

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 10-Q**

**R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the Quarterly Period Ended March 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_ to \_\_\_\_**

**Commission file number: 001-33245**

**EMPLOYERS HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction  
of incorporation or organization)

**04-3850065**

(I.R.S. Employer  
Identification Number)

**10375 Professional Circle, Reno, Nevada 89521**  
(Address of principal executive offices and zip code)

**(888) 682-6671**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  R

Accelerated filer  o

Non-accelerated filer  o

Smaller reporting company  o  
Emerging growth company  o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No R

Class

Common Stock, \$0.01 par value per share

April 20, 2017

32,278,012 shares outstanding

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Employers Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(in millions, except share data)

	As of March 31, 2017 (unaudited)	As of December 31, 2016
<b>Assets</b>		
Available for sale:		
Fixed maturity securities at fair value (amortized cost \$2,350.6 at March 31, 2017 and \$2,305.9 at December 31, 2016)	\$ 2,395.3	\$ 2,344.4
Equity securities at fair value (cost \$117.6 at March 31, 2017 and \$116.1 at December 31, 2016)	199.8	192.2
Short-term investments at fair value (amortized cost \$15.4 at March 31, 2017 and \$16.0 at December 31, 2016)	15.4	16.0
<b>Total investments</b>	<b>2,610.5</b>	<b>2,552.6</b>
Cash and cash equivalents	58.6	67.2
Restricted cash and cash equivalents	4.1	3.6
Accrued investment income	20.1	20.6
Premiums receivable (less bad debt allowance of \$9.4 at March 31, 2017 and \$9.8 at December 31, 2016)	323.8	304.7
Reinsurance recoverable for:		
Paid losses	8.1	8.7
Unpaid losses	572.9	580.0
Deferred policy acquisition costs	48.1	44.3
Deferred income taxes, net	52.1	59.4
Property and equipment, net	23.9	22.2
Intangible assets, net	8.1	8.2
Goodwill	36.2	36.2
Contingent commission receivable—LPT Agreement	31.1	31.1
Other assets	36.0	34.6
<b>Total assets</b>	<b>\$ 3,833.6</b>	<b>\$ 3,773.4</b>
<b>Liabilities and stockholders' equity</b>		
Claims and policy liabilities:		
Unpaid losses and loss adjustment expenses	\$ 2,298.2	\$ 2,301.0
Unearned premiums	330.8	310.3
<b>Total claims and policy liabilities</b>	<b>2,629.0</b>	<b>2,611.3</b>
Commissions and premium taxes payable	49.3	48.8
Accounts payable and accrued expenses	21.0	24.2
Unsettled purchases of investments	18.0	—
Deferred reinsurance gain—LPT Agreement	171.9	174.9
Notes payable	32.0	32.0
Other liabilities	44.9	41.6
<b>Total liabilities</b>	<b>\$ 2,966.1</b>	<b>\$ 2,932.8</b>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 56,373,568 and 56,226,277 shares issued and 32,276,213 and 32,128,922 shares outstanding at March 31, 2017 and December 31, 2016, respectively	\$ 0.6	\$ 0.6
Preferred stock, \$0.01 par value; 25,000,000 shares authorized; none issued	—	—
Additional paid-in capital	372.7	372.0
Retained earnings	795.4	777.2
Accumulated other comprehensive income, net of tax	82.5	74.5
Treasury stock, at cost (24,097,355 shares at March 31, 2017 and December 31, 2016)	(383.7)	(383.7)
<b>Total stockholders' equity</b>	<b>867.5</b>	<b>840.6</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,833.6</b>	<b>\$ 3,773.4</b>

See accompanying unaudited notes to the consolidated financial statements.

**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
(in millions, except per share data)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	
<b>Revenues</b>		
Net premiums earned	\$ 175.3	\$ 172.6
Net investment income	18.8	17.8
Net realized gains on investments	2.2	1.5
Other income	—	0.1
<b>Total revenues</b>	<b>196.3</b>	<b>192.0</b>
<b>Expenses</b>		
Losses and loss adjustment expenses	109.0	107.3
Commission expense	21.5	20.3
Underwriting and other operating expenses	35.9	36.3
Interest expense	0.4	0.4
<b>Total expenses</b>	<b>166.8</b>	<b>164.3</b>
<b>Net income before income taxes</b>	<b>29.5</b>	<b>27.7</b>
Income tax expense	6.3	5.9
<b>Net income</b>	<b>\$ 23.2</b>	<b>\$ 21.8</b>
<b>Comprehensive income</b>		
Unrealized gains during the period (net of tax expense of \$5.1 and \$11.2 for the three months ended March 31, 2017 and 2016, respectively)	\$ 9.4	\$ 20.8
Reclassification adjustment for realized gains in net income (net of taxes of \$0.8 and \$0.5 for the three months ended March 31, 2017 and 2016, respectively)	(1.4)	(1.0)
Other comprehensive income, net of tax	8.0	19.8
<b>Total comprehensive income</b>	<b>\$ 31.2</b>	<b>\$ 41.6</b>
<b>Net realized gains on investments</b>		
Net realized gains on investments before credit related impairments	\$ 2.4	\$ 6.8
Other than temporary impairment recognized in earnings	(0.2)	(5.3)
<b>Net realized gains on investments</b>	<b>\$ 2.2</b>	<b>\$ 1.5</b>
<b>Earnings per common share (Note 10):</b>		
Basic	\$ 0.72	\$ 0.67
Diluted	\$ 0.70	\$ 0.66
Cash dividends declared per common share and eligible RSUs and PSUs	\$ 0.15	\$ 0.09

*See accompanying unaudited notes to the consolidated financial statements.*

**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
**For the Three Months Ended March 31, 2017 and 2016**  
**(Unaudited)**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Treasury Stock at Cost	Total Stockholders' Equity
	Shares	Amount					
(in millions, except share data)							
Balance, January 1, 2017	56,226,277	\$ 0.6	\$ 372.0	\$ 777.2	\$ 74.5	\$ (383.7)	\$ 840.6
Stock-based compensation	—	—	2.0	—	—	—	2.0
Stock options exercised	37,005	—	0.6	—	—	—	0.6
Vesting of restricted and performance stock units, net of shares withheld to satisfy minimum tax withholding	110,286	—	(1.9)	—	—	—	(1.9)
Dividends declared	—	—	—	(5.0)	—	—	(5.0)
Net income for the period	—	—	—	23.2	—	—	23.2
Change in net unrealized gains on investments, net of taxes of \$(4.3)	—	—	—	—	8.0	—	8.0
Balance, March 31, 2017	56,373,568	\$ 0.6	\$ 372.7	\$ 795.4	\$ 82.5	\$ (383.7)	\$ 867.5
Balance, January 1, 2016	55,589,454	\$ 0.6	\$ 357.2	\$ 682.0	\$ 83.6	\$ (362.6)	\$ 760.8
Stock-based compensation	—	—	1.8	—	—	—	1.8
Stock options exercised	262,239	—	4.0	—	—	—	4.0
Vesting of restricted and performance stock units, net of shares withheld to satisfy minimum tax withholding	42,595	—	(0.6)	—	—	—	(0.6)
Acquisition of common stock	—	—	—	—	—	(1.0)	(1.0)
Dividends declared	—	—	—	(2.9)	—	—	(2.9)
Net income for the period	—	—	—	21.8	—	—	21.8
Change in net unrealized gains on investments, net of taxes \$(10.7)	—	—	—	—	19.8	—	19.8
Balance, March 31, 2016	55,894,288	\$ 0.6	\$ 362.4	\$ 700.9	\$ 103.4	\$ (363.6)	\$ 803.7

*See accompanying notes to the consolidated financial statements.*

**Employers Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(in millions)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(unaudited)	
<b>Operating activities</b>		
Net income	\$ 23.2	\$ 21.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2.1	2.2
Stock-based compensation	1.9	1.8
Amortization of premium on investments, net	3.6	3.7
Allowance for doubtful accounts	(0.4)	(2.6)
Deferred income tax expense	3.0	1.7
Net realized gains on investments	(2.2)	(1.5)
Other	(0.3)	0.1
Change in operating assets and liabilities:		
Premiums receivable	(18.7)	(11.4)
Reinsurance recoverable on paid and unpaid losses	7.7	6.6
Federal income taxes	3.2	4.1
Unpaid losses and loss adjustment expenses	(2.8)	(5.6)
Unearned premiums	20.5	14.8
Payables and other liabilities	(3.1)	(4.0)
Deferred reinsurance gain—LPT Agreement	(3.0)	(3.1)
Other	(4.0)	(7.0)
Net cash provided by operating activities	30.7	21.6
<b>Investing activities</b>		
Purchase of fixed maturity securities	(138.3)	(102.5)
Purchase of equity securities	(5.6)	(32.6)
Purchase of short-term investments	(7.9)	—
Proceeds from sale of fixed maturity securities	27.3	42.4
Proceeds from sale of equity securities	5.8	26.3
Proceeds from maturities and redemptions of fixed maturity securities	63.3	61.5
Proceeds from maturities of short-term investments	8.5	—
Net change in unsettled investment purchases and sales	18.0	—
Capital expenditures and other	(3.5)	(0.2)
Change in restricted cash and cash equivalents	(0.5)	(1.7)
Net cash used in investing activities	(32.9)	(6.8)
<b>Financing activities</b>		
Acquisition of common stock	—	(1.0)
Cash transactions related to stock-based compensation	(1.3)	3.4
Stockholder dividends paid	(5.0)	(2.9)
Payments on notes payable and capital leases	(0.1)	(0.1)
Net cash used in financing activities	(6.4)	(0.6)
Net (decrease) increase in cash and cash equivalents	(8.6)	14.2
Cash and cash equivalents at the beginning of the period	67.2	56.6
Cash and cash equivalents at the end of the period	\$ 58.6	\$ 70.8

*See accompanying unaudited notes to the consolidated financial statements.*

**Employers Holdings, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation and Summary of Operations**

Employers Holdings, Inc. (EHI) is a Nevada holding company. Through its wholly owned insurance subsidiaries, Employers Insurance Company of Nevada (EICN), Employers Compensation Insurance Company (ECIC), Employers Preferred Insurance Company (EPIC), and Employers Assurance Company (EAC), EHI is engaged in the commercial property and casualty insurance industry, specializing in workers' compensation products and services. Unless otherwise indicated, all references to the "Company" refer to EHI, together with its subsidiaries.

In 1999, the Nevada State Industrial Insurance System (the Fund) entered into a retroactive 100% quota share reinsurance agreement (the LPT Agreement) through a loss portfolio transfer transaction with third party reinsurers. The LPT Agreement commenced on June 30, 1999 and will remain in effect until all claims under the covered policies have closed, the LPT Agreement is commuted or terminated, upon the mutual agreement of the parties, or the reinsurers' aggregate maximum limit of liability is exhausted, whichever occurs first. The LPT Agreement does not provide for any additional termination terms. On January 1, 2000, EICN assumed all of the assets, liabilities and operations of the Fund, including the Fund's rights and obligations associated with the LPT Agreement. See Note 7.

The Company accounts for the LPT Agreement as retroactive reinsurance. Upon entry into the LPT Agreement, an initial deferred reinsurance gain (the Deferred Gain) was recorded as a liability on the Company's Consolidated Balance Sheets. The Company is entitled to receive a contingent profit commission under the LPT Agreement. The contingent profit commission is estimated based on both actual paid results to date and projections of expected paid losses under the LPT Agreement and is recorded as an asset in the accompanying Consolidated Balance Sheets.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of the Company's consolidated financial position and results of operations for the periods presented have been included. The results of operations for an interim period are not necessarily indicative of the results for an entire year. These financial statements have been prepared consistent with the accounting policies described in the Company's Form 10-K for the year ended December 31, 2016 (Annual Report).

The Company considers an operating segment to be any component of its business whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance based on discrete financial information. Currently, the Company has one operating segment, workers' compensation insurance and related services.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. As a result, actual results could differ from these estimates. The most significant areas that require management judgment are the estimate of unpaid losses and loss adjustment expenses (LAE), evaluation of reinsurance recoverables, recognition of premium revenue, recoverability of deferred income taxes, and valuation of investments.

**Reclassifications**

Certain prior period information has been reclassified to conform to the current period presentation. See Note 2.

**2. New Accounting Standards**

***Recently Adopted Accounting Standards***

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *Number 2016-09, Compensation - Stock Compensation* (Topic 718) that impacted the net tax benefits on the Company's stock-based compensation. The Company elected to early adopt this standard in the third quarter of 2016 with an effective date of January 1, 2016. Adoption of this standard resulted in a \$0.8 million reduction to Income tax expense and a corresponding increase to Net income for the three months ended March 31, 2016 and increased basic and diluted earnings per share by \$0.02 for the same period. This standard also requires that assumed proceeds under the treasury stock method be modified to exclude the excess tax benefits that would have been recognized in Additional paid-in capital. Additionally, this standard requires that excess tax benefits from stock-based

compensation be reported as cash flows from operating activities, as opposed to financing activities. This update resulted in a change in presentation in the Consolidated Statements of Cash Flows.

### Recently Issued Accounting Standards

In January 2017, the FASB issued *ASU Number 2017-04, Intangibles-Goodwill and Other (Topic 350)*. This update simplifies the measurement of goodwill by eliminating the performance of Step 2 in the goodwill impairment testing. This update allows the testing to be performed by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge when the carrying amount exceeds fair value. Additionally, this update eliminated the requirements of any reporting unit with a zero or negative carrying value to perform Step 2, but requires disclosure of the amount of goodwill allocated to a reporting unit with zero or negative carrying amount of net assets. This update becomes effective for fiscal years beginning after December 15, 2019. The Company does not expect this update to have a material impact to its consolidated financial condition and results of operations.

In March 2017, the FASB issued *ASU Number 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20)*. This update shortens the amortization period on callable debt securities held at a premium to the earliest call date, which now closely aligns the amortization period of premiums and discounts to expectations incorporated in the market pricing on callable debt securities. This update becomes effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, and early adoption is permitted. The Company has not yet estimated the full impact that the adoption will have on its consolidated financial condition and results of operations.

### 3. Fair Value of Financial Instruments

The carrying value and the estimated fair value of the Company's financial instruments were as follows:

	March 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(in millions)				
<b>Financial assets</b>				
Investments	\$ 2,610.5	\$ 2,610.5	\$ 2,552.6	\$ 2,552.6
Cash and cash equivalents	58.6	58.6	67.2	67.2
Restricted cash and cash equivalents	4.1	4.1	3.6	3.6
<b>Financial liabilities</b>				
Notes payable	\$ 32.0	\$ 34.5	\$ 32.0	\$ 33.0

Assets and liabilities recorded at fair value on the Company's Consolidated Balance Sheets are categorized based upon the levels of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

- Level 1 - Inputs are unadjusted quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 - Inputs other than Level 1 prices that are observable for similar assets or liabilities through corroboration with market data at the measurement date.
- Level 3 - Inputs that are unobservable that reflect management's best estimate of what willing market participants would use in pricing the assets or liabilities at the measurement date.

The Company uses third party pricing services to assist with its investment accounting function. The ultimate pricing source varies depending on the investment security and pricing service used, but investment securities valued on the basis of observable inputs (Levels 1 and 2) are generally assigned values on the basis of actual transactions. Securities valued on the basis of pricing models with significant unobservable inputs or nonbinding broker quotes are classified as Level 3. The Company performs quarterly analyses on the prices it receives from third parties to determine whether the prices are reasonable estimates of fair value, including confirming the fair values of these securities through observable market prices using an alternative pricing source, as it is ultimately management's responsibility to ensure that the fair values reflected in the Company's consolidated financial statements are appropriate. If differences are noted in these analyses, the Company may obtain additional information from other pricing services to validate the quoted price.

The Company bases all of its estimates of fair value for assets on the bid prices, when available, as they represent what a third-party market participant would be willing to pay in an arm's length transaction.

