

Employers Holdings, Inc.

Q4 2018

Investor Presentation

February 21, 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.

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
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reserved

- 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 44 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 (excluding four monopolistic states). Expect to begin writing business in AK and 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 \$205 million in cumulative reserve salvage through 2018.
- 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: Q4 2018*

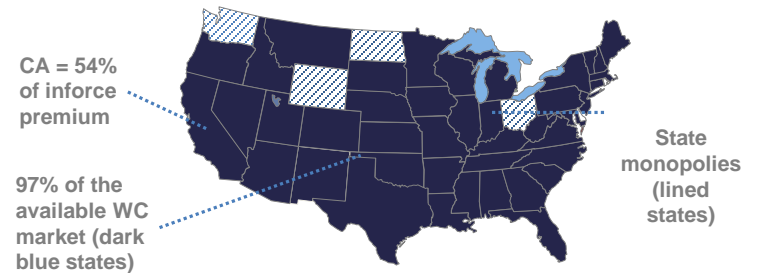
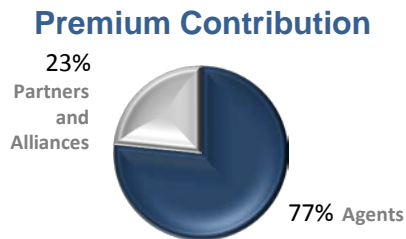
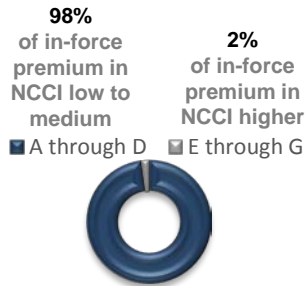
EMPLOYERS® is a mono-line writer of workers' compensation (WC) insurance focused on low to medium hazard risk small businesses

91,498 in-force policies
\$7,281 average policy size
 Multiple insurance companies

1913 - State Fund of Nevada
2000 - Privatization
2007 - IPO
2018 - Operating in 44 states and DC

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

GROWTH and MARKETS



CAPITAL STRENGTH

Statutory Surplus

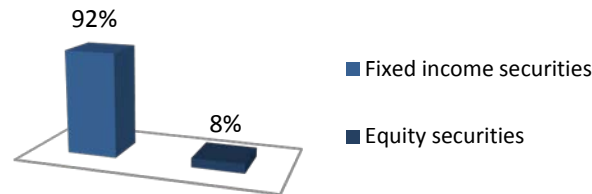


Best's Capital Adequacy Ratio at VaR 99.6

39.8

(at 9/30/18)

\$2.7B
 Investment Portfolio (AA-)



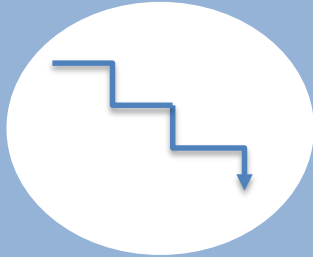
\$531M

returned to shareholders since IPO in share repurchases and dividends

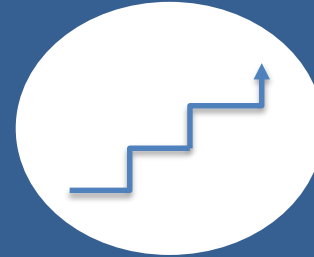
Reinsurance

\$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.

