is displayed within a thin black rectangular border. The word "Cerity" is written in a dark blue, sans-serif font, with a small registered trademark symbol (®) to the upper right of the final 'y'.



## **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**

**Douglas D. Dirks**

President and  
Chief Executive Officer  
Employers Holdings, Inc.

**Stephen V. Festa**

Executive Vice President and  
Chief Operating Officer  
Employers Holdings, Inc.

**Michael Paquette**

Executive Vice President and  
Chief Financial Officer  
Employers Holdings, Inc.

***EMPLOYERS***<sup>®</sup>

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

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(775) 327-2562



# 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 2019

Financial Supplement

**EMPLOYERS**<sup>®</sup>

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

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

	Three Months Ended		
	March 31,		
	2019	2018	% change
<i>Selected financial highlights:</i>			
Gross premiums written	\$ 210.0	\$ 211.6	(1)%
Net premiums written	208.7	210.1	(1)
Net premiums earned	174.8	176.6	(1)
Net investment income	21.8	19.4	12
Underwriting income <sup>(1)</sup>	16.7	18.3	(9)
Net income before impact of the LPT <sup>(1)</sup>	49.3	23.0	114
Adjusted net income <sup>(1)</sup>	30.9	29.3	5
Net income	51.8	25.6	102
Comprehensive income (loss)	89.1	(9.8)	n/m
Total assets	3,973.1	3,847.9	3
Stockholders' equity	1,071.7	930.3	15
Stockholders' equity including the Deferred Gain <sup>(2)</sup>	1,218.8	1,091.3	12
Adjusted stockholders' equity <sup>(2)</sup>	1,195.2	1,093.3	9
Annualized adjusted return on stockholders' equity <sup>(3)</sup>	10.4%	11.2%	(7)%
<i>Amounts per share:</i>			
Cash dividends declared per share	\$ 0.22	\$ 0.20	10 %
Earnings per diluted share <sup>(4)</sup>	1.57	0.77	104
Earnings per diluted share before impact of the LPT <sup>(4)</sup>	1.50	0.69	117
Adjusted earnings per diluted share <sup>(4)</sup>	0.94	0.88	7
Book value per share <sup>(2)</sup>	33.22	28.40	17
Book value per share including the Deferred Gain <sup>(2)</sup>	37.78	33.32	13
Adjusted book value per share <sup>(2)</sup>	37.04	33.38	11
<b>Combined ratio before impact of the LPT:<sup>(5)</sup></b>			
Loss and loss adjustment expense ratio:			
Current year	64.8%	62.5%	
Prior year	(12.7)	(7.0)	
Loss and loss adjustment expense ratio	52.1%	55.5%	
Commission expense ratio	12.6	13.4	
Underwriting and other operating expenses ratio	27.1	22.2	
Combined ratio before impact of the LPT	91.9%	91.1%	

(1) See Page 30 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 35 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 31 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 36 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

(5) See Page 32 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
Investments, cash and cash equivalents	\$ 2,852.2	\$ 2,829.7
Accrued investment income	18.2	18.0
Premiums receivable, net	352.7	333.1
Reinsurance recoverable on paid and unpaid losses and LAE	505.4	511.1
Deferred policy acquisition costs	52.5	48.2
Deferred income taxes, net	12.9	26.9
Contingent commission receivable—LPT Agreement	32.0	32.0
Other assets	147.2	120.2
Total assets	<u>\$ 3,973.1</u>	<u>\$ 3,919.2</u>
<b>LIABILITIES</b>		
Unpaid losses and LAE	\$ 2,189.3	\$ 2,207.9
Unearned premiums	368.9	336.3
Commissions and premium taxes payable	53.8	57.3
Deferred Gain	147.1	149.6
Notes payable	20.0	20.0
Other liabilities	122.3	129.9
Total liabilities	<u>\$ 2,901.4</u>	<u>\$ 2,901.0</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and additional paid-in capital	\$ 388.7	\$ 389.4
Retained earnings <sup>(2)</sup>	1,075.1	1,030.7
Accumulated other comprehensive income (loss), net	23.6	(13.7)
Treasury stock, at cost	(415.7)	(388.2)
Total stockholders' equity	<u>1,071.7</u>	<u>1,018.2</u>
Total liabilities and stockholders' equity	<u>\$ 3,973.1</u>	<u>\$ 3,919.2</u>
Stockholders' equity including the Deferred Gain <sup>(1)</sup>	\$ 1,218.8	\$ 1,167.8
Adjusted stockholders' equity <sup>(1)</sup>	1,195.2	1,181.5
Book value per share <sup>(1)</sup>	\$ 33.22	\$ 31.08
Book value per share including the Deferred Gain <sup>(1)</sup>	37.78	35.64
Adjusted book value per share <sup>(1)</sup>	37.04	36.06