For securities not actively traded, third party pricing services may use quoted market prices of similar instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates,



and prepayment speed assumptions. There were no adjustments to prices obtained from third party pricing services as of March 31, 2017 and December 31, 2016 that were material to the consolidated financial statements.

These methods of valuation will only produce an estimate of fair value if there is objectively verifiable information to produce a valuation. If objectively verifiable information is not available, the Company would be required to produce an estimate of fair value using some of the same methodologies, making assumptions for market-based inputs that are unavailable.

The Company's estimates of fair value for its financial liabilities are based on a combination of the variable interest rates for notes with similar durations to discount the projection of future payments on notes payable. The fair value measurements for notes payable have been determined to be Level 2 at each of the periods presented.

Each of the Company's insurance operating subsidiaries is a member of the Federal Home Loan Bank (FHLB) of San Francisco. Members are required to purchase stock in the FHLB in addition to maintaining collateral deposits that back any funds advanced. Investment in FHLB stock is recorded at cost, as purchases and sales of these securities are at par value with the issuer. The FHLB stock is considered a restricted security and is periodically evaluated for impairment based on the ultimate recovery of par value. Due to the nature of FHLB stock, its carrying value approximates fair value and was determined by the Company to be Level 3 at each of the periods presented.

Certain of the Company's privately placed asset-backed securities are designated as Level 3 primarily due to restrictions on resale. Third party pricing based on actual transactions are typically not available for these securities due to the limited nature of observable pricing inputs.

The following table presents the items in the Company's Consolidated Balance Sheets that are stated at fair value and the corresponding fair value measurements.

	March 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in millions)					
<b>Fixed maturity securities</b>						
U.S. Treasuries	\$ —	\$ 133.7	\$ —	\$ —	\$ 127.4	\$ —
U.S. Agencies	—	15.0	—	—	12.8	—
States and municipalities	—	817.5	—	—	851.6	—
Corporate securities	—	985.7	—	—	956.7	—
Residential mortgage-backed securities	—	302.9	—	—	258.0	—
Commercial mortgage-backed securities	—	94.9	—	—	95.5	—
Asset-backed securities	—	40.2	5.4	—	35.4	7.0
<b>Total fixed maturity securities</b>	<b>\$ —</b>	<b>\$ 2,389.9</b>	<b>\$ 5.4</b>	<b>\$ —</b>	<b>\$ 2,337.4</b>	<b>\$ 7.0</b>
<b>Equity securities</b>						
Industrial and miscellaneous	\$ 174.2	\$ —	\$ —	\$ 167.2	\$ —	\$ —
Non-redeemable preferred (FHLB stock)	—	—	4.9	—	—	4.9
Other	20.7	—	—	20.1	—	—
<b>Total equity securities</b>	<b>\$ 194.9</b>	<b>\$ —</b>	<b>\$ 4.9</b>	<b>\$ 187.3</b>	<b>\$ —</b>	<b>\$ 4.9</b>
<b>Short-term investments</b>	<b>\$ —</b>	<b>\$ 15.4</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 16.0</b>	<b>\$ —</b>

Certain cash equivalents, principally money market securities, are measured at fair value using the net asset value (NAV) per share. The following table presents cash equivalents at NAV and total cash and cash equivalents carried at fair value on the Company's Consolidated Balance Sheets.

	March 31, 2017	December 31, 2016
	(in millions)	
Cash and cash equivalents at fair value	\$ 23.6	\$ 9.7
Cash equivalents measured at NAV, which approximates fair value	35.0	57.5
<b>Total cash and cash equivalents</b>	<b>\$ 58.6</b>	<b>\$ 67.2</b>

The following table provides a reconciliation of the beginning and ending balances that are measured using Level 3 inputs for the three months ended March 31, 2017 and 2016.

	Level 3 Securities	
	2017	2016
	(in millions)	
<b>Beginning balance, January 1</b>	\$ 11.9	\$ —
Transfers in (out) of Level 3 <sup>(1)</sup>	(1.4)	—
Purchases and sales, net	(0.2)	5.3
<b>Ending balance, March 31</b>	<u>\$ 10.3</u>	<u>\$ 5.3</u>

(1) Transferred from Level 3 to Level 2 because observable market data became available for the securities.

#### 4. Investments

The cost or amortized cost, gross unrealized gains, gross unrealized losses, and estimated fair value of the Company's investments were as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in millions)			
<b>At March 31, 2017</b>				
<b>Fixed maturity securities</b>				
U.S. Treasuries	\$ 130.5	\$ 3.4	\$ (0.2)	\$ 133.7
U.S. Agencies	14.2	0.8	—	15.0
States and municipalities	794.2	28.3	(5.0)	817.5
Corporate securities	969.1	19.8	(3.2)	985.7
Residential mortgage-backed securities	301.5	4.2	(2.8)	302.9
Commercial mortgage-backed securities	95.4	0.4	(0.9)	94.9
Asset-backed securities	45.7	0.1	(0.2)	45.6
<b>Total fixed maturity securities</b>	<u>2,350.6</u>	<u>57.0</u>	<u>(12.3)</u>	<u>2,395.3</u>
<b>Equity securities</b>				
Industrial and miscellaneous	102.0	73.0	(0.8)	174.2
Non-redeemable preferred (FHLB stock)	4.9	—	—	4.9
Other	10.7	10.0	—	20.7
<b>Total equity securities</b>	<u>117.6</u>	<u>83.0</u>	<u>(0.8)</u>	<u>199.8</u>
<b>Short-term investments</b>	<u>15.4</u>	<u>—</u>	<u>—</u>	<u>15.4</u>
<b>Total investments</b>	<u>\$ 2,483.6</u>	<u>\$ 140.0</u>	<u>\$ (13.1)</u>	<u>\$ 2,610.5</u>
<b>At December 31, 2016</b>				
<b>Fixed maturity securities</b>				
U.S. Treasuries	\$ 124.1	\$ 3.5	\$ (0.2)	\$ 127.4
U.S. Agencies	11.9	0.9	—	12.8
States and municipalities	833.0	24.7	(6.1)	851.6
Corporate securities	942.3	18.9	(4.5)	956.7
Residential mortgage-backed securities	255.9	4.7	(2.6)	258.0
Commercial mortgage-backed securities	96.1	0.4	(1.0)	95.5
Asset-backed securities	42.6	—	(0.2)	42.4
<b>Total fixed maturity securities</b>	<u>2,305.9</u>	<u>53.1</u>	<u>(14.6)</u>	<u>2,344.4</u>
<b>Equity securities</b>				
Industrial and miscellaneous	100.5	67.4	(0.7)	167.2
Non-redeemable preferred (FHLB stock)	4.9	—	—	4.9
Other	10.7	9.4	—	20.1
<b>Total equity securities</b>	<u>116.1</u>	<u>76.8</u>	<u>(0.7)</u>	<u>192.2</u>
<b>Short-term investments</b>	<u>16.0</u>	<u>—</u>	<u>—</u>	<u>16.0</u>
<b>Total investments</b>	<u>\$ 2,438.0</u>	<u>\$ 129.9</u>	<u>\$ (15.3)</u>	<u>\$ 2,552.6</u>

The amortized cost and estimated fair value of the Company's fixed maturity securities at March 31, 2017, by contractual maturity, are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost		Estimated Fair Value	
	(in millions)			
Due in one year or less	\$	180.5	\$	181.8
Due after one year through five years		874.7		899.4
Due after five years through ten years		600.4		615.5
Due after ten years		252.4		255.2
Mortgage and asset-backed securities		442.6		443.4
Total	\$	2,350.6	\$	2,395.3

The following is a summary of investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or greater as of March 31, 2017 and December 31, 2016.

	March 31, 2017			December 31, 2016		
	Estimated Fair Value	Gross Unrealized Losses	Number of Issues	Estimated Fair Value	Gross Unrealized Losses	Number of Issues
(in millions, except number of issues data)						
<b>Less than 12 months:</b>						
Fixed maturity securities						
U.S. Treasuries	\$ 32.8	\$ (0.2)	16	\$ 33.3	\$ (0.2)	14
States and municipalities	120.7	(5.0)	32	200.9	(6.1)	50
Corporate securities	228.9	(2.8)	215	289.5	(4.1)	101
Residential mortgage-backed securities	165.2	(2.8)	59	137.5	(2.6)	51
Commercial mortgage-backed securities	50.5	(0.9)	21	48.0	(1.0)	21
Asset-backed securities	23.8	(0.2)	22	30.1	(0.2)	20
Total fixed maturity securities	621.9	(11.9)	365	739.3	(14.2)	257
Equity securities	13.1	(0.7)	29	13.6	(0.6)	28
<b>Total less than 12 months</b>	<b>\$ 635.0</b>	<b>\$ (12.6)</b>	<b>394</b>	<b>\$ 752.9</b>	<b>\$ (14.8)</b>	<b>285</b>
<b>12 months or greater:</b>						
Fixed maturity securities						
Corporate securities	\$ 16.4	\$ (0.4)	6	\$ 15.2	\$ (0.4)	5
Total fixed maturity securities	16.4	(0.4)	6	15.2	(0.4)	5
Equity securities	1.5	(0.1)	3	1.7	(0.1)	5
<b>Total 12 months or greater</b>	<b>\$ 17.9</b>	<b>\$ (0.5)</b>	<b>9</b>	<b>\$ 16.9</b>	<b>\$ (0.5)</b>	<b>10</b>
<b>Total available-for-sale:</b>						
Fixed maturity securities						
U.S. Treasuries	\$ 32.8	\$ (0.2)	16	\$ 33.3	\$ (0.2)	14
States and municipalities	120.7	(5.0)	32	200.9	(6.1)	50
Corporate securities	245.3	(3.2)	221	304.7	(4.5)	106
Residential mortgage-backed securities	165.2	(2.8)	59	137.5	(2.6)	51
Commercial mortgage-backed securities	50.5	(0.9)	21	48.0	(1.0)	21
Asset-backed securities	23.8	(0.2)	22	30.1	(0.2)	20
Total fixed maturity securities	638.3	(12.3)	371	754.5	(14.6)	262
Equity securities	14.6	(0.8)	32	15.3	(0.7)	33
<b>Total available-for-sale</b>	<b>\$ 652.9</b>	<b>\$ (13.1)</b>	<b>403</b>	<b>\$ 769.8</b>	<b>\$ (15.3)</b>	<b>295</b>

The Company determined that unrealized losses on fixed maturities for the three months ended March 31, 2017 were primarily the result of changes in prevailing interest rates and not the credit quality of the issuers. The fixed maturity securities whose total fair value was less than amortized cost were not determined to be other-than-temporarily impaired given the lack of severity and duration of the impairment, the credit quality of the issuers, the Company's intent to not sell the securities, and a determination that it is not more likely than not that the Company will be required to sell the securities until fair value recovers to above amortized cost, or principal value upon maturity.

The Company recognized impairments of \$0.2 million (consisting of one security) during the three months ended March 31, 2017. The other-than-temporary impairment recognized during this period related to an equity security and was the result of the severity and duration of the change in fair value of this security. Certain unrealized losses on equity securities were not considered to be other-than-temporary due to the financial condition and near-term prospects of the issuers, and the Company's intent to hold the securities until fair value recovers to above cost.

Net realized gains on investments and the change in unrealized gains (losses) on fixed maturity and equity securities are determined on a specific-identification basis and were as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions)	
<b>Net realized gains on investments</b>		
<b>Fixed maturity securities</b>		
Gross gains	\$ 0.5	\$ 0.2
Gross losses	—	(0.1)
Net realized gains on fixed maturity securities	<u>\$ 0.5</u>	<u>\$ 0.1</u>
<b>Equity securities</b>		
Gross gains	\$ 1.9	\$ 7.2
Gross losses	(0.2)	(5.8)
Net realized gains on equity securities	<u>\$ 1.7</u>	<u>\$ 1.4</u>
Total	<u>\$ 2.2</u>	<u>\$ 1.5</u>
<b>Change in unrealized gains</b>		
Fixed maturity securities	\$ 6.2	\$ 29.3
Equity securities	6.1	1.2
Total	<u>\$ 12.3</u>	<u>\$ 30.5</u>

Net investment income was as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions)	
Fixed maturity securities	\$ 17.8	\$ 16.7
Equity securities	1.8	1.9
Cash equivalents and restricted cash	0.1	—
Gross investment income	19.7	18.6
Investment expenses	(0.9)	(0.8)
Net investment income	<u>\$ 18.8</u>	<u>\$ 17.8</u>

The Company is required by various state laws and regulations to hold securities or letters of credit in depository accounts with certain states in which it does business. These laws and regulations govern not only the amount but also the types of securities that are eligible for deposit. As of March 31, 2017 and December 31, 2016, securities having a fair value of \$1,175.7 million and \$1,009.7 million, respectively, were on deposit.

Certain reinsurance contracts require the Company's funds to be held in trust for the benefit of the ceding reinsurer to secure the outstanding liabilities assumed by the Company. The fair value of fixed maturity securities and restricted cash and cash equivalents held in trust for the benefit of ceding reinsurers at March 31, 2017 and December 31, 2016 was \$27.6 million and \$27.2 million, respectively.

## 5. Income Taxes

Income tax expense for interim periods is measured using an estimated effective tax rate for the annual period. The Company's effective tax rate was 21.4% and 21.3% for the three months ended March 31, 2017 and 2016, respectively. For each of these periods, tax-advantaged investment income, LPT Reserve Adjustments, Deferred Gain amortization, and certain other adjustments served to reduce our effective income tax rate below the U.S. statutory rate of 35%.

## 6. Liability for Unpaid Losses and Loss Adjustment Expenses

The following table represents a reconciliation of changes in the liability for unpaid losses and LAE.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions)	
Unpaid losses and LAE, gross of reinsurance, at beginning of period	\$ 2,301.0	\$ 2,347.5
Less reinsurance recoverable, excluding bad debt allowance, on unpaid losses and LAE	580.0	628.2
Net unpaid losses and LAE at beginning of period	1,721.0	1,719.3
Losses and LAE, net of reinsurance, incurred during the period related to:		
Current period	111.9	110.7
Prior periods	—	(0.3)
Total net losses and LAE incurred during the period	111.9	110.4
Paid losses and LAE, net of reinsurance, related to:		
Current period	4.7	4.7
Prior periods	102.9	104.5
Total net paid losses and LAE during the period	107.6	109.2
Ending unpaid losses and LAE, net of reinsurance	1,725.3	1,720.5
Reinsurance recoverable, excluding bad debt allowance, on unpaid losses and LAE	572.9	621.4
Unpaid losses and LAE, gross of reinsurance, at end of period	\$ 2,298.2	\$ 2,341.9

Total net losses and LAE included in the above table excludes the impact of the aggregate of amortization of the deferred reinsurance gain—LPT Agreement, LPT Reserve Adjustments, and LPT Contingent Commission Adjustments, which totaled \$2.9 million and \$3.1 million for the three months ended March 31, 2017 and 2016, respectively (Note 7).

The change in incurred losses and LAE attributable to prior periods was related to the Company's assigned risk business for the three months ended March 31, 2016.

## 7. LPT Agreement

The Company is party to the LPT Agreement under which \$1,525.0 million in liabilities for losses and LAE related to claims incurred by the Fund prior to July 1, 1995 were reinsured for consideration of \$775.0 million. The LPT Agreement provides coverage up to \$2,000.0 million. The Company records its estimate of contingent profit commission in the accompanying Consolidated Balance Sheets as Contingent commission receivable—LPT Agreement and a corresponding liability is recorded in the accompanying Consolidated Balance Sheets in Deferred reinsurance gain—LPT Agreement. The Deferred Gain is being amortized using the recovery method. Amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries over the life of the LPT Agreement, except for the contingent profit commission, which is amortized through June 30, 2024, the date through which the Company is entitled to receive a contingent profit commission under the LPT Agreement. The amortization is recorded in losses and LAE incurred in the accompanying consolidated statements of comprehensive income. Any adjustments to the Deferred Gain are recorded in losses and LAE incurred in the accompanying consolidated statements of comprehensive income.