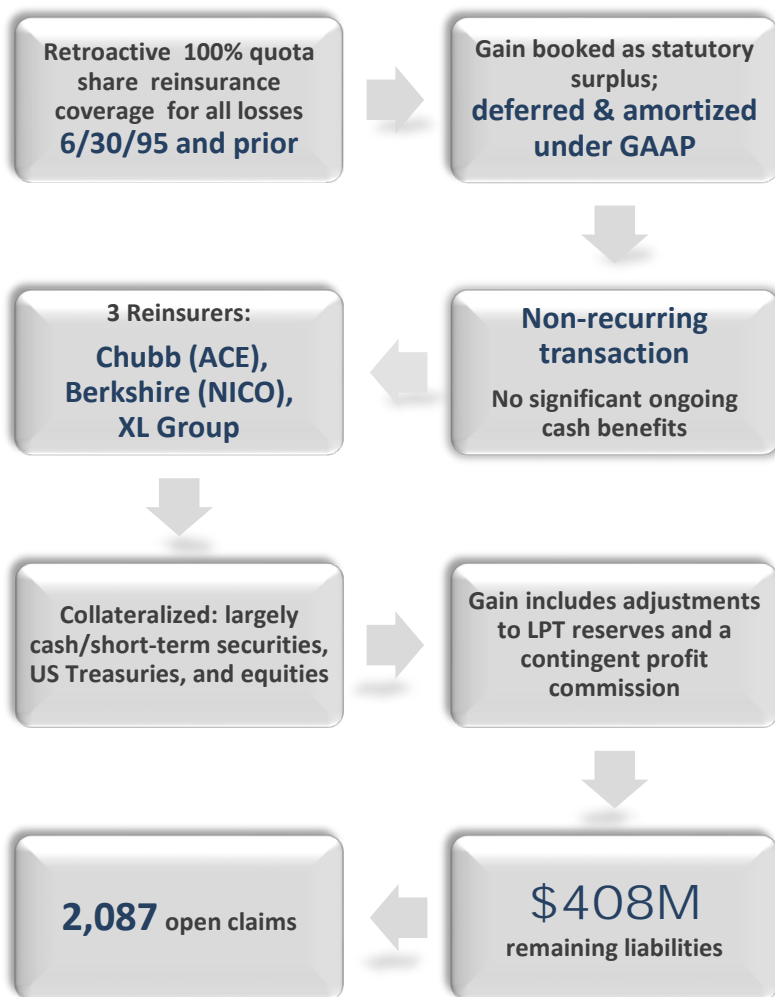


Business Strategies

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



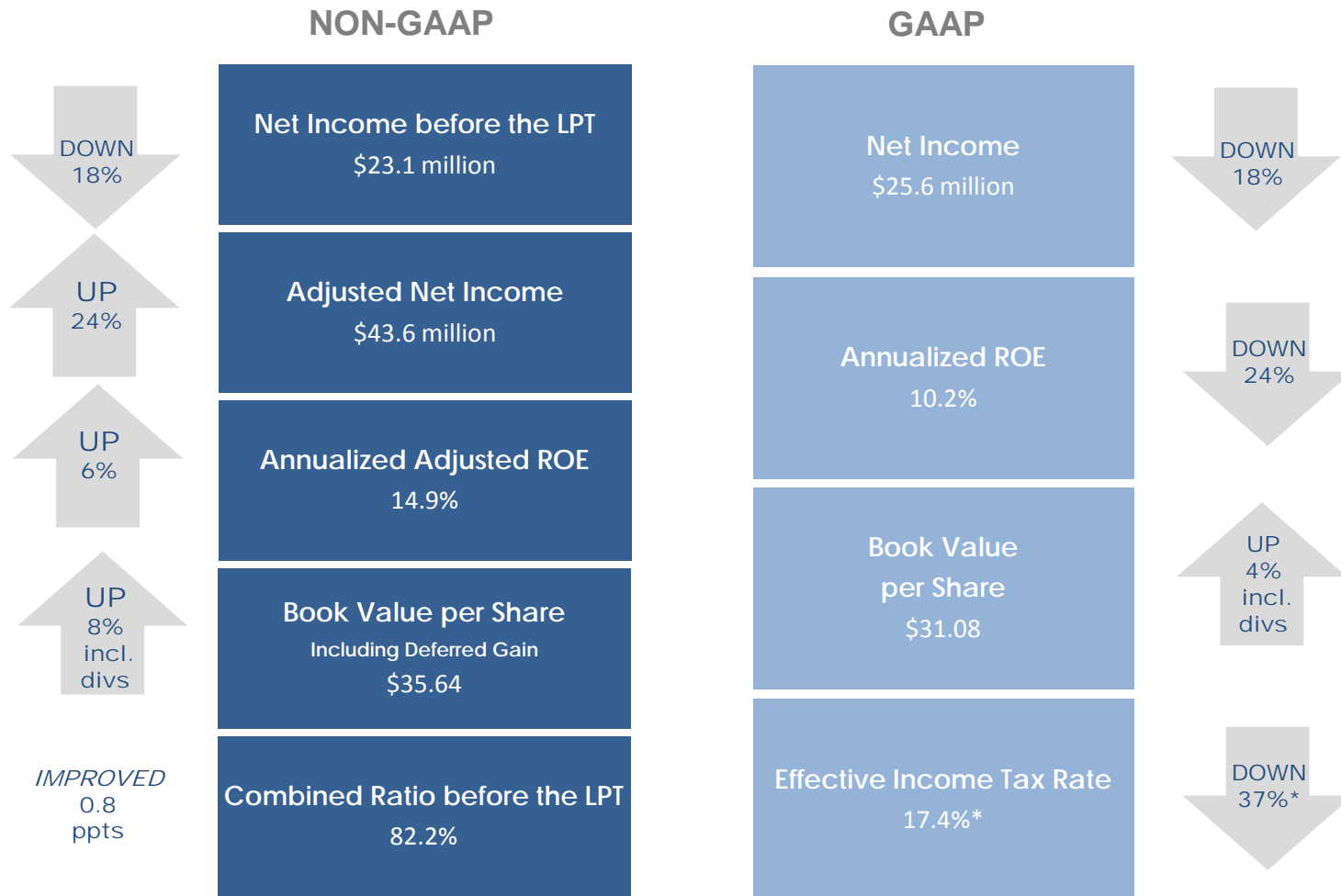
Loss Portfolio Transfer (LPT) Accounting



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
Unamortized gain at 12/31/18		\$ 475
Accounting at 12/31/18		
Statutory surplus created		\$ 475
Cumulative amortization to date		(325)
GAAP: Deferred Reinsurance Gain-LPT Agreement		\$ 150

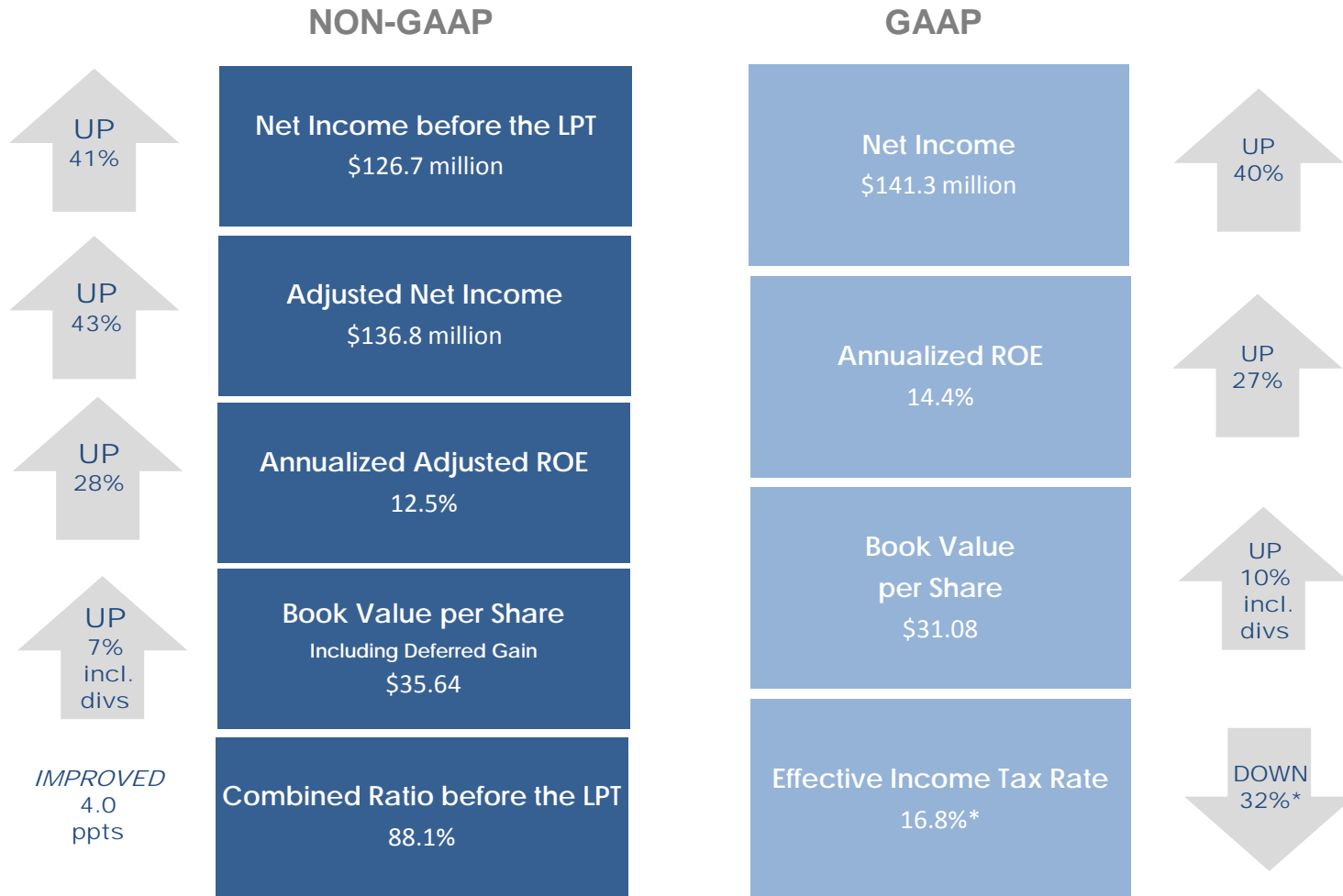
The current unamortized gain represents the balance that would have existed at the inception of the LPT Agreement had all subsequent adjustments been known at that time.