(1) See Page 34 for calculations and Page 36 for information regarding our use of Non-GAAP Financial Measures.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Underwriting revenues:</b>		
Gross premiums written	\$ 210.0	\$ 211.6
Premiums ceded	(1.3)	(1.5)
Net premiums written	208.7	210.1
Net premiums earned	174.8	176.6
<b>Underwriting expenses:</b>		
Losses and LAE incurred	(88.6)	(95.4)
Commission expense	(22.0)	(23.7)
Underwriting and other operating expenses	(47.5)	(39.2)
<b>Underwriting income</b>	<b>16.7</b>	<b>18.3</b>
Net investment income	21.8	19.4
Net realized and unrealized gains (losses) on investments <sup>(1)</sup>	23.3	(8.0)
Other income	0.4	—
Interest and financing expenses	(0.4)	(0.3)
Income tax expense	(10.0)	(3.8)
<b>Net income</b>	<b>51.8</b>	<b>25.6</b>
Unrealized AFS investment gains (losses) arising during the period, net of tax <sup>(2)</sup>	37.8	(35.8)
Reclassification adjustment for realized AFS investment (gains) losses in net income, net of tax <sup>(2)</sup>	(0.5)	0.4
<b>Comprehensive income (loss)</b>	<b>\$ 89.1</b>	<b>\$ (9.8)</b>
<b>Net Income</b>	<b>\$ 51.8</b>	<b>\$ 25.6</b>
Amortization of the Deferred Gain - losses	(2.0)	(2.1)
Amortization of the Deferred Gain - contingent commission	(0.5)	(0.5)
<b>Net income before impact of the LPT Agreement<sup>(3)</sup></b>	<b>49.3</b>	<b>23.0</b>
Net realized and unrealized (gains) losses on investments	(23.3)	8.0
Income tax expense (benefit) related to items excluded from Net income	4.9	(1.7)
<b>Adjusted net income<sup>(3)</sup></b>	<b>\$ 30.9</b>	<b>\$ 29.3</b>

(1) Includes \$21.2 million of unrealized gains on equity securities and \$12.9 million of unrealized losses on equity securities for the three months ended March 31, 2019 and 2018, respectively.

(2) AFS = Available for Sale securities.

(3) See Page 36 regarding our use of Non-GAAP Financial Measures.

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

		Three Months Ended	
		March 31,	
		2019	2018
<b>Net income</b>	<b>A</b>	\$ 51.8	\$ 25.6
Impact of the LPT Agreement		(2.5)	(2.6)
Net realized and unrealized (gains) losses on investments		(23.3)	8.0
Amortization of intangibles		—	—
Income tax expense (benefit) related to items excluded from Net income		4.9	(1.7)
<b>Adjusted net income <sup>(1)</sup></b>	<b>B</b>	30.9	29.3
<hr/>			
Stockholders' equity - end of period		\$ 1,071.7	\$ 930.3
Stockholders' equity - beginning of period		1,018.2	947.7
<b>Average stockholders' equity</b>	<b>C</b>	1,045.0	939.0
<hr/>			
Stockholders' equity - end of period		\$ 1,071.7	\$ 930.3
Deferred Gain - end of period		147.1	161.0
Accumulated other comprehensive loss (income) - end of period		(29.9)	2.5
Income taxes related to accumulated other comprehensive gains and losses - end of period		6.3	(0.5)
Adjusted stockholders' equity - end of period		1,195.2	1,093.3
Adjusted stockholders' equity - beginning of period		1,181.5	1,003.9
<b>Average adjusted stockholders' equity <sup>(1)</sup></b>	<b>D</b>	1,188.4	1,048.6
<hr/>			
Return on stockholders' equity	<b>A / C</b>	5.0%	2.7%
<b>Annualized return on stockholders' equity</b>		19.8	10.9
<hr/>			
Adjusted return on stockholders' equity <sup>(1)</sup>	<b>B / D</b>	2.6%	2.8%
<b>Annualized adjusted return on stockholders' equity <sup>(1)</sup></b>		10.4	11.2

(1) See Page 36 for information regarding our use of Non-GAAP Financial Measures.