The Company amortized \$2.9 million and \$3.1 million of the Deferred Gain for the three months ended March 31, 2017 and 2016, respectively. The remaining Deferred Gain was \$171.9 million and \$174.9 million as of March 31, 2017 and December 31, 2016, respectively. The estimated remaining liabilities subject to the LPT Agreement were \$458.6 million and \$465.5 million as of March 31, 2017 and December 31, 2016, respectively. Losses and LAE paid with respect to the LPT Agreement totaled \$729.6 million and \$722.7 million from inception through March 31, 2017 and December 31, 2016, respectively.

## 8. Accumulated Other Comprehensive Income

Accumulated other comprehensive income is comprised of unrealized gains on investments classified as available-for-sale, net of deferred tax expense. The following table summarizes the components of accumulated other comprehensive income:

	March 31, 2017	December 31, 2016
	(in millions)	
Net unrealized gain on investments, before taxes	\$ 126.9	\$ 114.6
Deferred tax expense on net unrealized gains	(44.4)	(40.1)
Total accumulated other comprehensive income	<u>\$ 82.5</u>	<u>\$ 74.5</u>

## 9. Stock-Based Compensation

The Company awarded restricted stock units (RSUs) and performance share units (PSUs) to certain employees of the Company as follows:

	Number Awarded	Weighted Average Fair Value on Date of Grant	Weighted Average Exercise Price	Aggregate Fair Value on Date of Grant
				(in millions)
<b>March 2017</b>				
RSUs <sup>(1)</sup>	72,020	37.60	—	2.7
PSUs <sup>(2)</sup>	97,440	37.60	—	3.7

(1) The RSUs awarded in March 2017 were awarded to certain employees of the Company and vest 25% on March 15, 2018, and each of the subsequent three anniversaries of that date. The RSUs are subject to accelerated vesting in certain circumstances, including but not limited to: death, disability, retirement, or in connection with change of control of the Company.

(2) The PSUs awarded in March 2017 were awarded to certain employees of the Company and have a performance period of two years followed by an additional one year vesting period. The PSU awards are subject to certain performance goals with payouts that range from 0% to 200% of the target awards. The value shown in the table represents the aggregate number of PSUs awarded at the target level.

Commencing in 2017, employees who were awarded RSUs and PSUs are entitled to receive dividend equivalents for eligible awards, payable in cash, when the underlying award vests and becomes payable. If the underlying award does not vest or is forfeited, any dividend equivalents with respect to the underlying award will also fail to become payable and will be forfeited.

A total of 37,005, 262,239, and 586,132 stock options were exercised during the three months ended March 31, 2017 and 2016, and the year ended December 31, 2016, respectively.

## 10. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing income applicable to stockholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilutive impact of all convertible securities on earnings per share. Diluted earnings per share includes shares that are assumed to be issued under the “treasury stock method,” which reflects the potential dilution that would occur if outstanding RSUs and PSUs had vested and options were to be exercised.

Commencing in 2017, certain stock-based compensation awards are eligible to receive dividend equivalents on awards that fully vest or become payable. These awards are not considered participating securities for the purposes of determining earnings per share.

The following table presents the net income and the weighted average number of shares outstanding used in the earnings per common share calculations.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions, except share data)	
Net income available to stockholders—basic and diluted	\$ 23.2	\$ 21.8
Weighted average number of shares outstanding—basic	32,327,784	32,413,818
Effect of dilutive securities:		
PSUs	309,891	151,031
Stock options	225,664	304,073
RSUs	102,028	86,310
Dilutive potential shares	637,583	541,414
Weighted average number of shares outstanding—diluted	32,965,367	32,955,232

Diluted earnings per share excludes outstanding options and other common stock equivalents in periods where the inclusion of such options and common stock equivalents would be anti-dilutive. The following table presents options, PSUs, and RSUs that were excluded from diluted earnings per share.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Options excluded as the exercise price was greater than the average market price	—	—
Options, PSUs and RSUs excluded under the treasury method as the potential proceeds on settlement or exercise price were greater than the value of shares acquired	—	80,800

## **Item 2. Management’s Discussion and Analysis of Consolidated Financial Condition and Results of Operations**

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the related notes thereto included in Item 1 of Part I. Unless otherwise indicated, all references to “we,” “us,” “our,” “the Company,” or similar terms refer to EHI, together with its subsidiaries. The information contained in this quarterly report is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this quarterly report and in our other reports filed with the Securities and Exchange Commission (SEC), including our Annual Report.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements if accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed. You should not place undue reliance on these statements, which speak only as of the date of this report. Forward-looking statements include those related to our expected financial position, business, financing plans, litigation, future premiums, revenues, earnings, pricing, investments, business relationships, strategic initiatives, expected losses, accident year loss estimates, loss experience, loss reserves, acquisitions, competition, the impact of changes in interest rates, rate increases with respect to our business, and the insurance industry in general. Statements including words such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “anticipate,” “will,” or similar statements of a future or forward-looking nature identify forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. All forward-looking statements address matters that involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results, depending on a number of factors. These risks and uncertainties include, but are not limited to, those described in our Annual Report and other documents that we have filed with the SEC.

### **Overview**

We are a Nevada holding company. Through our insurance subsidiaries, we provide workers’ compensation insurance coverage to select, small businesses in low to medium hazard industries. Workers’ compensation insurance is provided under a statutory system wherein most employers are required to provide coverage for their employees’ medical, disability, vocational rehabilitation, and/or death benefit costs for work-related injuries or illnesses. We provide workers’ compensation insurance in 36 states and the District of Columbia, with a concentration in California, where over one-half of our business is generated. Our revenues are primarily comprised of net premiums earned, net investment income, and net realized gains on investments.

We target small businesses, as we believe that this market is traditionally characterized by fewer competitors, more attractive pricing, and stronger persistency when compared to the U.S. workers’ compensation insurance industry in general. We believe we are able to price our policies at levels that are competitive and profitable over the long-term given our expertise in underwriting this market segment. Our underwriting approach is to consistently underwrite small business accounts at appropriate and competitive prices without sacrificing long-term profitability and stability for short-term top-line revenue growth.

Our strategy is to pursue profitable growth opportunities across market cycles and maximize total investment returns within the constraints of prudent portfolio management. We pursue profitable growth opportunities by focusing on disciplined underwriting and claims management, utilizing medical provider networks designed to produce superior medical and indemnity outcomes, establishing and maintaining strong, long-term relationships with independent insurance agencies, and developing important alternative distribution channels. We continue to execute a number of ongoing business initiatives, including: focusing on internal and customer-facing business process excellence; accelerating the settlement of open claims; diversifying our risk exposure across geographic markets; utilizing a multi-company pricing platform; utilizing territory-specific pricing; and leveraging data-driven strategies to target, price, and underwrite profitable classes of business across all of our markets.

There is significant competition in the national workers’ compensation industry that is based on price and quality of services. We compete with other specialty workers’ compensation carriers, state agencies, multi-line insurance companies, professional employer organizations, self-insurance funds, and state insurance pools.

Pricing on our 2017 first quarter renewals showed an overall price decrease of 1.8% versus the rate levels on such business in effect a year ago. Despite the competitive market conditions we currently face, through our efforts thus far in 2017, we believe that we have continued to write attractive business in new and existing states and have strengthened our relationships with our business partners. As a result, given the strength of our balance sheet, the strong execution of our underwriting, claims, and investment strategies, and our active capital management, we believe that we are well positioned for the current market cycle.

### **Results of Operations**

A primary measure of our performance is our ability to increase our Adjusted stockholders’ equity over the long-term. We believe that this measure is important to our investors, analysts, and other interested parties who benefit from having an objective and



consistent basis for comparison with other companies within our industry. The following table shows a reconciliation of our stockholders' equity on a GAAP basis to our Adjusted stockholders' equity.

	March 31, 2017	December 31, 2016
	(in millions, except share data)	
GAAP stockholders' equity	\$ 867.5	\$ 840.6
Deferred reinsurance gain–LPT Agreement	171.9	174.9
Less: Accumulated other comprehensive income, net	82.5	74.5
Adjusted stockholders' equity <sup>(1)</sup>	\$ 956.9	\$ 941.0

(1) Adjusted stockholders' equity is a non-GAAP measure consisting of total GAAP stockholders' equity plus the Deferred Gain, less Accumulated other comprehensive income, net.

Our net income was \$23.2 million and \$21.8 million for the three months ended March 31, 2017 and 2016, respectively, and our underwriting income was \$8.9 million and \$8.7 million for the same periods, respectively. Underwriting income or loss is determined by deducting losses and LAE, commission expense, and underwriting and other operating expenses from net premiums earned.

The components of net income are set forth in the following table:

	Three Months Ended	
	March 31,	
	2017	2016
	(in millions)	
Gross premiums written	\$ 197.6	\$ 190.7
Net premiums written	\$ 196.1	\$ 188.7
Net premiums earned	\$ 175.3	\$ 172.6
Net investment income	18.8	17.8
Net realized gains on investments	2.2	1.5
Other income	—	0.1
Total revenues	196.3	192.0
Losses and LAE	109.0	107.3
Commission expense	21.5	20.3
Underwriting and other operating expenses	35.9	36.3
Interest expense	0.4	0.4
Income tax expense	6.3	5.9
Total expenses	173.1	170.2
Net income	\$ 23.2	\$ 21.8
Less amortization of the Deferred Gain related to losses	\$ 2.4	\$ 2.6
Less amortization of the Deferred Gain related to contingent commission	0.5	0.5
Net income before impact of the LPT Agreement <sup>(1)</sup>	\$ 20.3	\$ 18.7

(1) We define net income before impact of the LPT Agreement as net income before the impact of: (a) amortization of Deferred Gain; (b) adjustments to the LPT Agreement ceded reserves; and (c) adjustments to the Contingent commission receivable–LPT Agreement. The Deferred Gain reflects the unamortized gain from the LPT Agreement. Under GAAP, this gain is deferred and is being amortized using the recovery method in which amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries over the life of the LPT Agreement, except for the contingent profit commission, which is amortized through June 30, 2024. The amortization is reflected in losses and LAE. We periodically reevaluate the remaining direct reserves subject to the LPT Agreement and the expected losses and LAE subject to the contingent profit commission under the LPT Agreement. Our reevaluation results in corresponding adjustments, if needed, to reserves, ceded reserves, contingent commission receivable, and the Deferred Gain, with the net effect being an increase or decrease to our net income. Net income before impact of the LPT Agreement is not a measurement of financial performance under GAAP, but rather reflects a difference in accounting treatment between statutory and GAAP, and should not be considered in isolation or as an alternative to net income before income taxes or net income, or any other measure of performance derived in accordance with GAAP.

We present net income before impact of the LPT Agreement because we believe that it is an important supplemental measure of our ongoing operating performance to be used by analysts, investors, and other interested parties in evaluating us. The LPT Agreement was a non-recurring transaction under which the Deferred Gain does not affect our ongoing operations, and, consequently, we believe this presentation is useful in providing a meaningful understanding of our operating performance. In addition, we believe this non-GAAP measure, as we

have defined it, is helpful to our management in identifying trends in our performance because the LPT Agreement has limited significance on our current and ongoing operations.

### **Gross Premiums Written**

Gross premiums written were \$197.6 million and \$190.7 million for the three months ended March 31, 2017 and 2016, respectively. The year-over-year increase was primarily due to a \$3.9 million increase in final audit premiums and growth in new business premium. Renewal premium remained relatively flat for the first quarter, year-over-year, with increases in payroll exposure being largely offset by a 1.8% decrease in average rate.

### **Net Premiums Written**

Net premiums written were \$196.1 million and \$188.7 million for the three months ended March 31, 2017 and 2016, respectively, which included \$1.5 million and \$1.9 million of reinsurance premiums ceded, respectively.

### **Net Premiums Earned**

Net premiums earned were \$175.3 million and \$172.6 million for the three months ended March 31, 2017 and 2016, respectively. Net premiums earned are primarily a function of the amount and timing of net premiums previously written.

The following table shows the percentage change in our in-force premiums, policy count, average policy size, and payroll exposure upon which our premiums are based for California, where 56% of our premiums were generated, and for all other states, excluding California:

	As of March 31, 2017					
	Year-to-Date (Decrease) Increase			Year-Over-Year (Decrease) Increase		
	Overall	California	All Other States	Overall	California	All Other States
In-force premiums	0.3%	(0.3)%	1.0 %	(0.5)%	(1.5)%	0.8 %
In-force policy count	0.3	(1.1)	1.7	—	(5.0)	5.3
Average in-force policy size	—	0.8	(0.7)	(0.5)	3.7	(4.2)
In-force payroll exposure	1.3	1.7	1.1	0.2	0.3	0.2

Our in-force premiums and policy count in the LA Area of California declined 10.5% and 13.3%, respectively, year-over-year as of March 31, 2017, while our in-force premiums and policy count in California outside of the LA Area increased 5.0% and 1.0%, respectively, during the same period. The year-over-year decline in overall in-force premiums was driven by lower average rates and the non-renewal of certain policies.

The following table shows our in-force premiums and number of policies in-force for each state with at least five percent of our in-force premiums and all other states combined for the periods presented:

State	March 31, 2017		December 31, 2016		March 31, 2016		December 31, 2015	
	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force	In-force Premiums	Policies In-force
	(dollars in millions)							
California	\$ 347.2	41,657	\$ 348.3	42,120	\$ 352.5	43,843	\$ 352.2	44,080
Florida	37.7	5,392	35.2	5,263	30.3	4,958	29.4	4,735
Illinois	29.9	3,073	30.6	3,106	33.1	3,264	32.5	3,286
Other (33 states and D.C.)	205.5	34,955	204.5	34,333	207.4	33,030	205.4	32,395
Total	\$ 620.3	85,077	\$ 618.6	84,822	\$ 623.3	85,095	\$ 619.5	84,496

Our alternative distribution channels that utilize partnerships and alliances generated \$158.8 million and \$150.3 million, or 25.6% and 24.1%, of our in-force premiums as of March 31, 2017 and 2016, respectively. We believe that the bundling of products and services through these relationships contributes to higher retention rates than business generated by our independent agents. These relationships also allow us to access new customers that we may not have access to through our independent agent distribution channel. We continue to actively seek new partnerships and alliances.

### **Net Investment Income and Net Realized Gains on Investments**

We invest in fixed maturity securities, equity securities, short-term investments, and cash equivalents. Net investment income includes interest and dividends earned on our invested assets and amortization of premiums and discounts on our fixed maturity securities, less bank service charges and custodial and portfolio management fees. We have established a high quality/short duration bias in our investment portfolio.

Net investment income increased 5.6% for the three months ended March 31, 2017, compared to the same period of 2016. The increase in net investment income for the three months ended March 31, 2017 was primarily related to an increase in invested assets and a slight change in the mix of invested assets in our investment portfolio. The average pre-tax book yield on invested assets was 3.1% and 3.2% at March 31, 2017 and 2016, respectively, and the average tax-equivalent yield on our invested assets (which adjusts the book yield of our investments in tax-advantaged securities to an equivalent pre-tax book yield) was 3.6% and 3.8%, respectively.

Realized gains and losses on our investments are reported separately from our net investment income. Realized gains and losses on investments include the gain or loss on a security at the time of sale compared to its original or adjusted cost (equity securities) or amortized cost (fixed maturity securities). Realized losses are also recognized when securities are written down as a result of an other-than-temporary impairment.

Net realized gains on investments were \$2.2 million and \$1.5 million for the three months ended March 31, 2017 and 2016, respectively. The increase in net realized gains on investments year-over-year was related to the sale of equity securities as part of a regular rebalancing of our equity investment portfolio. For the three months ended March 31, 2017, these gains were partially offset by \$0.2 million in other-than-temporary impairments of one equity security.

Additional information regarding our Investments is set forth under “—Liquidity and Capital Resources—Investments.”