Q4 2018 Highlights (YoY)



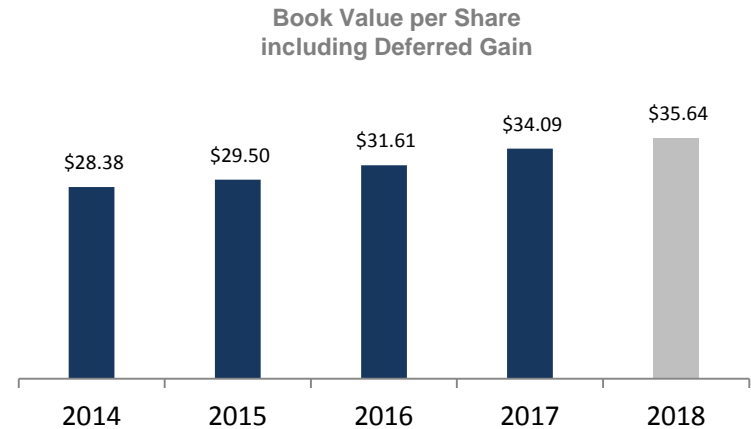
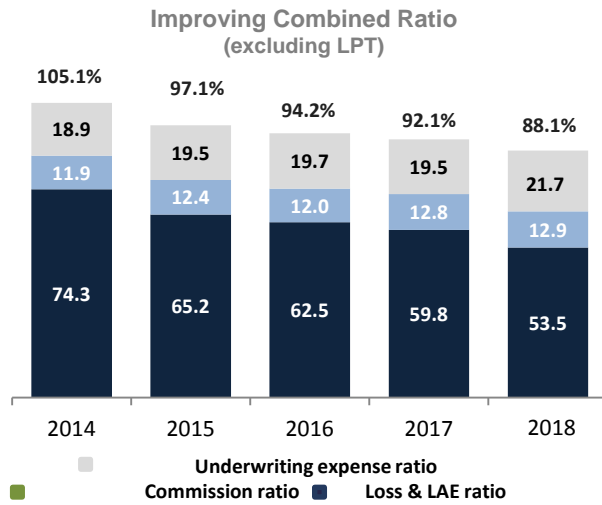
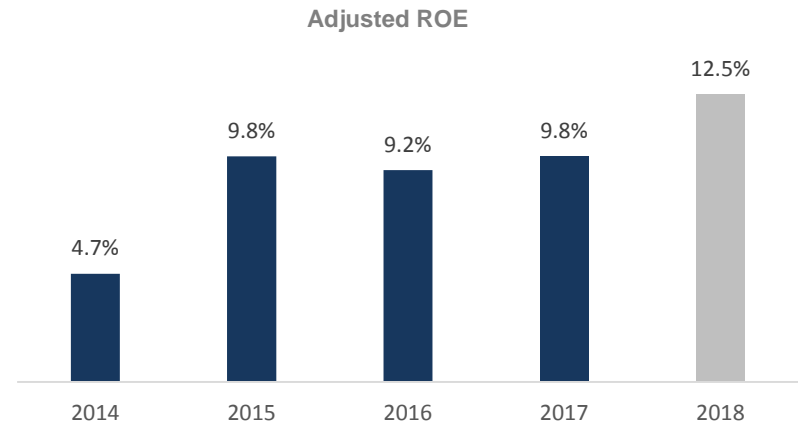
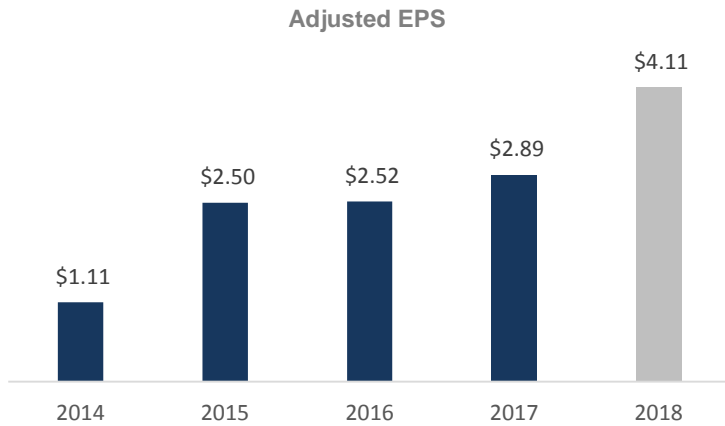
* Excluding the non-recurring impacts of Federal income tax reform

Full Year 2018 Highlights (YoY)



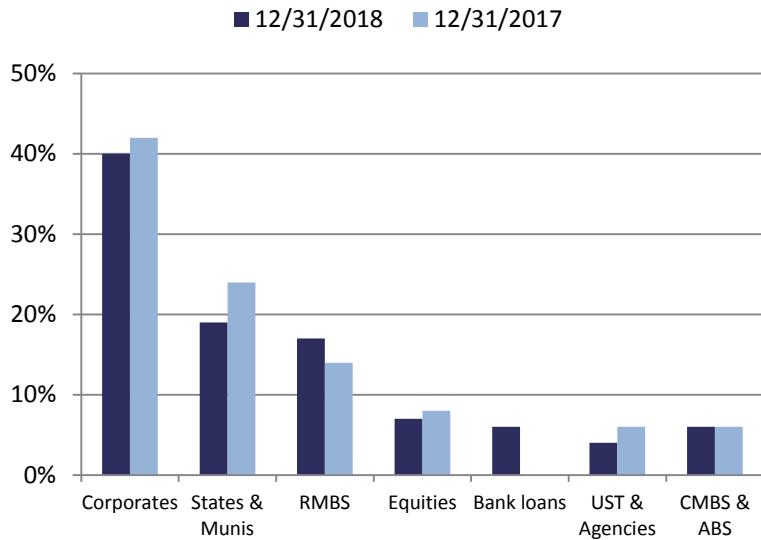
* Excluding the non-recurring impacts of Federal income tax reform