**EMPLOYERS HOLDINGS, INC.**  
**Combined Ratios (unaudited)**  
**\$ in millions**

		Three Months Ended March 31,	
		2019	2018
Net premiums earned	A	\$ 174.8	\$ 176.6
Losses and LAE incurred	B	88.6	95.4
Amortization of the Deferred Gain - losses		2.0	2.1
Amortization of the Deferred Gain - contingent commission		0.5	0.5
Losses and LAE before impact of the LPT <sup>(1)</sup>	C	91.1	98.0
Prior accident year favorable loss reserve development		(22.2)	(12.4)
Losses and LAE before impact of the LPT - current accident year	D	\$ 113.3	\$ 110.4
Commission expense	E	\$ 22.0	\$ 23.7
Underwriting and other operating expenses	F	47.5	39.2
<b>Combined ratio:</b>			
Loss and LAE ratio	B/A	50.7%	54.0%
Commission expense ratio	E/A	12.6	13.4
Underwriting and other operating expenses ratio	F/A	27.1	22.2
Combined ratio		90.4%	89.6%
<b>Combined ratio before impact of the LPT: <sup>(1)</sup></b>			
Loss and LAE ratio before impact of the LPT	C/A	52.1%	55.5%
Commission expense ratio	E/A	12.6	13.4
Underwriting and other operating expenses ratio	F/A	27.1	22.2
Combined ratio before impact of the LPT		91.9%	91.1%
<b>Combined ratio before impact of the LPT: current accident year <sup>(1)</sup></b>			
Loss and LAE ratio before impact of the LPT	D/A	64.8%	62.5%
Commission expense ratio	E/A	12.6	13.4
Underwriting and other operating expenses ratio	F/A	27.1	22.2
Combined ratio before impact of the LPT: current accident year		104.6%	98.1%

(1) See Page 36 for information regarding our use of Non-GAAP Financial Measures.



**EMPLOYERS HOLDINGS, INC.**  
**Roll-forward of Unpaid Losses and LAE (unaudited)**  
**\$ in millions**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Unpaid losses and LAE at beginning of period	\$ 2,207.9	\$ 2,266.1
Reinsurance recoverable on unpaid losses and LAE	504.4	537.0
Net unpaid losses and LAE at beginning of period	1,703.5	1,729.1
Losses and LAE incurred:		
Current year losses	113.3	110.4
Prior year losses on voluntary business	(22.0)	(12.0)
Prior year losses on involuntary business	(0.2)	(0.4)
Total losses incurred	91.1	98.0
Losses and LAE paid:		
Current year losses	7.4	5.9
Prior year losses	96.6	94.2
Total paid losses	104.0	100.1
Net unpaid losses and LAE at end of period	1,690.6	1,727.0
Reinsurance recoverable on unpaid losses and LAE	498.7	531.1
Unpaid losses and LAE at end of period	\$ 2,189.3	\$ 2,258.1

Total Losses and LAE shown in the above table exclude amortization of the Deferred Gain, which totaled \$2.5 million and \$2.6 million for the three months ended March 31, 2019 and 2018, respectively.