#### ***Losses and LAE, Commission Expenses, and Underwriting and Other Operating Expenses***

The combined ratio, a key measurement of underwriting profitability, is the sum of the loss and LAE ratio, the commission expense ratio, and the underwriting and other operating expenses ratio. A combined ratio below 100% indicates that an insurance company is generating an underwriting profit, and conversely, a combined ratio above 100% indicates that an insurance company is generating an underwriting loss.

The following table provides the calculation of our calendar year combined ratios.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Loss and LAE ratio	62.2%	62.2%
Underwriting and other operating expenses ratio	20.4	21.0
Commission expense ratio	12.3	11.8
Combined ratio	94.9%	95.0%

We include all of the operating expenses of our holding company in the calculation of our combined ratio, which served to increase our combined ratios by 2.2 and 1.9 percentage points for the three months ended March 31, 2017 and 2016, respectively.

#### ***Loss and LAE Ratio***

Losses and LAE represents our largest expense item and includes claim payments made, amortization of the Deferred Gain, estimates for future claim payments and changes in those estimates for current and prior periods, and costs associated with investigating, defending, and adjusting claims. The quality of our financial reporting depends in large part on accurately predicting our losses and LAE, which are inherently uncertain as they are estimates of the ultimate cost of individual claims based on actuarial estimation techniques and management judgment.

Our indemnity claims frequency (the number of claims expressed as a percentage of payroll) continued to decrease year-over-year and, beginning in the first quarter of 2017, our loss experience indicates a slight downward movement in medical and indemnity costs per claim that is reflected in our current accident year loss estimate. We believe our current accident year loss estimate is adequate; however, given the long-tail nature of our business, ultimate losses will not be known with any certainty for many years.

Our loss and LAE ratio was flat for the three months ended March 31, 2017, compared to the same period of 2016, while the amount of our losses and LAE increased 1.6% for the three months ended March 31, 2017. The increase in the amount of our loss and LAE was primarily attributable to an increase in net premiums earned. Prior accident year favorable loss development of \$0.3 million for the three months ended March 31, 2016 was related to our assigned risk business.

Our current accident year loss and LAE ratio was 63.8% and 64.1% for the three months ended March 31, 2017 and 2016, respectively. The decrease in our current accident year loss and LAE ratio reflects the continued impact of key business initiatives, including: an emphasis on the settlement of open claims; diversifying our risk exposure across geographic markets; and leveraging data-driven strategies to target, underwrite, and price profitable classes of business across all of our markets.

Excluding the impact from the LPT Agreement, losses and LAE would have been \$111.9 million and \$110.4 million, or 63.8% and 64.0% of net premiums earned, for the three months ended March 31, 2017 and 2016, respectively.

The table below reflects losses and LAE reserve adjustments and the impact of the LPT on net income before taxes.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions)	
Prior accident year favorable loss development, net	\$ —	\$ 0.3
Amortization of the Deferred Gain related to losses	\$ 2.4	\$ 2.6
Amortization of the Deferred Gain related to contingent commission	0.5	0.5
Total impact of the LPT on losses and LAE	2.9	3.1
Total losses and LAE reserve adjustments	\$ 2.9	\$ 3.4

#### *Underwriting and Other Operating Expenses Ratio*

Underwriting and other operating expenses are those costs that we incur to underwrite and maintain the insurance policies we issue, excluding commission. These expenses include premium taxes and certain other general expenses that vary with, and are primarily related to, producing new or renewal business. Other underwriting expenses include policyholder dividends, changes in estimates of future write-offs of premiums receivable, general administrative expenses such as salaries and benefits, rent, office supplies, depreciation, and all other operating expenses not otherwise classified separately. Policy acquisition costs are variable based on premiums earned. Other operating expenses are more fixed in nature and become a smaller percentage of net premiums earned as premiums increase.

Our underwriting and other operating expenses ratio decreased 0.6 percentage points and the amount of our underwriting and other operating expenses decreased 1.1% for the three months ended March 31, 2017, compared to the same period of 2016. During the three months ended March 31, 2017, our premium taxes and assessments decreased \$0.7 million and our bad debt expense decreased \$0.7 million, partially offset by a \$1.2 million increase in our compensation-related expenses, compared to the same period of 2016.

#### *Commission Expense Ratio*

Commission expenses include direct commissions to our agents and brokers for the premiums that they produce for us, as well as incentive payments, other marketing costs, and fees.

Our commission expense ratio increased 0.5 percentage points for the three months ended March 31, 2017, compared to the same period of 2016, and our commission expense was \$1.2 million higher for the three months ended March 31, 2017, compared to the same period of 2016. The increase in the commission expense ratio was primarily related to higher base commissions paid in the first quarter of 2017 and a change in the accrual for agency incentive commissions that decreased our commissions during the first quarter of 2016.

#### *Income Tax Expense*

Income tax expense was \$6.3 million and \$5.9 million for the three months ended March 31, 2017 and 2016, respectively, representing an effective tax rate of 21.4% and 21.3% for the three months ended March 31, 2017 and 2016, respectively. For each of the periods presented, tax-advantaged investment income, LPT Reserve Adjustments, Deferred Gain amortization, and certain other adjustments served to reduce our effective income tax rate below the U.S. statutory rate of 35%.

#### **Liquidity and Capital Resources**

##### *Holding Company Liquidity*

We are a holding company and our ability to fund our operations is contingent upon existing capital and the ability of our insurance subsidiaries to pay dividends up to the holding company. Payment of dividends by our insurance subsidiaries is restricted by state insurance laws and regulations, including laws establishing minimum solvency and liquidity thresholds. We require cash to pay stockholder dividends, repurchase common stock, make interest and principal payments on any outstanding debt obligations, provide additional surplus to our insurance subsidiaries, and fund our operating expenses.

Total cash and investments at the holding company were \$60.6 million at March 31, 2017, consisting of \$16.5 million of cash and cash equivalents, \$7.7 million of short-term investments and \$36.4 million of fixed maturity securities. We do not currently have a revolving credit facility because we believe that the holding company's cash needs for the foreseeable future will be met with its cash and investments on hand, as well as dividends available from its insurance subsidiaries.

##### *Operating Subsidiaries' Liquidity*

The primary sources of cash for our insurance operating subsidiaries are premium collections, investment income, sales and maturities of investments and reinsurance recoveries. The primary uses of cash for our insurance subsidiaries are payments of

losses and LAE, commission expenses, underwriting and other operating expenses, ceded reinsurance, investment purchases and dividends paid to their parent.

Total cash and investments held by our operating subsidiaries was \$2,619.5 million at March 31, 2017, consisting of \$53.0 million of cash and cash equivalents, \$7.8 million of short-term investments, \$2,358.4 million of fixed maturity securities, \$199.8 million of equity securities, and \$0.5 million of other invested assets. Sources of immediate and unencumbered liquidity at our operating subsidiaries as of March 31, 2017 consisted of \$44.7 million of cash and cash equivalents, \$151.7 million of publicly-traded equity securities whose proceeds are available within four business days, and \$1,183.5 million of highly liquid fixed maturity securities whose proceeds are available within four business days. We believe that our subsidiaries' liquidity needs for the foreseeable future will be met with cash from operations, investment income, and maturing investments.

Each of our insurance subsidiaries is a member of the FHLB. Membership allows our subsidiaries access to collateralized advances, which may be used to support and enhance liquidity management. The amount of advances that may be taken is dependent on statutory admitted assets on a per company basis. Currently, none of our subsidiaries has advances outstanding under the FHLB facility.

We purchase reinsurance to protect us against the costs of severe claims and catastrophic events. On July 1, 2016, we entered into a new reinsurance program that is effective through June 30, 2017. The reinsurance program consists of one treaty covering excess of loss and catastrophic loss events in four layers of coverage. Our reinsurance coverage is \$190.0 million in excess of our \$10.0 million retention on a per occurrence basis, subject to certain exclusions. We believe that our reinsurance program meets our needs and that we are sufficiently capitalized.

Various state laws and regulations require us to hold investment securities or letters of credit on deposit with certain states in which we do business. Securities having a fair value of \$1,175.7 million and \$1,009.7 million were on deposit at March 31, 2017 and December 31, 2016, respectively. These laws and regulations govern both the amount and types of investment securities that are eligible for deposit. Additionally, certain reinsurance contracts require company funds to be held in trust for the benefit of the ceding reinsurer to secure the outstanding liabilities we assumed. The fair value of fixed maturity securities held in trust for the benefit of our ceding reinsurers was \$27.6 million and \$27.2 million at March 31, 2017 and December 31, 2016, respectively.

### **Sources of Liquidity**

We monitor the cash flows of each of our subsidiaries individually, as well as collectively as a consolidated group. We use trend and variance analyses to project future cash needs, making adjustments to our forecasts, as appropriate.

The table below shows our net cash flows for the three months ended.

	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
	(in millions)	
<b>Cash and cash equivalents provided by (used in):</b>		
Operating activities	\$ 30.7	\$ 21.6
Investing activities	(32.9)	(6.8)
Financing activities	(6.4)	(0.6)
(Decrease) Increase in cash and cash equivalents	<u>\$ (8.6)</u>	<u>\$ 14.2</u>

For additional information regarding our cash flows, see Item 1, Consolidated Statements of Cash Flows.

### **Operating Activities**

Net cash provided by operating activities for the three months ended March 31, 2017 included net premiums received of \$177.1 million, and investment income received of \$22.9 million. These operating cash inflows were partially offset by net claims payments of \$107.1 million, underwriting and other operating expenses paid of \$41.8 million, and commissions paid of \$20.0 million.

Net cash provided by operating activities for the three months ended March 31, 2016 included net premiums received of \$176.0 million, and investment income received of \$22.5 million. These operating cash inflows were partially offset by net claims payments of \$109.4 million, underwriting and other operating expenses paid of \$46.1 million, and commissions paid of \$21.2 million.

### **Investing Activities**

Net cash used in investing activities for the three months ended March 31, 2017 and 2016 was primarily related to the investment of premiums received and the reinvestment of funds from maturities, redemptions, and interest income. These investing cash outflows were partially offset by investment sales whose proceeds were used to fund claims payments, underwriting and other operating expenses, stockholder dividend payments, and common stock repurchases.

## Financing Activities

Net cash used in financing activities for the three months ended March 31, 2017 was primarily related to stockholder dividend payments.

Net cash used in financing activities for the three months ended March 31, 2016 included purchases of our common stock and stockholder dividend payments. These financing cash outflows were offset by net proceeds from stock-based compensation, mainly proceeds and income tax benefits from exercises of stock options.

### Dividends

Stockholder dividends paid were \$5.0 million and \$2.9 million for the three months ended March 31, 2017 and 2016, respectively. On April 26, 2017, the Board of Directors declared a \$0.15 dividend per share and eligible RSU and PSU, payable May 24, 2017, to stockholders of record on May 10, 2017.

### Share Repurchases

On February 16, 2016, the Board of Directors authorized a share repurchase program for up to \$50.0 million of our common stock from February 22, 2016 through February 22, 2018 (the 2016 Program). Through March 31, 2017, we repurchased a total of 724,381 shares of common stock under the 2016 Program at an average price of \$29.08 per share, including commissions, for a total cost of \$21.1 million. We made no repurchases of common stock during the three months ended March 31, 2017.

## Capital Resources

As of March 31, 2017, the capital resources available to us consisted of: (i) \$32.0 million of notes payable consisting of surplus notes maturing in 2034; (ii) \$867.5 million of stockholders' equity; and (iii) the \$171.9 million Deferred Gain.

### Contractual Obligations and Commitments

The following table identifies our debt and contractual obligations as of March 31, 2017.

	Payment Due By Period				
	Total	Less Than 1-Year	1-3 Years	4-5 Years	More Than 5 Years
	(in millions)				
Operating leases	\$ 14.1	\$ 4.8	\$ 6.3	\$ 3.0	\$ —
Purchased liabilities	8.3	4.0	2.3	1.8	0.2
Notes payable <sup>(1)</sup>	61.2	1.7	3.4	3.4	52.7
Capital leases	0.8	0.3	0.3	0.2	—
Losses and LAE reserves <sup>(2)(3)</sup>	2,298.2	391.6	488.4	276.9	1,141.3
Total contractual obligations	\$ 2,382.6	\$ 402.4	\$ 500.7	\$ 285.3	\$ 1,194.2

(1) Notes payable includes payments for the principal and estimated interest expense on our surplus notes outstanding based on LIBOR plus a margin. The interest rates used ranged from 5.2% to 5.3%.

(2) Estimated losses and LAE reserve payment patterns have been computed based on historical information. Our calculation of loss and LAE reserve payments by period is subject to the same uncertainties associated with determining the level of reserves and to the additional uncertainties arising from the difficulty of predicting when claims (including claims that have not yet been reported to us) will be paid. Actual payments of losses and LAE by period will vary, perhaps materially, from the above table to the extent that current estimates of losses and LAE reserves vary from actual ultimate claims amounts due to variations between expected and actual payout patterns.

(3) The unpaid losses and LAE reserves are presented gross of reinsurance recoverables for unpaid losses, which were as follows for each of the periods presented above:

	Recoveries Due By Period				
	Total	Less Than 1-Year	1-3 Years	4-5 Years	More Than 5 Years
	(in millions)				
Reinsurance recoverables for unpaid losses and LAE	\$ (572.9)	\$ (30.1)	\$ (57.1)	\$ (53.3)	\$ (432.4)

## Investments

Our investment portfolio is structured to support our need for: (i) optimizing our risk-adjusted total return; (ii) providing adequate liquidity; (iii) facilitating financial strength and stability; and (iv) ensuring regulatory and legal compliance.

As of March 31, 2017, the total amortized cost of our investment portfolio was \$2.5 billion and its fair value was \$2.6 billion. These investments provide a source of income, which may fluctuate with changes in interest rates and our current investment strategies.

As of March 31, 2017, our investment portfolio, which is classified as available-for-sale, consisted of 91.8% fixed maturity securities. We strive to limit interest rate risk associated with fixed maturity investments by managing the duration of these securities. Our fixed maturity securities (excluding cash and cash equivalents) had a duration of 4.3 years at March 31, 2017. To minimize interest rate risk, our portfolio is weighted toward short-term and intermediate-term bonds; however, our investment strategy balances consideration of duration, yield, and credit risk. Our investment guidelines require that the minimum weighted average quality of our fixed maturity securities portfolio be "AA-", using ratings assigned by Standard & Poor's (S&P). Our fixed maturity securities portfolio had a weighted average quality of "AA-" as of March 31, 2017, with 58.2% of the portfolio rated "AA" or better, based on market value.

We also have a modest portfolio of equity securities, which we record at fair value. We strive to limit the exposure to equity price risk associated with equity securities by investing primarily in mid-to-large capitalization issuers and by diversifying our holdings across several industry sectors. Equity securities represented 7.7% of our investment portfolio at March 31, 2017.

We believe that our current asset allocation meets our strategy to preserve capital for claims and policy liabilities and to provide sufficient capital resources to support and grow our ongoing insurance operations.

The following table shows the estimated fair value, the percentage of the fair value to total invested assets, the average book yield, and the average tax equivalent yield (each based on the fair value of each category of invested assets) as of March 31, 2017.

Category	Estimated Fair Value	Percentage of Total	Book Yield	Tax Equivalent Yield
(in millions, except percentages)				
U.S. Treasuries	\$ 133.7	5.1%	1.8%	1.8%
U.S. Agencies	15.0	0.6	4.1	4.1
States and municipalities	817.5	31.3	3.1	4.4
Corporate securities	985.7	37.8	3.1	3.1
Residential mortgage-backed securities	302.9	11.6	3.1	3.1
Commercial mortgage-backed securities	94.9	3.6	2.7	2.7
Asset-backed securities	45.6	1.7	2.3	2.3
Equity securities	199.8	7.7	5.6	7.4
Short-term investments	15.4	0.6	1.2	1.2
Total	\$ 2,610.5	100.0%		
Weighted average yield			3.1%	3.6%

The following table shows the percentage of total estimated fair value of our fixed maturity securities as of March 31, 2017 by credit rating category, using the lower of ratings assigned by Moody's Investors Service or S&P.