5 Year Performance

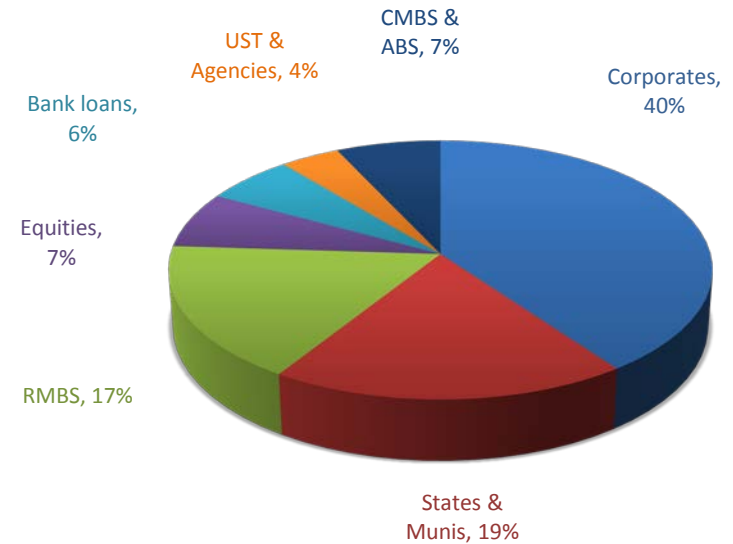


Investment Portfolio

Investment Portfolio Allocation



At 12/31/18



2018: \$2.7 billion fair market value (\$2.8 billion including cash)

- High quality (average credit quality of AA-)
- Highly liquid (\$1.4 billion is unencumbered and available within 3 business days)
- Duration of 4.1
- 3.4% average pre-tax book yield
- 3.8% new money rate

Components of Adjusted Net Income

\$ In Millions	Year ended December 31,			
	2018	2017	2016	2015
Net investment income	\$ 81.2	\$ 74.6	\$ 73.2	\$ 72.2
Underwriting income (CAY ex LPT)	21.6	39.0	23.7	11.0
Underwriting income (PAY vol. dev.)	65.5	17.4	17.0	9.0
Other operating items	<u>(0.1)</u>	<u>(0.3)</u>	<u>(0.6)</u>	<u>(2.2)</u>
Adjusted income (pretax)	168.2	130.7	113.3	90.0
Income taxes	<u>(31.4)</u>	<u>(35.2)</u>	<u>(30.3)</u>	<u>(8.7)</u>
Adjusted net income	<u>\$ 136.8</u>	<u>\$ 95.5</u>	<u>\$ 83.0</u>	<u>\$ 81.3</u>

Book Mix by Hazard Group

Focus on Select Low to Medium Hazard Groups

Data shown as a % of in-force premium

December 31, 2018

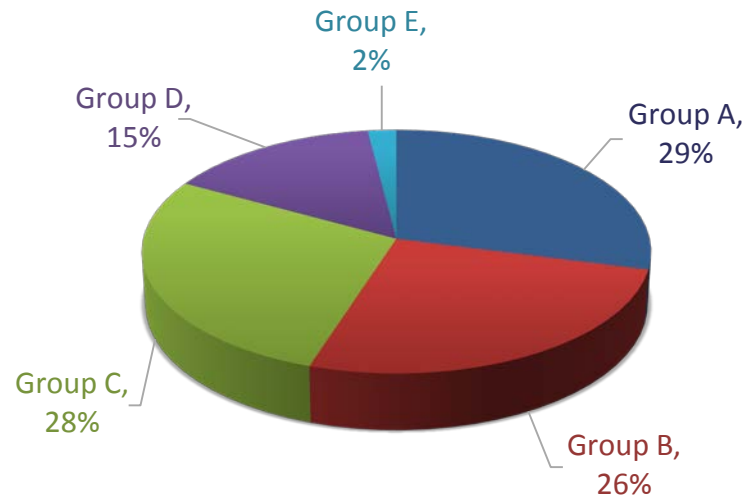
98% in Hazard Groups A – D

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

All other (including DC)

- In-force Premiums – \$196.0 million (29%)
- Policies In-force – 33,187 (36%)

California

- In-force Premiums - \$357.1 million (54%)
- Policies In-force – 41,988 (47%)

Georgia

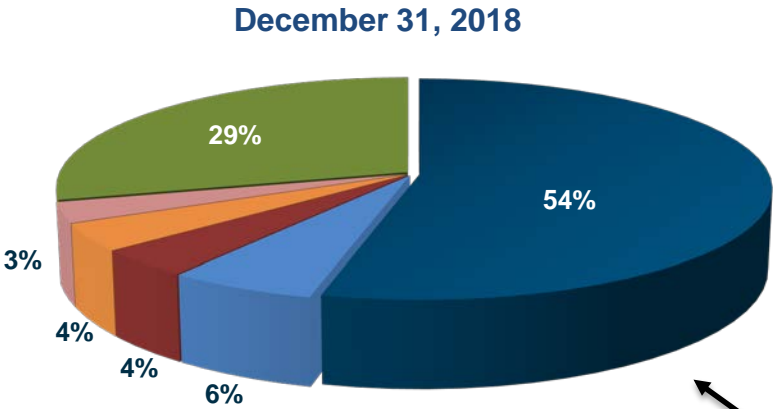
- In-force Premiums - \$21.7 million (3%)
- Policies In-force – 3,772 (4%)

New York

- In-force Premiums - \$23.9 million (4%)
- Policies In-force – 3,663 (4%)

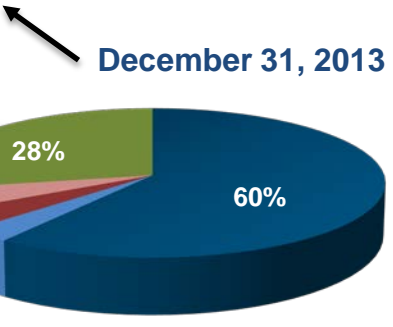
Illinois

- In-force Premiums - \$26.5 million (4%)
- Policies In-force – 3,055 (3%)



Florida

- In-force Premiums - \$41.0 million (6%)
- Policies In-force – 5,833 (6%)