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

	March 31, 2019				December 31, 2018	
	Cost or Amortized Cost	Net Unrealized (Loss) Gain	Fair Value	%	Fair Value	%
<b>Investment Positions:</b>						
Fixed maturities	\$ 2,491.1	\$ 29.9	\$ 2,521.0	88%	\$ 2,496.4	88%
Equity securities	147.2	89.2	236.4	8	206.3	7
Short-term investments	—	—	—	—	25.0	1
Cash and cash equivalents	92.3	—	92.3	3	101.4	4
Restricted cash and cash equivalents	2.5	—	2.5	—	0.6	—
Total investments and cash	\$ 2,733.1	\$ 119.1	\$ 2,852.2	100%	\$ 2,829.7	100%
<b>Breakout of Fixed Maturities:</b>						
U.S. Treasuries and Agencies	\$ 117.3	\$ 0.6	\$ 117.9	5%	\$ 117.8	5%
States and Municipalities	497.7	21.8	519.5	21	528.0	21
Corporate Securities	1,075.3	10.7	1,086.0	43	1,090.4	44
Mortgage-Backed Securities	563.5	(2.2)	561.3	22	545.8	22
Asset-Backed Securities	60.7	0.2	60.9	2	64.5	3
Bank Loans	176.6	(1.2)	175.4	7	149.9	6
Total fixed maturities	\$ 2,491.1	\$ 29.9	\$ 2,521.0	100%	\$ 2,496.4	100%
Weighted average book yield			3.4%		3.4%	
Average credit quality (S&P)			AA-		AA-	
Duration			3.9		4.1	

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

		<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>Numerators:</b>					
Stockholders' equity	<b>A</b>	\$ 1,071.7	\$ 1,018.2	\$ 930.3	\$ 947.7
Plus: Deferred Gain		147.1	149.6	161.0	163.6
Stockholders' equity including the Deferred Gain <sup>(1)</sup>	<b>B</b>	1,218.8	1,167.8	1,091.3	1,111.3
Accumulated other comprehensive (income) loss		(29.9)	17.3	2.5	(136.0)
Income taxes related to accumulated other comprehensive gains and losses		6.3	(3.6)	(0.5)	28.6
Adjusted stockholders' equity <sup>(1)</sup>	<b>C</b>	\$ 1,195.2	\$ 1,181.5	\$ 1,093.3	\$ 1,003.9
<b>Denominator (shares outstanding)</b>	<b>D</b>	32,263,810	32,765,792	32,752,139	32,597,819
Book value per share <sup>(1)</sup>	<b>A / D</b>	\$ 33.22	\$ 31.08	\$ 28.40	\$ 29.07
Book value per share including the Deferred Gain <sup>(1)</sup>	<b>B / D</b>	37.78	35.64	33.32	34.09
Adjusted book value per share <sup>(1)</sup>	<b>C / D</b>	37.04	36.06	33.38	30.80
<b>YTD Change in: <sup>(2)</sup></b>					
Book value per share		7.6%		(1.6)%	
Book value per share including the Deferred Gain		6.6		(1.7)	
Adjusted book value per share		3.3		9.0	

(1) See Page 37 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 \$0.22 and \$0.20 for the three months ended March 31, 2019 and 2018, respectively.

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

	Three Months Ended			
	March 31,			
		2019		2018
<b>Numerators:</b>				
Net income	<b>A</b>	\$ 51.8	\$	25.6
Impact of the LPT Agreement		(2.5)		(2.6)
Net income before impact of the LPT <sup>(1)</sup>	<b>B</b>	49.3		23.0
Net realized and unrealized (gains) losses on investments		(23.3)		8.0
Income tax expense (benefit) related to items excluded from Net income		4.9		(1.7)
Adjusted net income <sup>(1)</sup>	<b>C</b>	\$ 30.9	\$	29.3
<b>Denominators:</b>				
Average common shares outstanding (basic)	<b>D</b>	32,442,287		32,830,481
Average common shares outstanding (diluted)	<b>E</b>	32,954,079		33,320,420
<b>Earnings per share:</b>				
Basic	<b>A / D</b>	\$ 1.60	\$	0.78
Diluted	<b>A / E</b>	1.57		0.77
<b>Earnings per share before impact of the LPT: <sup>(1)</sup></b>				
Basic	<b>B / D</b>	\$ 1.52	\$	0.70
Diluted	<b>B / E</b>	1.50		0.69
<b>Adjusted earnings per share: <sup>(1)</sup></b>				
Basic	<b>C / D</b>	\$ 0.95	\$	0.89
Diluted	<b>C / E</b>	0.94		0.88

(1) See Page 36 for information regarding our use of Non-GAAP Financial Measures.

## **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 any significant 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.

**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.