Rating	Percentage of Total Estimated Fair Value
"AAA"	10.6%
"AA"	47.6
"A"	28.5
"BBB"	12.6
Below investment grade	0.7
Total	100.0%

Investments that we currently own could be subject to default by the issuer or could suffer declines in fair value that become other-than-temporary. We regularly assess individual securities as part of our ongoing portfolio management, including the identification of other-than-temporary declines in fair value. Our other-than-temporary impairment assessment includes reviewing the extent and duration of declines in the fair value of investments below amortized cost, historical and projected financial performance and near-term prospects of the issuer, the outlook for industry sectors, credit rating, and macro-economic changes. We also make a determination as to whether it is not more likely than not that we will be required to sell the security before its fair value recovers above cost, or maturity.

We believe that we have appropriately identified the declines in the fair values of our unrealized losses for the three months ended March 31, 2017. We determined that the unrealized losses on fixed maturity securities were primarily the result of prevailing interest rates and not the credit quality of the issuers. The fixed maturity securities whose fair value was less than amortized cost

were not determined to be other-than-temporarily impaired given the severity and duration of the impairment, the credit quality of the issuers, the Company's intent to not sell the securities, and a determination that it is not more likely than not that the Company will be required to sell the securities until fair value recovers to above cost, or principal value upon maturity.

We recognized impairments of \$0.2 million (consisting of one equity security) during the three months ended March 31, 2017. The other-than-temporary impairment recognized during this period related to an equity security and was the result of the severity and duration of the change in fair value of this security. Certain unrealized losses on equity securities were not considered to be other-than-temporary due to the financial condition and near-term prospects of the issuers, and our intent to hold the securities until fair value recovers to above cost.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **Critical Accounting Policies**

These unaudited interim consolidated financial statements include amounts based on the use of estimates and judgments of management for those transactions that are not yet complete. We believe that the estimates and judgments that were most critical to the preparation of the consolidated financial statements involved the following: (a) reserves for losses and LAE; (b) reinsurance recoverables; (c) recognition of premium income; (d) deferred income taxes; and (e) valuation of investments. These estimates and judgments require the use of assumptions about matters that are highly uncertain and therefore are subject to change as facts and circumstances develop. Our accounting policies are discussed under "Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are credit risk, interest rate risk, and equity price risk, and are described in detail in our Annual Report. We have not experienced any material changes in market risk since December 31, 2016.

The primary market risk exposure to our investment portfolio, which consists primarily of fixed maturity securities, is interest rate risk. We have the ability to hold fixed maturity securities to maturity and we strive to limit interest rate risk by managing duration. As of March 31, 2017, our fixed maturity securities portfolio had a duration of 4.3 years. We continually monitor the impact of interest rate changes on our investment portfolio and liquidity obligations. Changes to our market risk, if any, since December 31, 2016 are reflected in Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements contained in this Form 10-Q.

#### **Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There have not been any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

From time-to-time, the Company is involved in pending and threatened litigation in the normal course of business in which claims for monetary damages are asserted. In the opinion of management, the ultimate liability, if any, arising from such pending or threatened litigation is not expected to have a material effect on our results of operations, liquidity, or financial position.

### Item 1A. Risk Factors

We have disclosed in our Annual Report the most significant risk factors that can impact year-to-year comparisons and that may affect the future performance of the Company's business. On a quarterly basis, we review these disclosures and update the risk factors, as appropriate. As of the date of this report, there have been no material changes to the risk factors contained in our Annual Report.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information with respect to the Company's repurchases of its common stock during the first quarter of 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program <sup>(2)</sup>
				(in millions)
January 1 – January 31, 2017	—	\$ —	—	\$ 28.9
February 1 – February 28, 2017	—	—	—	28.9
March 1 – March 31, 2017	—	—	—	28.9
Total	—	\$ —	—	—

(1) Includes fees and commissions paid on stock repurchases.

(2) On February 16, 2016, the Board of Directors authorized a share repurchase program for repurchases of up to \$50 million of the Company's common stock (the 2016 Program). We expect that shares may be purchased at prevailing market prices through February 22, 2018 through a variety of methods, including open market or private transactions, in accordance with applicable laws and regulations and as determined by management. The timing and actual number of shares that may be purchased will depend on a variety of factors, including the share price, corporate and regulatory requirements, and other market and economic conditions. Repurchases under the 2016 Program may be commenced, modified, or suspended from time to time without prior notice, and the program may be suspended or discontinued at any time.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>	<b>Included Herewith</b>	<b>Incorporated by Reference Herein</b>		
			<b>Form</b>	<b>Exhibit</b>	<b>Filing Date</b>
3.1	Amended and Restated Bylaws of Employers Holdings, Inc.	X			
10.1	Employment Agreement by and between Employers Holdings, Inc. and Tracey L. Berg, dated January 12, 2017, and effective as of January 31, 2017	X			
10.2	Form of Performance Share Agreement	X			
10.3	Form of Restricted Stock Unit Agreement	X			
31.1	Certification of Douglas D. Dirks Pursuant to Section 302	X			
31.2	Certification of Michael S. Paquette Pursuant to Section 302	X			
32.1	Certification of Douglas D. Dirks Pursuant to Section 906	X			
32.2	Certification of Michael S. Paquette Pursuant to Section 906	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X			

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMPLOYERS HOLDINGS, INC.

Date: April 27, 2017

/s/ Michael S. Paquette

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Michael S. Paquette  
Executive Vice President and Chief Financial Officer  
Employers Holdings, Inc.  
(Principal Financial and Accounting Officer)

**AMENDED AND RESTATED BYLAWS  
OF  
EMPLOYERS HOLDINGS, INC.  
ARTICLE I  
STOCKHOLDERS**

Section 1. Annual Meeting. The annual meeting of Employers Holdings, Inc. (the "Corporation"), shall be held at such date and time as shall be determined by the board of directors of the Corporation (the "Board of Directors").

Section 2. Special Meetings. Unless otherwise required by law, special meetings of the stockholders of the Corporation may be called only by the Chairman of the Board of Directors, the President, or a majority of the Board of Directors. The ability of the stockholders to call a special meeting of stockholders is hereby specifically denied. Business transacted at all special meetings of the stockholders of the Corporation shall be confined to the purpose or purposes stated in the notice of the meeting.

Section 3. Place of Meeting. Every meeting of the stockholders, whether an annual or a special meeting, shall be held at the principal office of the Corporation or at such other place within or without the State of Nevada as may be selected by the Board of Directors.

Section 4. Notice of Meetings. Written notice of the place, date and time of any stockholders' meeting, whether annual or special, and the purpose or purposes for which the meeting is called shall be given to each stockholder entitled to vote thereat, by mailing the same to the stockholder at the address of the stockholder that appears upon the records of the Corporation not less than 10 nor more than 60 days prior to the date of such meeting. Any meeting of the stockholders may be adjourned from time to time by the presiding officer at the meeting to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of this Section 4 shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

Section 5. Voting Power of Stockholders. Each stockholder entitled to vote at any meeting of the stockholders may vote either in person or by proxy filed with the Secretary of the Corporation at or before such meeting. A stockholder may authorize another person or persons to act for such stockholder as proxy at any such meeting and in any manner permitted under applicable Nevada law. Unless a higher vote is required by applicable law, the Corporation's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") or these Bylaws, if a quorum is present, action by the stockholders on a matter other than the election of directors is approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action. Subject to the rights of the holders of any series of preferred stock to elect directors in accordance with the terms thereof, if a quorum is present, a nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election. Notwithstanding the foregoing, nominees for director shall be elected by a plurality of the votes cast at any meeting of stockholders for which (a) the Secretary of the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees set forth in Article II, Section 10 of these Bylaws; and (b) such nomination has not been withdrawn by such nominating stockholder on or before the fourteenth (14th) day in advance of the date that the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee. With respect to the election of directors only, "abstentions" and "broker non-votes," although counted for quorum purposes, shall not be included in the total number of votes cast or be counted as votes cast "for" or "against" the approval of a matter or the election of any nominee.

Section 6. Quorum. Unless otherwise required by applicable law, the Articles of Incorporation or these Bylaws, a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote, including the voting power that is represented in person or by proxy, regardless of whether any such proxy has authority to vote on all matters, shall constitute a quorum for the transaction of business at any annual or special meeting of the stockholders duly and properly called. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum of stockholders shall not be present or represented at any meeting of the stockholders, the presiding officer at the meeting shall

Approved by the Board of Directors on February 22, 2017

have power to adjourn the meeting from time to time, in the manner provided in Section 4 hereof, until the requisite number of stockholders shall be present. At any subsequently reconvened meeting at which the requisite number of shares shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 7. Inspector of Election. At every meeting of the stockholders, the Chairman of the Board or his designee shall appoint not fewer than two persons who are neither officers nor directors, as inspectors to receive and canvass the votes given at the meeting, and certify the result to him or her. At the next meeting of the Board of Directors, the Chairman of the Board shall lay before the Board of Directors the results so certified, and thereupon such proceedings shall be had as the subject matter decided by the election or the vote may require.

Section 8. Record Date. The directors may fix in advance a date, which shall be not less than 10 nor more than 60 days before the date of any meeting of stockholders or the date for the payment of any dividend or the making of any distribution to stockholders or the last day on which the dissent of stockholders may be effectively expressed for any purpose, as the record date for determining the stockholders having the right to notice of, and to vote at, such meeting and any adjournment thereof or the right to receive such dividend or distribution or the right to give such dissent.

Section 9. Nature of Business at Meetings of Stockholders. No business (other than nominations for election to the Board of Directors, which must comply with the provisions of Section 10 of this Article I) may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 9 of this Article I and on the record date for the determination of stockholders entitled to notice of and to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 9 of this Article I.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary of the Corporation must be delivered to or be mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary of the Corporation must set forth the following information: (a) as to each matter such stockholder proposes to bring before the annual meeting, a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation, and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person, (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the annual meeting to bring such business before the meeting;

and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the annual meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 9 of this Article I shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the annual meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of the annual meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 9 of this Article I; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 9 of this Article I shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Nothing contained in this Section 9 of this Article I shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

Section 10. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Articles of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 10 of this Article I and on the record date for the determination of stockholders entitled to notice of and to vote at such annual meeting or special meeting and (ii) who complies with the notice procedures set forth in this Section 10 of this Article I.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary of the Corporation must be delivered to or be mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting or a special meeting called for the purpose of electing directors, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary of the Corporation must set forth the following information: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation, and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock

of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of such person; (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation, and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any proposed nominee or any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the annual meeting or special meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

A stockholder providing notice of any nomination proposed to be made at an annual meeting or special meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 10 of this Article I shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the annual meeting or special meeting, and such update and supplement shall be delivered to or be mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders entitled to receive notice of such annual meeting or special meeting.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 10 of this Article I. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 11. No Stockholder Action Without a Meeting. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action without a meeting is hereby specifically denied.

## **ARTICLE II DIRECTORS**

Section 1. Powers. The Board of Directors shall manage and control the business and affairs of the Corporation.

Section 2. Number. The Board of Directors shall consist of not less than one person, and the exact number of directors constituting the Board of Directors shall be fixed from time to time by resolution adopted by a majority of the Board of Directors then in office.

Section 3. Classes. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of the Class I directors shall terminate on the date of the 2007 annual meeting; the term of the Class II directors shall terminate on the date of the 2008 annual meeting; and the term of the Class III directors shall terminate on the date of the 2009 annual meeting. At each succeeding annual meeting of stockholders beginning in 2007, successors to the class of

directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

Section 4. Term. Each member of the Board of Directors shall hold office until such director's successor shall have been duly elected and qualified or until they have resigned or are removed from office or their office is otherwise vacated.

Section 5. Place of Meetings. Meetings of the Board of Directors, whether annual or special, may be held within or without the State of Nevada.

Section 6. Annual Meetings. Unless otherwise determined by the Chairman of the Board and noticed to the Board, the Board of Directors shall meet each year immediately after the annual meeting of the stockholders, at the same place as the meeting of the stockholders for the purpose of organization, election of officers and consideration of any other business that may properly be brought before the meeting. No notice of any kind to either old or new Board members for this annual meeting shall be necessary.

Section 7. Other Meetings. Other regular meetings may be held at such times as may be determined from time to time by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President and Chief Executive Officer and shall be called by the Secretary on the written request of a majority of the Board of Directors then in office. Notice of special meetings setting forth the time and place of such meeting shall be given to each director then in office through the following means: personally or telephonically, by electronic mail, facsimile or by other means of written communication at least 24 hours before the meeting. Notice of a meeting need not be given to any director who attends the meeting without protesting, prior to the conclusion thereof, the lack of notice.

Section 8. Voting. Any action required to be taken shall be authorized by a majority of the directors present at any meeting at which a quorum is present.

Section 9. Quorum. At all meetings of the Board of Directors, a majority of the Board of Directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business, but if, at any meeting, less than a quorum shall be present, a majority of those present may adjourn the meeting from time to time.

Section 10. Chairman of the Board. The Chairman of the Board shall be a director and shall preside at all meetings of the Board of Directors and of the stockholders at which the Chairman shall be present. The Chairman shall designate a director or officer to preside at any such meeting where the Chairman is absent. The Chairman of the Board shall have such other duties as the Board of Directors shall determine from time to time.

Section 11. Compensation of Directors. Board members who are not salaried officers of the Corporation shall receive such compensation as shall be fixed from time to time by resolution of the Board of Directors; and, in addition, the directors who are not salaried officers of the Corporation shall be entitled to reimbursement of the expenses properly incurred by them in attending and returning from meetings of the Board, any committee appointed by the Board, general meetings of the Corporation, or in connection with the business of the Corporation or their duties as directors generally.

Section 12. Resignation of Directors. Any director may resign at any time upon written notice to the Corporation. Such resignation shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Chairman of the Board, the President and Chief Executive Officer or the Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless so specified therein.

Section 13. Removal. Any director or one or more of the incumbent directors may be removed from office by vote of stockholders representing not less than two-thirds of the voting power of the issued and outstanding stock of the Corporation entitled to vote.

Section 14. Increase in Number of Directors and Vacancies. Subject to the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors shall be filled by the vote of a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by the vote of a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any



director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Section 15. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all Board members or members of such committee, as the case may be, consent in writing to the adoption of a resolution authorizing the action. Such resolutions and the written consents thereto by the Board or committee members shall be filed with the minutes of the proceedings of the Board or such committee as the case may be.

Section 16. Committees. The Board of Directors may designate one or more committees and may delegate any of its powers to such committee. Each committee shall consist of one or more of the directors of the Corporation. Each member of a committee must meet the requirements for membership, if any, imposed by applicable law and the rules and regulations of any securities exchange on which the securities of the Corporation are listed for trading. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. Subject to the rules and regulations of any securities exchange on which the securities of the Corporation are listed for trading, in the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another qualified member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority of the Board of Directors in reference to (i) adopting an agreement of merger or consolidation under Sections 92A.005 to 92A.270, inclusive, of the Nevada Revised Statutes, (ii) approving the sale, lease or exchange of all of the Corporation's property and assets under Section 78.565 of the Nevada Revised Statutes, (iii) amending the Articles of Incorporation of the Corporation, (iv) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or (v) declaring a dividend. Each committee shall keep regular minutes and report to the Board of Directors when required. Notwithstanding anything to the contrary contained in this Article II, the resolution of the Board of Directors establishing any committee of the Board of Directors and/or the charter of any such committee may establish requirements or procedures relating to the governance and/or operation of such committee that are different from, or in addition to, those set forth in these Bylaws and, to the extent that there is any inconsistency between these Bylaws and any such resolution or charter, the terms of such resolution or charter shall be controlling. Except as otherwise provided in this Section 16, the meetings and proceedings of any committee shall be governed by the provisions of these Bylaws regulating the meetings and proceedings of the Board of Directors, so far as the same are applicable and are not superseded by directions imposed by the Board of Directors.