Continual diversification outside of CA

In-force Growth

OVERALL

YTD YoY premium renewal rate:

- Premium: UP 6.3%
- Policies: UP 7.0%
- Average policy size: DOWN 0.7%
- Payroll exposure: UP 22.0%

ALL OTHER STATES

46%

of total premium

Premium:
UP 11.4%

Policies:
UP 10.2%

State monopolies
(WA, WY, ND, OH)

AK and HI expected
in 1Q19

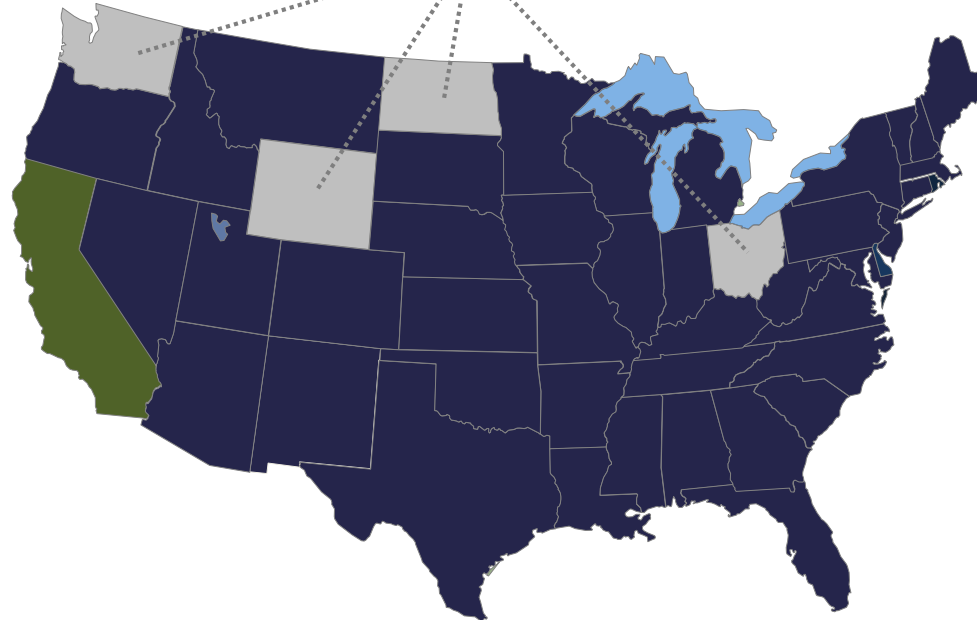
CALIFORNIA

54%

of total premium

Premium:
UP 2.2%

Policies:
UP 3.5%



History of Reserve Strength

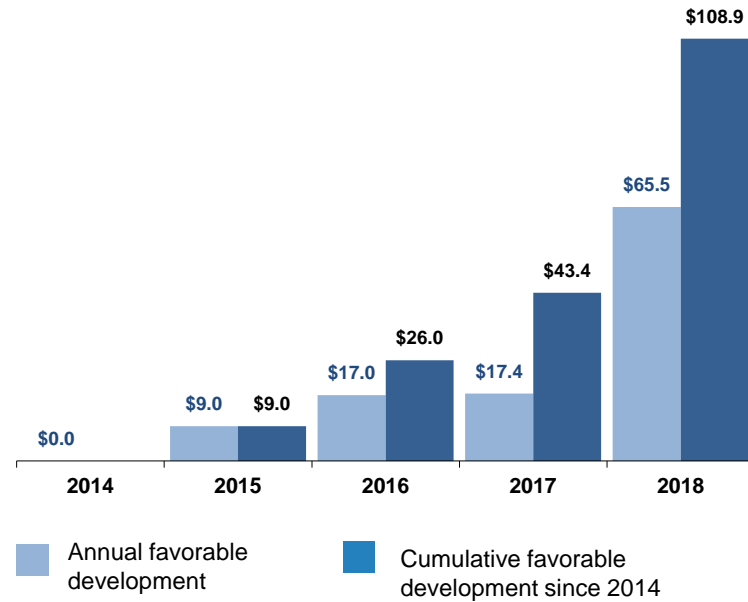
Reserve review



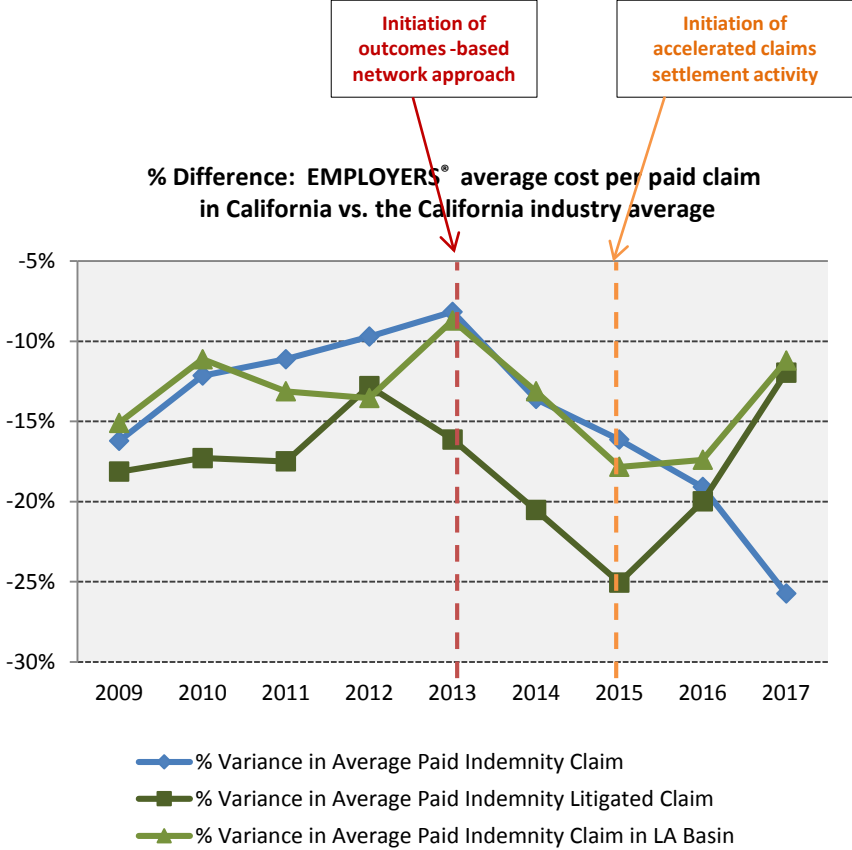
Favorable reserve development

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 December 31, 2017.