Section 17. Participation by Telephone. Any one or more Board members or members of any committee thereof may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

### ARTICLE III OFFICERS

Section 1. Officers. The Board of Directors shall select and appoint the Chairman of the Board, the President and Chief Executive Officer, the Treasurer, the Secretary and any other officers as it deems advisable from time to time. The Board of Directors shall vote on the appointment of any and all such officers at the regular meeting of the Board held after each annual meeting of the stockholders. Each officer shall have such authority and perform such duties as may be prescribed from time to time by the Board of Directors, or, in the event of its failure so to prescribe, by the President and Chief Executive Officer. The Chairman of the Board shall be chosen from among the directors and other officers may, but need not, be directors. One person may hold more than one office, except that no one person shall hold simultaneously (i) the offices of (A) President and Chief Executive Officer and (B) Secretary; or (ii) the offices of (A) Chairman of the Board and (B) Secretary.

Section 2. President and Chief Executive Officer. The President and Chief Executive Officer shall, subject only to the direction and control of the Board of Directors, have responsibility for the general management of the business affairs and property of the Corporation, and of its several officers, and shall have such duties and responsibilities and shall report to such persons as the Board of Directors shall determine from time to time.

Section 3. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and its committees and the minutes of all meetings of the Corporation in books provided for that purpose and the Secretary shall attend

Approved by the Board of Directors on February 22, 2017

to the giving or serving of all notices of the Corporation. The Secretary may sign with the President and Chief Executive Officer, or a Vice President, in the name of the Corporation, all contracts authorized by the Board of Directors or by any committee of the Board of Directors, and, when so ordered by the Board of Directors or such committee, the Secretary shall affix the seal of the Corporation thereto. The Secretary shall have charge of such books and papers as the Board of Directors shall direct, all of which shall at all reasonable times be open to the examination of any director, upon request at the office of the Corporation during business hours; and shall in general perform all the duties incident to the office of the Secretary, subject to the control of the Board of Directors, the Chairman of the Board, and the President and Chief Executive Officer.

Section 4. Treasurer. The Treasurer shall keep the financial accounts of the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation. The Treasurer shall disburse the funds of the Corporation as may be designated by the Board of Directors and shall render to the Board of Directors and the President and Chief Executive Officer whenever they may require it, an account of his or her transactions as Treasurer and of the financial condition of the Corporation.

Section 5. Compensation of Officers. The officers of the Corporation shall be entitled to receive such compensation for their services as may from time to time be determined, or pursuant to authority granted, by the Board of Directors.

Section 6. Removal of Officers. Any officer of the Corporation may be removed from office, with or without cause, by a vote of a majority of the directors then in office. The removal of an officer shall be without prejudice to his or her contract rights, if any. Election or appointment of an officer shall not of itself create contract rights.

Section 7. Resignation. Any officer of the Corporation may resign at any time. Such resignation shall be in writing and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Secretary. The acceptance of a resignation shall not be necessary in order to make it effective, unless so specified therein. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any.

Section 8. Filling of Vacancies. A vacancy in any office shall be filled by, or pursuant to authority granted by, the Board of Directors.

#### **ARTICLE IV MISCELLANEOUS PROVISIONS**

Section 1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and terminate on the thirty-first day of December in each year.

Section 2. Contracts, Checks, Drafts. The Board of Directors may authorize any officer or officers, agent or agents, in the name of and on behalf of the Corporation to enter into any contract or execute or deliver any instrument. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be designated from time to time by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks, trust companies or other depositories as the Board of Directors may select, and, for the purpose of such deposit, checks, drafts, warrants and other orders for the payment of money which are payable to the order of the Corporation, may be endorsed for deposit, assigned and delivered by any officer of the Corporation, or by such agents of the Corporation as the Board of Directors, the Chairman of the Board, or the President and Chief Executive Officer, may authorize for that purpose.

Section 4. Manner of Giving Notice. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mail, postage prepaid, subject to any prior periods called for herein. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless device, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the intended recipient. Any stockholder of the Corporation, director, officer, or Board committee member may waive any notice required to be given under these Bylaws. Whenever in the Corporation's Articles of Incorporation or these Bylaws notice is required or permitted to be given by mail, the affidavit or other sworn certificate of the person who mailed such notice, filed with the Secretary of the Corporation, shall constitute conclusive evidence that such notice has been given and mailed.

Section 5. Construction. These Bylaws are to be construed to be consistent with applicable law, and if such construction is not possible then the invalidity of a Bylaw or a portion thereof shall not affect the validity of the remainder of the Bylaws, which shall remain in full force and effect.

Section 6. Certificate of Stock. Shares of the Corporation's stock may be certificated or uncertificated, as provided under Nevada law. All certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by at least two of the Chairman, President, Chief Executive Officer, Treasurer or Secretary. Any or all of the signatures on the certificate may be a facsimile.

Section 7. Transfers of Stock. Transfers of stock shall be made on the books of the Corporation only by the record holder of such stock, or by attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon surrender of the certificate.

**ARTICLE V**  
**INDEMNIFICATION OF OFFICERS AND DIRECTORS**  
**AGAINST LIABILITIES AND EXPENSES**

Section 1. Definitions. For the purposes of this Article (other than sections 7, 10 and 11 hereof), "agent" means any person who is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic company, partnership, joint venture, trust or other enterprise, or was a director or officer of a foreign or domestic company which was a predecessor company of the Corporation or of another enterprise at the request of the predecessor company. For the purposes of this Article, "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" include, without limitation, attorneys' fees and any expenses of establishing a right to indemnification under Sections 4 or 5(b) of Article V.

Section 2. Indemnification in Actions by Third Parties. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor) by reason of the fact that the person is or was an agent of the Corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding, to the fullest extent permitted or authorized by applicable law, if that person (i) is not liable pursuant to NRS 78.138, or (ii) acted in good faith and in a manner which that person reasonably believed to be in or not opposed to the best interests of the Corporation, and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of the person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person is liable pursuant to NRS 78.138 or did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, or that the person had reasonable cause to believe that the person's conduct was unlawful.

Section 3. Indemnification in Actions by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was an agent of the Corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of the action, to the fullest extent permitted or authorized by applicable law, if the person (i) is not liable pursuant to NRS 78.138, or (ii) acted in good faith and in a manner which that person reasonably believed to be in or not opposed to the best interests of the Corporation. No indemnification shall be made under this Section 3 for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all of the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 4. Indemnification Against Expenses. To the extent that an agent of the Corporation has been successful on the merits in defense of any proceedings referred to in Sections 2 or 3 of Article V or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 5. Required Determinations. Except as provided in Section 4 or 6 of Article V, any indemnification under Article V shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Sections 2 or 3 of Article V by:

- a. A majority vote of a quorum consisting of directors who are not parties of such proceeding;

- b. The court in which the proceeding is or was pending upon application made by the Corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not the application by the agent, attorney, or other person is opposed by the Corporation;
- c. The stockholders;
- d. Independent legal counsel in a written opinion, if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders; or
- e. Independent legal counsel in a written opinion, if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained.

Section 6. Advance of Expenses. Expenses of agents incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the agent to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the Corporation. This provision does not affect any rights to advancement of expenses to which Corporation personnel other than directors may be entitled under contract or otherwise by law.

Section 7. Other Indemnification. The indemnification authorized by Article V shall not be deemed exclusive of any additional rights to indemnification for breach of duty to the Corporation and its stockholders while acting in the capacity of a director or officer of the Corporation to the extent the additional rights to indemnification are authorized in Sections 78.138, 78.7502, and 78.751 of the Nevada Revised Statutes or any other applicable law. The indemnification provided by this section for acts, omissions, or transactions while acting in the capacity of, or while serving as, a director or officer of the Corporation but not involving breach of duty to the Corporation and its stockholders shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of the stockholders or disinterested directors, or otherwise to the extent the additional rights to indemnification are authorized in the Corporation's Articles of Incorporation. An article provision authorizing the indemnification in excess of that permitted by Chapter 78 of the Nevada Revised Statutes or to the fullest extent permissible under Nevada law or the substantial equivalent thereof shall be construed to be a provision for additional indemnification for breach of duty to the Corporation and its stockholders. The rights to indemnity hereunder shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in Article V shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

Section 8. Forms of Indemnification Not Permitted. No indemnification or advance shall be made under Article V, except as provided in Section 4 or Section 5(b), in circumstances where it appears:

- a. That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or
- b. That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 9. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any agent or other employee of the Corporation against any liability asserted against or incurred by the agent in that capacity or arising out of the agent's status as such whether or not the Corporation would have the power to indemnify the agent against that liability under the provisions of Article V.

Section 10. Amendment to General Corporation Law. The Corporation may also indemnify its directors, officers, employees, and agents under other or additional circumstances and in other or additional amounts in accordance with amendments to the Nevada Revised Statutes as enacted from time to time.

Section 11. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article V to directors and officers of the Corporation.

**ARTICLE VI  
AMENDMENTS**

Section 1. Amendments. The Board of Directors shall have the exclusive authority to adopt, make, repeal, alter, amend or rescind these Bylaws by the affirmative vote of a majority of the Board of Directors then in office.

Approved by the Board of Directors on February 22, 2017

## EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") by and between Employers Holdings, Inc., a Nevada corporation (the "Company") and Tracey Berg (the "Employee") is entered into as of the 12<sup>th</sup> day of January, 2017, effective as of January 31, 2017 (the "Effective Date"). Effective as of the Effective Date, this Agreement shall replace and supersede, in its entirety, any prior employment agreement or agreements between the Employee and the Company (the "Prior Agreements") and the Prior Agreements shall be of no force or effect.

### RECITALS

A. The Employee has knowledge and experience applicable to the position of Chief Information Officer.

B. The Company desires to employ the Employee to perform certain services for the Company, its parent, if any, and their respective subsidiaries and affiliates (the "Company Affiliates"), as may be required or requested of the Employee in her position or positions with the Company and the Company Affiliates, and the Employee desires to be so employed by the Company and to perform such services for the Company and the Company Affiliates.

In consideration of the premises above and mutual covenants and promises set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the parties agree as follows:

### TERMS

#### 1. Employment.

The Company agrees to employ the Employee and the Employee accepts such employment upon the terms and conditions specified herein. The Employee agrees to devote substantially all of her time and effort during working hours in the performance of the duties called for herein and agrees that any other non-employment related duties (i.e., industry related groups, service on boards, etc.) will not be allowed to materially interfere with the performance of the duties called for herein.

#### 2. Term.

The term of this Agreement shall commence on the Effective Date, and shall continue until December 31, 2017 (the "Initial Term"), and, thereafter, shall automatically terminate unless the Company gives written notice to the Employee no later than three (3) months prior to the expiration of the Initial Term or any Additional Term (as defined below), as applicable, of an intent to renew this Agreement for successive two (2) year periods (each two (2) year period, an "Additional Term;" the Initial Term and any Additional Terms, collectively the "Term"); subject, however to earlier termination of the Employee's employment with the Company in accordance with this Agreement (the date of termination of this Agreement or, if earlier, termination of the Employee's employment, the "Termination Date"). The expiration of this Agreement at the end of the Term, in and of itself, shall not constitute, nor be construed or interpreted as, a termination of the Employee's employment that would make her eligible for benefits or payments under this Agreement. This Agreement shall expire upon the termination of the Employee's employment for any reason, subject to the provisions of subsection 10(h) below.

#### 3. Services and Duties.

The Employee shall serve as Chief Information Officer and/or such other position or positions as may be mutually agreed upon by the parties from time to time, and shall perform such duties as may be assigned by the Chief Executive Officer from time to time. At the request of the Board of Directors of the Company (the "Board"), the Employee shall also serve as a director of the Company and/or one or more of the Company Affiliates at no additional compensation. The Employee agrees that upon the termination of her employment with the Company, she shall resign from the Board and any and all boards of the Company Affiliates effective on the Termination Date.

#### 4. **Compensation and Benefits.**

- (a) During the Term, the Company shall pay to the Employee an annual salary of not less than \$325,000 ("Base Salary"), which amount shall be paid according to the Company's regular payroll practices. The Company agrees to review the Base Salary on an annual basis and adjust the salary to comply with the executive compensation policy in effect at the time of the review. Any adjustment made to the annual salary will establish the new Base Salary for the Employee. All payments made pursuant to this Agreement, including but not limited to subsections 4(a) and 4(b), shall be reduced by and subject to withholding for all federal, state, and local taxes and any other withholding required by applicable laws and regulations.
- (b) The Company will provide an annual incentive (the "Annual Incentive") to the Employee during the Term based on the Employee's and the Company's performance, as determined by the Board (or a committee thereof) in its sole discretion. In this regard, the Board (or a committee thereof) shall set an annual incentive target of not less than fifty percent (50%) of Base Salary, and the Annual Incentive shall be paid in accordance with the Company's regular practice for its senior officers, as in effect from time to time. To the extent not duplicative of the specific benefits provided herein, the Employee shall be eligible to participate in all incentive compensation, retirement, supplemental retirement and deferred compensation plans, policies and arrangements that are provided generally to other senior officers of the Company at a level (in terms of the amount and types of benefits and incentive compensation that the Employee has the opportunity to receive and the terms thereof) determined in the sole discretion of the Board (or a committee thereof). In addition, the Company will provide the Employee with an initial cash sign-on bonus in the amount of \$150,000, which will be paid to her no later than the first payroll date next following the Effective Date.
- (c) The Employee agrees that the amounts payable and benefits provided under this Agreement, including but not limited to any amounts payable or benefits provided under this Section 4 and Section 7 constitute good, valuable and separate consideration for the non-competition, assignment and release of liability provisions contained herein. The Employee acknowledges that she is aware of the effect of the non-competition, assignment and release of liability provisions contained herein and agrees that the amounts payable and benefits provided under this Agreement, including but not limited to the amounts payable and benefits provided under this Section 4 and Section 7, if any, constitute sufficient consideration for her agreement to these provisions.
- (d) In addition to the compensation called for in this Agreement, the Employee shall be entitled to receive any and all employee benefits and perquisites as the Company from time to time in its discretion determines to offer. In addition, the Employee shall be entitled to the applicable relocation and moving benefits described in Appendix A attached hereto.

#### 5. **Insurance.**

The Employee agrees to submit to physical examinations at a reasonable time as requested by the Company for the purpose of the Company's obtaining life insurance on the life of the Employee for the benefit of the Company; provided, however, that the Company shall bear the costs for such examinations and shall pay all premiums on any life insurance obtained as a result of such examinations. The Employee further agrees to submit to drug testing in accordance with the Company's policies and procedures.

#### 6. **Termination.**

- (a) The Company, at any time, may terminate this Agreement and the Employee's employment immediately for "Cause." Cause is defined as:
  - (i) A material breach of this Agreement by the Employee;
  - (ii) Failure or inability of the Employee to obtain or maintain any required licenses or certificates;
  - (iii) Willful violation by the Employee of any law, rule or regulation, including but not limited to any material insurance law or regulation, which violation may, as determined by the Company, adversely affect the ability of the Employee to perform her duties hereunder or may subject the Company to liability or negative publicity; or

- (iv) Conviction or commission of or the entry of a guilty plea or plea of no contest to any felony or to any other crime involving moral turpitude.
- (b) The Employee may terminate this Agreement and her employment with the Company immediately for "Good Reason," which shall mean the occurrence of any of the following events with respect to which the Employee has notified the Company of the existence thereof within no more than ninety (90) days of the initial existence thereof and which is not cured by the Company within thirty (30) days of the Company's receipt of written notice from the Employee of the events alleged to constitute such Good Reason:
  - (i) A material diminution in the Employee's base compensation;
  - (ii) A material diminution in the Employee's authority, duties or responsibilities; or
  - (iii) Any other action or inaction that constitutes a material breach by the Company of this Agreement.
- (c) The Company may also terminate this Agreement and the Employee's employment upon the occurrence of one or more of the following events or reasons, subject to applicable law (or, in the case of subsection 6(c)(i) below, termination of this Agreement and the Employee's employment will be automatic):
  - (i) Death of the Employee;
  - (ii) The Employee is deemed to be disabled in accordance with the policies of the Company or the law or if the Employee is unable to perform the essential job functions of the Employee's position with the Company, with or without reasonable accommodation, for a period of more than 100 business days in any 120 consecutive business day period. The Employee is entitled to any and all short term or long term disability programs, like any other employee, in accordance with the terms of such programs and the policies of the Company; or
  - (iii) At any time for any other reason or no reason in the sole and absolute discretion of the Company.