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 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

The logo for Certy, featuring the word "Certy" in a dark blue, sans-serif font. The letter "y" has a small blue dot above it. The logo is enclosed in a thin white rectangular border.

To Whom Will Cerity Sell?

- Cerity is currently open for business in Illinois, Texas, Arizona, Oregon and Utah with the intention of expanding to all non-monopolistic markets as soon as possible
- Cerity will initially target restaurants, accounting firms, beauty salons, tech firms and law firms. In the future, Cerity will expand to other classes of business

The Cerity logo is displayed within a thin black rectangular border. 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 in 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. A small registered trademark symbol (®) is located at the bottom right of the word.



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[®]

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Analyst Contact: Michael Paquette, Executive Vice President/Chief Financial Officer- Employers Holdings, Inc.
Administrative Assistant:
(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.
Fourth Quarter And Full Year 2018
Financial Supplement

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

	Three Months Ended December 31,			Years Ended December 31,		
	2018	2017	% change	2018	2017	% change
<i>Selected financial highlights:</i>						
Gross premiums written	\$ 161.7	\$ 168.4	(4)%	\$ 748.9	\$ 729.7	3%
Net premiums written	160.4	167.0	(4)	742.8	723.7	3
Net premiums earned	183.6	181.6	1	731.1	716.5	2
Net investment income	21.3	19.1	12	81.2	74.6	9
Underwriting income ⁽¹⁾	35.1	33.9	4	101.7	68.0	50
Net income before impact of the LPT ⁽¹⁾	23.1	28.2	(18)	126.7	89.6	41
Adjusted net income ⁽¹⁾	43.6	35.2	24	136.8	95.5	43
Net income	25.6	31.3	(18)	141.3	101.2	40
Comprehensive income	34.4	30.4	13	94.2	116.3	(19)
Total assets				3,919.2	3,840.1	2
Stockholders' equity				1,018.2	947.7	7
Stockholders' equity including the Deferred Gain ⁽²⁾				1,167.8	1,111.3	5
Adjusted stockholders' equity ⁽²⁾				1,181.5	1,003.9	18
Annualized adjusted return on stockholders' equity ⁽³⁾	14.9%	14.1%	6 %	12.5%	9.8%	28
<i>Amounts per share:</i>						
Cash dividends declared per share	\$ 0.20	\$ 0.15	33 %	\$ 0.80	\$ 0.60	33%
Earnings per diluted share ⁽⁴⁾	0.77	0.94	(18)	4.24	3.06	39
Earnings per diluted share before impact of the LPT ⁽⁴⁾	0.69	0.85	(19)	3.80	2.71	40
Adjusted earnings per diluted share ⁽⁴⁾	1.31	1.06	24	4.11	2.89	42
Book value per share ⁽²⁾				31.08	29.07	7
Book value per share including the Deferred Gain ⁽²⁾				35.64	34.09	5
Adjusted book value per share ⁽²⁾				36.06	30.80	17
Combined ratio before impact of the LPT:⁽⁵⁾						
Loss and loss adjustment expense ratio:						
Current year	62.5%	58.5%		62.6%	62.4%	
Prior year	(13.8)	(9.9)		(9.1)	(2.6)	
Loss and loss adjustment expense ratio	48.7%	48.6%		53.5%	59.8%	
Commission expense ratio	11.5	13.6		12.9	12.8	
Underwriting and other operating expense ratio	22.0	20.8		21.7	19.5	
Combined ratio before impact of the LPT	82.2%	83.0%		88.1%	92.1%	

(1) See Page 20 for calculations and Page 37 for information regarding our use of Non-GAAP Financial Measures.

(2) See Page 35 for calculations and Page 37 for information regarding our use of Non-GAAP Financial Measures.

(3) See Page 31 for calculations and Page 37 for information regarding our use of Non-GAAP Financial Measures.

(4) See Page 36 for calculations and Page 37 for information regarding our use of Non-GAAP Financial Measures.

(5) See Page 32 for calculations and Page 37 for information regarding our use of Non-GAAP Financial Measures.

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

	December 31, 2018	December 31, 2017
ASSETS		
Investments, cash and cash equivalents	\$ 2,829.7	\$ 2,752.0
Accrued investment income	18.0	19.6
Premiums receivable, net	333.1	326.7
Reinsurance recoverable on paid and unpaid losses	511.1	544.2
Deferred policy acquisition costs	48.2	45.8
Deferred income taxes, net	26.9	28.7
Contingent commission receivable—LPT Agreement	32.0	31.4
Other assets	120.2	91.7
Total assets	<u>\$ 3,919.2</u>	<u>\$ 3,840.1</u>
LIABILITIES		
Unpaid losses and LAE	\$ 2,207.9	\$ 2,266.1
Unearned premiums	336.3	318.3
Commissions and premium taxes payable	57.3	55.3
Deferred Gain	149.6	163.6
Notes payable	20.0	20.0
Other liabilities	129.9	69.1
Total liabilities	<u>\$ 2,901.0</u>	<u>\$ 2,892.4</u>
STOCKHOLDERS' EQUITY		
Common stock and additional paid-in capital	\$ 389.4	\$ 381.8
Retained earnings	1,030.7	842.2
Accumulated other comprehensive income, net ⁽²⁾	(13.7)	107.4
Treasury stock, at cost	(388.2)	(383.7)
Total stockholders' equity	<u>1,018.2</u>	<u>947.7</u>
Total liabilities and stockholders' equity	<u>\$ 3,919.2</u>	<u>\$ 3,840.1</u>
Stockholders' equity including the Deferred Gain ⁽¹⁾	\$ 1,167.8	\$ 1,111.3
Adjusted stockholders' equity ⁽¹⁾	<u>1,181.5</u>	<u>1,003.9</u>
Book value per share ⁽¹⁾	\$ 31.08	\$ 29.07
Book value per share including the Deferred Gain ⁽¹⁾	35.64	34.09
Adjusted book value per share ⁽¹⁾	<u>36.06</u>	<u>30.80</u>

(1) See Page 35 for calculations and Page 37 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