## 7. **Payments Upon Termination.**

- (a) Qualifying Termination and Severance Pay. If the Company terminates the Employee's employment prior to the expiration of the Term but other than during the CIC Period (as defined below) for any reason other than as specified above in subsection 6(a) for Cause, subsection 6(c)(i) by reason of the death of the Employee, or subsection 6(c)(ii) for disability, or if the Employee terminates her employment for Good Reason pursuant to subsection 6(b), the Employee shall receive the following severance pay (the "Severance Pay"):
  - (i) In lieu of any further salary payments to the Employee for periods subsequent to the Termination Date and in lieu of any severance benefit otherwise payable to the Employee, an amount equal to Base Salary, payable in equal bi-weekly installments on the Company's regular payroll dates as in effect on such Termination Date, for twelve (12) months following the Termination Date, with payments commencing on the payroll date applicable to the first full payroll period occurring following the Applicable Release Period (as defined below), which first payment date shall be no later than sixty (60) days following the Termination Date; provided, however, that (A) such payments shall be delayed to the extent required under subsection 7(c)(iv) or Section 25 below and (B) the amount of the first payment shall be equal to the total amount of bi-weekly installments that would have been paid had the first payment been made on the first full payroll date occurring following the Termination Date, with each subsequent payment equal to the bi-weekly installment. The payments shall be subject to normal payroll deductions.
  - (ii) Continuation of the medical, dental and vision insurance coverage in effect on the Termination Date for a period of twelve (12) months following the Termination Date with the Company paying the employer portion of the premium and the Employee paying the employee portion, including dependents if applicable, of the premium during such twelve (12) month period, provided that the Employee elects to continue such insurance coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA"). The Employee is solely responsible for taking the actions necessary to exercise her rights under COBRA for the insurance coverage the Employee has in effect, including coverage for



dependents if applicable, on the Termination Date.

- (b) Severance Pay as Liquidated Damages. The parties agree, in the event of a material breach of this Agreement by the Company with respect to which the Employee has given notice and that is not cured, in either case, in accordance with subsection 6(b), following which the Employee terminates her employment for Good Reason, that actual damages are speculative and that the amount of the Severance Pay or, if applicable, the CIC Severance Pay (as defined below) set forth herein is liquidated damages and is a reasonable estimate of what damages would be for a material breach of this Agreement.
- (c) Conditions to Severance Pay or CIC Severance Pay; the Applicable Release Period. The Employee agrees and acknowledges that the following must be satisfied by the Employee before she is entitled to the Severance Pay or, if applicable, the CIC Severance Pay, as provided in subsections (i), (ii) and (iii) herein:
- (i) That the Employee returns any and all equipment, software, data, property and information of the Company or the Company Affiliates, including documents and records or copies thereof relating in any way to any proprietary information of the Company or any of the Company Affiliates whether prepared by the Employee or any other person or entity. That the Employee further agrees that she shall not retain any proprietary information of the Company or any of the Company Affiliates after the Termination Date;
  - (ii) That the Employee executes a Global Release of Liability, in a form to be determined by the Company in its sole discretion, which releases the Company and the Company Affiliates from liability for any and all claims, complaints and causes of action, whether based in law or equity, arising from, related to or associated with the Employee's employment by the Company or under this Agreement and that such release has become effective and non-revocable. That the Employee further acknowledges and agrees that she has not made and will not make any assignment of any claim, cause or right of action, or any right of any kind whatsoever, arising from, related to or associated with the employment of the Employee by the Company; and
  - (iii) That the Employee reaffirms the covenants contained herein, in writing, including, but not limited to, the covenants set forth in Section 1 0.
  - (iv) Notwithstanding anything in this Agreement to the contrary, in any case where the first and last days of the applicable release and nonrevocability periods provided for in the Global Release of Liability (the "Applicable Release Period") are in two separate taxable years, any payments required to be made to the Employee under this Agreement that are treated as deferred compensation for purposes of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance promulgated thereunder ("Section 409A") shall be made in the later taxable year, as soon as practicable, but in no event later than thirty (30) days following the conclusion of the Applicable Release Period. In addition to the foregoing, the Applicable Release Period shall conclude no later than sixty (60) days following the Termination Date.
- (d) Voluntary Termination by the Employee. The Employee may terminate her employment and this Agreement for reasons other than those identified in subsection 6(b) upon not less than sixty (60) days prior written notice. If the Employee terminates her employment and this Agreement pursuant to this subsection 7(d), she shall be entitled only to the following:
- (i) Any unpaid salary through the Termination Date; and
  - (ii) Payment for any accrued and unused vacation as of the Termination Date.
- (e) Qualifying Change in Control Termination. If, before the expiration of the Term, the Company terminates the Employee's employment within the period commencing six (6) months prior to and ending eighteen (18) months following a Change in Control (as defined below), such period referred to herein as the "CIC Period," for any reason other than as specified above in subsection 6(a) for Cause, subsection 6(c)(i) for the death of the Employee, or subsection 6(c)(ii) for disability, or if the Employee terminates her employment and this Agreement for Good Reason pursuant to subsection 6(b), the Employee shall receive the severance pay set forth in subsections (i) and (ii) below (the "CIC Severance Pay"), provided that if the Employee's employment is terminated during the six

(6) month period prior to a Change in Control, the Employee shall be entitled to CIC Severance Pay only if such termination (x) was by the Company other than for Cause but at the request or direction of any person that has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (y) was by the Employee for Good Reason and the circumstance or event that constitutes Good Reason occurred at the request or direction of such person or (z) was by the Company without Cause and the Employee reasonably demonstrates that such termination was otherwise in connection with or in anticipation of a Change in Control; and if the Employee is not entitled to CIC Severance Pay hereunder, then the Employee's termination of employment will not be deemed to have occurred during the CIC Period for purposes of subsection 7(a):

- (i) In lieu of any further salary payments to the Employee for periods subsequent to the Termination Date and in lieu of any severance benefit otherwise payable to the Employee, a lump sum cash payment equal to two (2) times the sum of (A) Base Salary and (B) \$162,500. Such payment shall be made as soon as practicable (but in no event later than sixty (60) days) following the Termination Date; provided, however, that such payments shall be delayed to the extent required under subsection 7(c)(iv) or Section 25 below; and
- (ii) Continuation of the medical, dental and vision insurance coverage in effect on the Employee's Termination Date for a period of eighteen (18) months following the Termination Date with the Company paying the employer portion of the premium and the Employee paying the employee portion, including dependents if applicable, of the premium during such eighteen (18)-month period, provided that the Employee elects to continue such insurance coverage under COBRA. The Employee is solely responsible for taking the actions necessary to exercise her rights under COBRA for the insurance coverage the Employee has in effect, including coverage for dependents if applicable, on the Termination Date.

(J) Definition of Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

- (i) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company; or
- (ii) Any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; or
- (iii) A majority of members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or
- (iv) Any one person or group acquires (or has acquired during the immediately preceding twelve (12)-month period ending on the date of the most recent acquisition) assets of the Company with an aggregate gross fair market value of not less than forty percent (40%) of the aggregate gross fair market value of the assets of the Company immediately prior to such acquisition. For this purpose, gross fair market value shall mean the fair value of the affected assets determined without regard to any liabilities associated with such assets.

Notwithstanding the foregoing, (1) a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions, and (2) a "Change in Control" shall not be deemed to have occurred as result of any secondary offering of Company common stock to the general public through a registration statement filed with the Securities and Exchange Commission. The Board shall determine whether a Change in Control has occurred hereunder in a manner consistent with the provisions of Section 409A.

(g) No Duplication of Payments or Benefits. Notwithstanding any provision of this Agreement to the contrary, the Employee shall not be eligible to receive any payments or benefits under both subsections 7(a) and 7(e); but rather,

to the extent the conditions set forth in subsection 7(a) and subsection 7(e) are satisfied, the Employee shall be eligible to receive payments and benefits under only subsection 7(e).

(h) Golden Parachute (Section 280G) Safe Harbor.

- (i) If it is determined that any payment or benefit received or to be received by the Employee, whether pursuant to this Agreement or otherwise (the "Severance Payments"), is a "parachute payment" within the meaning of section 280G of the Code (all such payments and benefits, including the Severance Payments as applicable hereinafter called the "Total Payments") that will be subject (in whole or part) to the tax imposed under section 4999 of the Code (the "Excise Tax"), then if (A) the Total Payments exceed the largest amount that would result in no portion of the Total Payments being subject to the Excise Tax (the "Safe Harbor"), and (B) the reduction of the Total Payments to an amount equal to the Safe Harbor would provide the Employee with a greater after-tax amount than would be provided to the Employee if the Total Payments were not reduced, then the amounts payable to the Employee under this Agreement shall be reduced (but not below zero) to the Safe Harbor. If the Severance Payments are reduced pursuant to this subsection, then the non-cash portion of the Total Payments shall first be reduced, and the cash portion of the Total Payments shall thereafter be reduced (in each case in reverse order beginning with payments or benefits that are to be paid or provided the farthest in time from the Change in Control), so that the amount of the Total Payments is equal to the Safe Harbor. Any reduction pursuant to the preceding sentence shall take precedence over the provisions of any other plan, program, agreement or arrangement governing the Employee's rights and entitlements to any benefits or compensation.
- (ii) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (A) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") selected by the Board in existence immediately prior to the Change in Control, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (B) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clause (A)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of section 280G of the Code, in the opinion of Tax Counsel, and (C) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company's independent auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code. If the Employee disputes the Company's calculations (in whole or in part), the reasonable opinion of Tax Counsel with respect to the matter in dispute shall prevail.
- (iii) In the event that a change is finally determined to be required in the amount of taxes paid by, or withheld on behalf of, the Employee, then appropriate adjustments will be made under this Agreement such that the net amount that is payable to the Employee reflects the intent of the parties pursuant to this Agreement. If the Company owes the Employee an additional payment under this subsection, such payment shall be made to the Employee promptly, but in no event more than sixty (60) days following the date the underpayment is finally determined, but no later than the calendar year following the calendar year in which the underpayment is finally determined. If the Employee owes an amount to the Company pursuant to this Section, then the Employee shall repay such amount to the Company promptly, but in no event more than sixty (60) days following the date that the overpayment by the Company is finally determined, but no later than the calendar year following the calendar year in which the overpayment is finally determined. Any repayment pursuant to this subsection (either by the Company or the Employee) shall include applicable interest on the amount of such repayment at 120% of the rate provided in section 1274(b)(2)(B) of the Code.
- (iv) The Employee and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Total Payments. The Company also shall pay to the Employee all legal fees and expenses incurred by the Employee in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder. Such payments shall be made within sixty (60) business days after delivery of the Employee's written request for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require

(but in no event shall any such payment be made after the end of the calendar year following the calendar year in which the expenses were incurred), provided that no such payment shall be made in respect of fees or expenses incurred by the Employee after the later of the tenth (10th) anniversary of the effective date of the Employee's termination with the Company or the Employee's death and, provided further, that, upon the Employee's "separation from service" (as such term is defined under Section 409A) with the Company, in no event shall any additional such payments be made prior to the date that is six (6) months after the date of the Employee's "separation from service" to the extent such payment delay is required under section 409A(a)(2)(B) of the Code.

#### 8. **Licensing.**

The Employee has obtained and possesses, or will obtain and possess, and will maintain throughout the Term hereof, all licenses, approvals, permits, and authorization (the "Licenses") necessary to perform the Employee's duties hereunder. Any costs, attorneys' fees, investigation fees or other expenses incurred in connection with obtaining or maintaining such Licenses shall be borne by the Company, provided that payment of such fees or costs by the Company shall be made no later than the end of the year following the year in which the expenses were incurred. The Employee warrants that the Employee is fully eligible, under all standards and requirements, to obtain, possess, and maintain such Licenses and that the Employee will commit no acts during the Term hereof that would jeopardize or eliminate the Employee's ability to possess or maintain such Licenses.

#### 9. **Rules and Regulations.**

The Employee shall observe, enforce, and comply with the policies, philosophies, strategies, rules, and regulations of the Company, as they may be promulgated and/or modified from time to time, and shall carry out and perform the orders, directions, and policies of the Company, as they may be stated and/or amended from time to time, either orally or in writing. A violation of this Section 9 by the Employee is a material breach of this Agreement.

#### 10. **Restrictive Covenants.**

In consideration of the amounts payable and benefits provided under Section 4, and, if applicable, Section 7, the other compensation paid hereunder, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties agree to the following provisions of this Section 10:

- (a) *Non-Competition.* The Employee understands and agrees that the Company and the Company Affiliates do business throughout the State of Nevada and other states. The Employee further understands and agrees that she is a high ranking officer of the Company and will have access to confidential and trade secret information and goodwill of the Company and the Company Affiliates that will allow the Employee to unfairly compete with the Company and the Company Affiliates justifying this restriction. If the Employee's employment is terminated (by either the Employee or the Company), during the Term, for any reason other than as specified above in subsection 6(c)(i) by reason of the death of the Employee, then for a period of twelve (12) months commencing on the Termination Date, the Employee agrees that, without the written permission of the Company, she will not engage (whether as owner, partner, controlling stockholder, controlling investor, employee, adviser, consultant, or otherwise) in any business that is in direct competition with the business being conducted by the Company or any of the Company Affiliates as of the Termination Date, in Nevada or in any other state in which the Company is conducting such business (the "Non-Compete Area") as of the Termination Date.
- (b) *Non-Solicitation.* Without limiting the generality of the foregoing, the Employee agrees that for a period of eighteen (18) months following the Employee's termination of employment (for any reason, by either the Employee or the Employer), she will not, without the prior written consent of the Company, directly or indirectly solicit or attempt to solicit, within the Non-Compete Area, any business from any person or entity that the Company or any of the Company Affiliates called upon, solicited, or conducted business with as of such Termination Date, any persons or entities that have been customers of the Company or any of the Company Affiliates or recruit any person who has been or is an employee of the Company or any of the Company Affiliates, during the preceding one (1)-year period from the Termination Date. In addition, the Employee agrees that she shall not directly or indirectly solicit or encourage any employee of the Company or any of the Company Affiliates to go to work for or with the Employee for a period of one (1)-year following the Termination Date.
- (c) In the event the Employee violates subsection 10(a) or 10(b), the applicable period of time during which the

respective restriction applies will automatically be extended for the period of time from which the Employee began such violation until she permanently ceases such violation. If any provision of these covenants is invalid in whole or in part, it will be limited, whether as to time, area covered, or otherwise as and to the extent required for its validity under the applicable law and as so limited, will be enforceable.