	Years Ended December 31,		Years Ended December 31,	
	2018	2017	2018	2017
Underwriting revenues:				
Gross premiums written	\$ 161.7	\$ 168.4	\$ 748.9	\$ 729.7
Premiums ceded	(1.3)	(1.4)	(6.1)	(6.0)
Net premiums written	160.4	167.0	742.8	723.7
Net premiums earned	183.6	181.6	731.1	716.5
Underwriting expenses:				
Losses and LAE incurred	(86.9)	(85.2)	(376.7)	(417.2)
Commission expense	(21.2)	(24.7)	(94.2)	(91.4)
Underwriting and other operating expenses	(40.4)	(37.8)	(158.5)	(139.9)
Underwriting income	35.1	33.9	101.7	68.0
Net investment income	21.3	19.1	81.2	74.6
Net realized and unrealized (losses) gains on investments ⁽¹⁾	(26.4)	—	(13.1)	7.4
Gain on redemption of notes payable	—	—	—	2.1
Other income	0.9	0.3	1.2	0.8
Interest and financing expenses	(0.4)	(0.3)	(1.5)	(1.4)
Other expenses	—	—	—	(7.5)
Income tax expense	(4.9)	(21.7)	(28.2)	(42.8)
Net income	25.6	31.3	141.3	101.2
Unrealized AFS investment gains (losses) arising during the period, net of tax ⁽²⁾	7.8	(0.9)	(48.5)	19.9
Reclassification adjustment for realized AFS investment losses (gains) in net income, net of tax ⁽²⁾	1.0	—	1.4	(4.8)
Total Comprehensive income	\$ 34.4	\$ 30.4	\$ 94.2	\$ 116.3
Net income	\$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Amortization of the Deferred Gain - losses	(2.1)	(2.3)	(9.9)	(9.3)
Amortization of the Deferred Gain - contingent commission	(0.4)	(0.5)	(2.0)	(2.0)
LPT reserve adjustment	—	—	(2.2)	—
LPT contingent commission adjustments	—	(0.3)	(0.5)	(0.3)
Net income before impact of the LPT Agreement⁽³⁾	\$ 23.1	\$ 28.2	\$ 126.7	\$ 89.6
Net realized and unrealized losses (gains) on investments	26.4	—	13.1	(7.4)
Gain on redemption of notes payable	—	—	—	(2.1)
Write-off of previously capitalized costs	—	—	—	7.5
Amortization of intangibles	—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income	(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform	(0.4)	7.0	(0.4)	7.0
Adjusted net income⁽¹⁾	\$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5

(1) Includes \$27.4 million and \$25.6 million of unrealized losses on equity securities for the three months ended and year ended December 31, 2018, respectively.

(2) AFS = Available for Sale securities

(3) See Page 37 regarding our use of Non-GAAP Financial Measures.

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

	Three Months Ended		Years Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
Net income	A \$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Impact of the LPT Agreement	(2.5)	(3.1)	(14.6)	(11.6)
Net realized and unrealized losses (gains) on investments	26.4	—	13.1	(7.4)
Gain on redemption of notes payable	—	—	—	(2.1)
Write-off of previously capitalized costs	—	—	—	7.5
Amortization of intangibles	—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income	(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform	(0.4)	7.0	(0.4)	7.0
Adjusted net income⁽¹⁾	B \$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5
Stockholders' equity - end of period	\$ 1,018.2	\$ 947.7	\$ 1,018.2	\$ 947.7
Stockholders' equity - beginning of period	991.2	917.1	947.7	840.6
Average stockholders' equity	C \$ 1,004.7	\$ 932.4	\$ 983.0	\$ 894.2
Stockholders' equity - end of period	\$ 1,018.2	\$ 947.7	\$ 1,018.2	\$ 947.7
Deferred Gain - end of period	149.6	163.6	149.6	163.6
Accumulated other comprehensive loss (income) - end of period	17.3	(136.0)	17.3	(136.0)
Income tax related to accumulated other comprehensive gains and losses - end of period	(3.6)	28.6	(3.6)	28.6
Adjusted stockholders' equity - end of period	1,181.5	1,003.9	1,181.5	1,003.9
Adjusted stockholders' equity - beginning of period	1,165.8	992.9	1,003.9	941.0
Average adjusted stockholders' equity⁽¹⁾	D \$ 1,173.7	\$ 998.4	\$ 1,092.7	\$ 972.5
Return on stockholders' equity	A / C 2.5%	3.4%	14.4%	11.3%
Annualized return on stockholders' equity	10.2%	13.4%		
Adjusted return on stockholders' equity ⁽¹⁾	B / D 3.7%	3.5%	12.5%	9.8%
Annualized adjusted return on stockholders' equity⁽¹⁾	14.9%	14.1%		

(1) See Page 37 for information regarding our use of Non-GAAP Financial Measures.

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

		Three Months Ended		Years Ended	
		December 31,		December 31,	
		2018	2017	2018	2017
Net premiums earned	A	\$ 183.6	\$ 181.6	\$ 731.1	\$ 716.5
Losses and LAE incurred	B	86.9	85.2	376.7	417.2
Amortization of the Deferred Gain - losses		2.1	2.3	9.9	9.3
Amortization of the Deferred Gain - contingent commission		0.4	0.5	2.0	2.0
LPT reserve adjustment		—	—	2.2	—
LPT contingent commission adjustments		—	0.3	0.5	0.3
Losses and LAE before impact of the LPT ⁽¹⁾	C	\$ 89.4	\$ 88.3	\$ 391.3	\$ 428.8
Prior accident year favorable loss reserve development		(25.4)	(18.0)	(66.2)	(18.5)
Losses and LAE before impact of the LPT - current accident year	D	\$ 114.8	\$ 106.3	\$ 457.5	\$ 447.3
Commission expense	E	\$ 21.2	\$ 24.7	\$ 94.2	\$ 91.4
Underwriting and other operating expenses	F	40.4	37.8	158.5	139.9
Combined ratio:					
Loss and LAE ratio	B/A	47.3%	46.9%	51.5%	58.2%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio		80.8%	81.3%	86.1%	90.5%
Combined ratio before impact of the LPT: ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	C/A	48.7%	48.6%	53.5%	59.8%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio before impact of the LPT		82.2%	83.0%	88.1%	92.1%
Combined ratio before impact of the LPT: current accident year: ⁽¹⁾					
Loss and LAE ratio before impact of the LPT	D/A	62.5%	58.5%	62.6%	62.4%
Commission expense ratio	E/A	11.5	13.6	12.9	12.8
Underwriting and other operating expense ratio	F/A	22.0	20.8	21.7	19.5
Combined ratio before impact of the LPT: current accident year		96.0%	92.9%	97.2%	94.7%

(1) See Page 37 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 December 31,		Years Ended December 31,	
	2018	2017	2018	2017
Unpaid losses and LAE at beginning of period	\$ 2,233.7	\$ 2,298.9	\$ 2,266.1	\$ 2,301.0
Less reinsurance recoverable on unpaid losses and LAE	511.8	553.1	537.0	580.0
Net unpaid losses and LAE at beginning of period	1,721.9	1,745.8	1,729.1	1,721.0
Losses and LAE incurred:				
Current year losses	115.0	106.3	457.5	447.3
Prior year losses on voluntary business	(25.0)	(17.4)	(65.5)	(17.4)
Prior year losses on involuntary business	(0.4)	(0.6)	(0.7)	(1.1)
Total losses incurred	89.6	88.3	391.3	428.8
Losses and LAE paid:				
Current year losses	36.1	31.7	93.0	76.9
Prior year losses	71.9	73.3	323.9	343.8
Total paid losses	108.0	105.0	416.9	420.7
Net unpaid losses and LAE at end of period	1,703.5	1,729.1	1,703.5	1,729.1
Reinsurance recoverable on unpaid losses and LAE	504.4	537.0	504.4	537.0
Unpaid losses and LAE at end of period	\$ 2,207.9	\$ 2,266.1	\$ 2,207.9	\$ 2,266.1

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 \$3.1 million for the three months ended December 31, 2018 and 2017, respectively, and \$14.6 million and \$11.6 million for the year ended December 31, 2018 and 2017, respectively.

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

	December 31, 2018				December 31, 2017	
	Cost or Amortized Cost	Net Unrealized (Losses) Gains	Fair Value	%	Fair Value	%
Investment Positions:						
Fixed maturities	\$ 2,513.7	\$ (17.3)	\$ 2,496.4	88%	\$ 2,463.4	90%
Equity securities	138.3	68.0	206.3	7	210.3	8
Short-term investments	25.0	—	25.0	1	4.0	—
Cash and cash equivalents	101.4	—	101.4	4	73.3	3
Restricted cash and cash equivalents	0.6	—	0.6	—	1.0	—
Total investments and cash	<u>\$ 2,779.0</u>	<u>\$ 50.7</u>	<u>\$ 2,829.7</u>	<u>100%</u>	<u>\$ 2,752.0</u>	<u>100%</u>
Breakout of Fixed Maturities:						
U.S. Treasuries and Agencies	\$ 118.0	\$ (0.2)	\$ 117.8	5%	\$ 148.8	6%
States and Municipalities	513.4	14.6	528.0	21	642.5	26
Corporate Securities	1,106.2	(15.8)	1,090.4	44	1,118.0	45
Mortgage-Backed Securities	555.8	(10.0)	545.8	22	495.3	20
Asset-Backed Securities	64.7	(0.2)	64.5	3	58.8	2
Other	155.6	(5.7)	149.9	6	—	—
Total fixed maturities	<u>\$ 2,513.7</u>	<u>\$ (17.3)</u>	<u>\$ 2,496.4</u>	<u>100%</u>	<u>\$ 2,463.4</u>	<u>100%</u>
Weighted average book yield				3.4%		3.1%
Average credit quality (S&P)				AA-		AA-
Duration				4.1		4.2

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

		December 31, 2018	December 31, 2017
Numerators:			
Stockholders' equity	A	\$ 1,018.2	\$ 947.7
Plus: Deferred Gain		149.6	163.6
Stockholders' equity including the Deferred Gain⁽¹⁾	B	1,167.8	1,111.3
Accumulated other comprehensive loss (income)		17.3	(136.0)
Income tax (benefit) expense related to accumulated other comprehensive gains and losses		(3.6)	28.6
Adjusted stockholders' equity⁽¹⁾	C	\$ 1,181.5	\$ 1,003.9
Denominator (shares outstanding)			
	D	32,765,792	32,597,819
Book value per share ⁽¹⁾	A / D	\$ 31.08	\$ 29.07
Book value per share including the Deferred Gain ⁽¹⁾	B / D	35.64	34.09
Adjusted book value per share ⁽¹⁾	C / D	36.06	30.80
Cash dividends declared per share		\$ 0.80	\$ 0.60
YTD Change in:⁽²⁾			
Book value per share		9.7%	13.4%
Book value per share including the Deferred Gain		6.9	9.7
Adjusted book value per share		19.7	7.2

(1) See Page 37 for information regarding our use of Non-GAAP Financial Measures.

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

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

		Three Months Ended		Years Ended	
		December 31,		December 31,	
Numerators:		2018	2017	2018	2017
Net income	A	\$ 25.6	\$ 31.3	\$ 141.3	\$ 101.2
Impact of the LPT Agreement		(2.5)	(3.1)	(14.6)	(11.6)
Net income before impact of the LPT ⁽¹⁾	B	\$ 23.1	\$ 28.2	\$ 126.7	\$ 89.6
Net realized and unrealized losses (gains) on investments		26.4	—	13.1	(7.4)
Gain on redemption of notes payable		—	—	—	(2.1)
Write-off of previously capitalized costs		—	—	—	7.5
Amortization of intangibles		—	—	0.2	0.3
Income tax (benefit) expense related to items excluded from Net income		(5.5)	—	(2.8)	0.6
Net impact of Federal tax reform		(0.4)	7.0	(0.4)	7.0
Adjusted net income ⁽¹⁾	C	\$ 43.6	\$ 35.2	\$ 136.8	\$ 95.5
Denominators:					
Average common shares outstanding (basic)	D	32,926,984	32,641,438	32,884,828	32,501,576
Average common shares outstanding (diluted)	E	33,390,486	33,219,850	33,311,337	33,060,760
Earnings per share:					
Basic	A / D	\$ 0.78	\$ 0.96	\$ 4.30	\$ 3.11
Diluted	A / E	0.77	0.94	4.24	3.06
Earnings per share before impact of the LPT:⁽¹⁾					
Basic	B / D	\$ 0.70	\$ 0.86	\$ 3.85	\$ 2.76
Diluted	B / E	0.69	0.85	3.80	2.71
Adjusted earnings per share:⁽¹⁾					
Basic	C / D	\$ 1.32	\$ 1.08	\$ 4.16	\$ 2.94
Diluted	C / E	1.31	1.06	4.11	2.89

(1) See Page 37 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 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 26 for calculations) is net income excluding the effects of the LPT Agreement, net realized and unrealized gains (losses) on investments (net of tax), net impact of Federal tax reform, gain on redemption of notes payable (net of tax), write-off of previously capitalized costs (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 30 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 26 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 30 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 25 and 27 for calculations). Management believes that these performance and underwriting measures are widely used by our investors, analysts and other interested parties.