- (d) *Confidential Information.* The Employee acknowledges that she has had or will have access to the confidential information of the Company and the Company Affiliates (including, but not limited to, records regarding sales, price and cost information, marketing plans, customer names, customer lists, sales techniques, distribution plans or procedures, and other material relating to the business conducted by the Company and the Company Affiliates), proprietary, or trade secret information (the "Confidential Information"), and agrees never to use the Confidential Information other than for the sole benefit of the Company and the Company Affiliates and further agrees to never disclose such Confidential Information (except as may be required by regulatory authorities or as may be required by law) to any entity or person that is not an officer of the Company or a Company Affiliate at the time of such disclosure, without the prior written consent of the Company. The Employee further acknowledges that this covenant to maintain Confidential Information is necessary to protect the goodwill and proprietary interests of the Company and the Company Affiliates and the restriction against the disclosure of Confidential Information is reasonable in light of the consideration and other value the Employee has received or will receive pursuant to this Agreement and otherwise pursuant to her employment by the Company.
- (e) From and following the Employee's termination of employment, the Employee agrees to cooperate with the Company and the Company Affiliates in any litigation, administrative proceeding, investigation or audit involving any matters with which the Employee has knowledge of from her employment with the Company. The Company shall reimburse the Employee for reasonable expenses, including reasonable compensation for services rendered at her hourly rate of compensation as of the Termination Date, incurred in providing such assistance and approved by the Company. The Company shall reimburse the Employee for such expenses incurred in accordance with the policies and procedures of the Company, but in no event no later than the end of the year following the year in which the expenses were incurred.
- (f) In the event of a violation of this Section 10, the Company and the Company Affiliates shall be entitled to any form of relief at law or equity, and the parties agree and acknowledge that injunctive relief is an appropriate, but not exclusive, remedy to enforce the provisions hereof. The existence of any claim or cause of action of the Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense of the Company's enforcement of the covenants set forth in this Section 10. The Employee hereby submits to the jurisdiction of the courts of the State of Nevada and federal courts therein for the purposes of any actions or proceedings instituted by the Company to enforce its rights under this Agreement, to seek money damages or seek injunctive relief. The Employee further acknowledges and agrees (i) that the obligations contained in Section 10 of this Agreement are necessary to protect the interests of the Company and the Company Affiliates, (ii) that the restrictions contained herein are fair, do not unreasonably restrict the Employee's further employment and business opportunities, and are commensurate with the compensation arrangements set out in this Agreement and (iii) that such compensation arrangements constitute separate consideration for the obligations set forth in this Section 10. The covenants contained in Section 10 shall each be construed as an agreement independent of any other provisions of this Agreement. Both parties intend to make the covenants of Section 10 binding only to the extent that it may be lawfully done under existing applicable laws. If a court of competent jurisdiction decides any part of any covenant is overly broad, thereby making the covenant unenforceable, the parties agree that such court shall substitute a reasonable, judicially enforceable limitation in place of the offensive part of the covenant and as so modified the covenant shall be as fully enforceable as set forth herein by the parties themselves in the modified form.
- (g) The Employee acknowledges that it is possible that the corporate structure of the Company could change during the Term. The Employee hereby acknowledges and affirms that the Company may assign its rights under this Agreement, including but not limited to its rights to enforce the covenants set forth in this Section 10, to a third-party without the approval of or additional consideration to the Employee. The Employee acknowledges and agrees that the consideration called for herein is good and sufficient consideration for the Company's right to assign its rights under this Agreement.
- (h) Subsections 10(a) through (g), inclusive, of this Agreement shall survive either termination of the employment

relationship and/or termination of this Agreement for the full period set forth in subsections 10(a) through (g), inclusive.

**11. Work for Hire.**

The Employee agrees that any work, invention, idea or report that she produces or that results from or is suggested by the work the Employee does on behalf of the Company or any of the Company Affiliates is "work for hire" (hereinafter referred to as "Work") and will be the sole property of the Company. The Employee agrees to sign any documents, during or after employment that the Company deems necessary to confirm its ownership of the Work, and the Employee agrees to cooperate with the Company to allow the Company to take advantage of its ownership of such Work.

**12. Assignment of Agreement.**

The Employee agrees that her services are unique and personal and that, accordingly, the Employee may not assign her rights or delegate her duties or obligations under this Agreement. The Company may assign its rights, duties, and obligations under this Agreement to any successor to its business. This Agreement shall inure to the benefit of and be binding upon the Company's successors and assigns.

**13. Indemnification of the Employee.**

The Company shall indemnify the Employee and hold him harmless for acts or decisions made by him in good faith while performing services for the Company or any of the Company Affiliates to the maximum extent allowed by law. The Company shall also use its reasonable efforts to obtain coverage for him under any insurance policy now in force or hereinafter obtained during Term covering the officers and directors of the Company against lawsuits, subject to the business judgment of the Board. The Company shall pay all expenses, including attorneys' fees of an attorney selected and retained by the Company to represent the Employee, actually and necessarily incurred by the Employee in connection with the defense of such act, suit, or proceeding and in connection with any related appeal, including the cost of court settlements, provided that, to the extent required by Section 409A, any such payment by the Company shall be made no later than the end of the year following the year in which the expenses were incurred.

**14. Notices.**

Any notice, document, or other communication that either party may be required or may desire to give to the other party shall be in writing, and any such notice may be given or delivered personally or by mail or facsimile. Any such notices given or delivered personally shall be given or delivered by hand to an officer of the entity to which they are being given or delivered or the individual, as the case may be, and shall be deemed given or delivered when so given or delivered by hand. Any such notices given or delivered by facsimile will be deemed given or delivered upon receipt by the sender of a successful facsimile transmission to the facsimile number below, and any such notices given or delivered by mail shall be deemed given or delivered three (3) days after it is deposited in the U.S. mail, certified or registered mail, return receipt requested, with all postage and fees prepaid, addressed to the person or entity in question as follows:

**If to the Employee:**

Tracey Berg  
To the address (or facsimile number, if applicable) on record with the Company

**If to the Company:**

Chief Executive Officer  
Employers Holdings, Inc.  
10375 Professional Circle  
Reno, Nevada 89521-4802  
Fax: (775) 886-5499

or, in either case, to such other address as either party may have previously notified the other pursuant to the provisions of this Section 14.

**15. Severability.**

In the event that any provision hereof shall be declared by a court of competent jurisdiction to be void or voidable as contrary to law or public policy, such declaration shall not affect the continuing validity or enforceability of any other provisions hereof insofar as it may be reasonable and practicable to continue to enforce such other provision in the absence of the provision which shall have been declared to be void and voidable.

**16. Remedy for Breach.**

Both parties recognize that the services to be performed by the Employee are special and unique. The Company will have the right to seek and obtain damages and any available equitable remedies for the Employee's breach of this Agreement. The Employee's remedy for any breach of this Agreement is strictly limited to the Severance Pay or CIC Severance Pay, as the case may be, called for herein.

**17. Mitigation of Damages.**

The Employee shall not be required to mitigate damages or the amount of any payment provided under this Agreement by obtaining other employment or otherwise after the termination of employment hereunder, and any amounts earned by the Employee, whether from self employment or other employment shall not reduce the amount of any Severance Pay or CIC Severance Pay, as the case may be, called for herein.

**18. Attorneys' Fees and Costs.**

In any claim or dispute between the parties arising out of or associated with this Agreement or the breach thereof or otherwise arising out of or associated with the Employee's employment by the Company, the prevailing party shall be entitled to recover all reasonable attorneys' fees, expenses, and costs thereof or associated therewith, provided that, to the extent required by Section 409A, any such payment by the Company shall be made no later than the end of the year following the year in which such fees, expenses and costs were incurred. The term "prevailing party" means the party obtaining substantially the relief sought via litigation or through an action in arbitration.

**19. Integration, Amendment, and Waiver.**

This Agreement and such other written agreements referenced in this Agreement (other than the Prior Agreements), constitute the entire agreement between the parties pertaining to the subject matter contained in it except as expressly provided herein, and supersedes all prior agreements, representations, assurances, and understandings of the parties, including the Prior Agreements. No amendment of, addition to, or modification of this Agreement shall be binding unless executed in writing by the parties. Any term or provision of this Agreement may be waived in a signed writing at any time by the party that is entitled to the benefit thereof, provided, however, that any waiver shall apply only to the specific event or omission waived and shall not constitute a continuing waiver. Any term or provision of this Agreement may be amended or supplemented at any time by a written instrument executed by all the parties hereto.

**20. Captions.**

The captions and section headings of this Agreement are for convenience and reference only, and shall have no effect on the interpretation or construction of this Agreement.

**21. Applicable Law.**

The substantive laws of the State of Nevada shall govern the validity, construction, interpretation, performance, and effect of this Agreement, without regard to the conflicts of laws provisions thereof.

**22. Arbitration.**

Any controversy, cause of action or claim related to or arising out of or in connection with the Employee's employment

with the Company, including but not limited to termination of such employment or under this Agreement, other than an action to enforce the provisions of Section 10 herein or the breach thereof, shall be settled by arbitration according to the rules of the American Arbitration Association applicable to disputes arising in Nevada and under Nevada law. Any party to the arbitration may enter judgment upon the award rendered by the arbitrator in any court having jurisdiction thereof. The arbitrator shall not be entitled to amend or alter the terms of this Agreement. Notwithstanding this Section 22, the Company shall be entitled to seek any available equitable remedy for enforcement of provisions of this Agreement.

**23. Authorization.**

The Company and the Employee, individually and severally, represent and warrant to the other party that it has the authorization, power and right to deliver, execute and fully perform the obligations under this Agreement in accordance with its terms. The Employee represents and warrants to the Company that there is no restriction or limitation, by reason of this Agreement or otherwise, upon the Employee's right or ability to enter into this Agreement and fulfill her obligations under this Agreement.

**24. Acknowledgment.**

The Employee acknowledges that she has been given a reasonable period of time to study this Agreement before signing it. The Employee certifies that she has fully read, and has received an explanation of, and completely understands the terms, nature, and effect of this Agreement. The Employee further acknowledges that she is executing this Agreement freely, knowingly, and voluntarily and that the Employee's execution of this Agreement is not the result of any fraud, duress, mistake, or undue influence whatsoever. In executing this Agreement, the Employee does not rely on any inducements, promises, or representations by the Company or any person other than the terms and conditions of this Agreement.

**25. Section 409A.**

Notwithstanding anything to the contrary in this Agreement, the payment of consideration, compensation, and benefits pursuant to this Agreement shall be interpreted and administered in a manner intended to avoid the imposition of additional taxes under Section 409A. Notwithstanding any provision to the contrary in this Agreement or otherwise, no payment or distribution under this Agreement or otherwise that constitutes an item of "deferred compensation" under Section 409A and becomes payable by reason of the termination of the Employee's employment hereunder shall be made to the Employee unless and until the termination of the Employee's employment constitutes a "separation from service" (as such term is defined in Section 409A).

In addition, no such payment or distribution of deferred compensation shall be made to the Employee prior to the earlier of (a) the expiration of the six (6) month period (the "Six Month Period") measured from the date of the Employee's "separation from service" (as such term is defined in Section 409A), and (b) the date of the Employee's death, if the Employee is deemed at the time of such separation from service to be a "specified employee" within the meaning of that term under Section 409A (the "Six Month Delay") and if such delayed commencement is otherwise required to avoid an "additional tax" under section 409A(a)(1)(B) of the Code. All payments and benefits that are delayed pursuant to the immediately preceding sentence shall be paid to the Employee in a lump sum upon expiration of such six (6) month period (or if earlier, upon the Employee's death).

Notwithstanding the foregoing provisions, to the extent permitted under Section 409A, any separate payment or benefit under this Agreement or otherwise shall not be "deferred compensation" subject to Section 409A and the Six Month Delay to the extent provided in the exceptions in Treasury Regulation section 1.409A-1(b)(4) and (b)(9) and any other applicable exception or provision under Section 409A. Further, each individual installment payment that becomes payable under this Agreement and each payment of the Severance Pay or if applicable, the CIC Severance Pay shall be a "separate payment" under Section 409A. Specifically, to the extent the provisions of Treasury Regulation section 1.409A-1(b)(9) are applicable to the Severance Pay or if applicable, the CIC Severance Pay, the portion of such severance pay set forth in respectively, subsection 7(a)(i) or subsection 7(e)(i) above that is less than the limit prescribed under Treasury Regulation section 1.409A-1(b)(9)(iii)(A) (or any successor provision) (the "Separation Pay Amount") shall be payable to the Employee in the manner prescribed in subsection 7(a)(i) or subsection 7(e)(i), as applicable, without regard to the Six Month Delay. Following the Six Month Delay, (1) to the extent applicable, the Employee shall receive a lump sum cash payment equal to the Severance Pay or CIC Severance Pay, as applicable, she otherwise would have received during the Six Month Period (absent the Six Month Delay) less the Separation Pay Amount and (2) the Employee shall receive the remainder of her Severance Pay or CIC Severance Pay, as applicable, in the manner prescribed by subsection 7(a) or subsection 7(e), as applicable.



IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.

COMPANY:                      EMPLOYEE:

By: /s/ Douglas D. Dirks                      By: /s/ Tracey Berg

Name: Douglas D. Dirks  
Chief Executive Officer

Name: Tracey Berg

## Appendix A: Relocation Benefits

The Company will provide assistance with relocation to Reno, Nevada. Relocation assistance is composed of the following:

- Movement of household goods and automobiles from your current residence to Reno, Nevada through a professional mover including packing, unpacking and professional storage of household goods for up to six (6) months;
- Reimbursement of an airline trip to prepare for/supervise movement of goods; Reimbursement of two house-hunting trips for you and one other person up to four days per trip;
- Reimbursement of reasonable expenses necessary to complete your move, such as airfare for you and your family, hotel costs and meals for the trip from your current residence;
- Reimbursement of temporary housing living expenses (rent, deposit, utilities) up to 6 months;
- If as a result of your relocation to the Reno, Nevada area, you choose to sell your current home in West Bend, Wisconsin, then the Company will pay for two (2) independent appraisals for your home at the time it is placed on the market for sale, each conducted by licensed appraisers. The Company agrees that the appropriate sales price should be the average of these two appraisals. In the event that you incur a loss on the sale of this home, with loss defined as the difference between the appropriate sales price and the actual sales price (gross), the Company will pay you the difference up to \$40,000;
- If as a result of your relocation to the Reno, Nevada area, you choose to sell your current home in West Bend, Wisconsin, the Company will pay realtor fees (not to exceed six percent (6%) of the sales price and closing costs for the sale of your current house, in the aggregate up to \$5,000;
- If as a result of your relocation to the Reno, Nevada area, you choose to buy a home in the Reno, Nevada area, the Company will reimburse you for standard closing costs (excluding financing related costs) for the purchase of a home in the Reno area; Should your family remain in West Bend, Wisconsin during your transition to Reno, Nevada the Company will provide airfare or reimbursement for two (2) trips for you to West Bend, Wisconsin per month, not to exceed six (6) months from your start date, or alternatively, will provide you with a lump sum payment of \$6,000.
- To the extent that the reimbursement of any of the relocation expenses results in taxable income to you (after taking into account any and all offsetting deductions), the Company will pay you an additional amount (the "Relocation Gross-Up") such that the net after-tax amount of the reimbursement of the Relocation Expenses and the Relocation Gross-Up (at your then-current combined state and federal marginal income tax rates, taking into account the deductibility of state and local income taxes for federal income tax purposes and all other applicable deductions) is equal to the Relocation Expenses. Notwithstanding the foregoing, the Relocation Gross-Up shall not exceed \$65,000. The Company will not gross-up any income associated with any profit resulting from the sale of your current house. Any tax gross-up payment will be paid to you no later than the end of the taxable year next following the taxable year in which you remit the related taxes.

All relocation expenses must be incurred before December 31, 2017.

Any and all reimbursements and allowances payable to the Employee pursuant to this Agreement, including this Appendix, shall be conditioned on the submission by the Employee of all expense reports and other documentation reasonably required by the Company under any applicable expense reimbursement policy or otherwise, and shall be paid to the Employee promptly following receipt of such expense reports and documentation, but in no event later than the last day of the calendar year following the calendar year in which the Employee incurred the reimbursable expenses. Any amount of expenses eligible for reimbursement, allowance or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit.

**EMPLOYERS HOLDINGS, INC.  
EQUITY AND INCENTIVE PLAN  
FORM OF  
PERFORMANCE SHARE AGREEMENT**

[\_\_\_\_\_] (the "Grantee") is hereby granted, effective as of the \_\_\_\_th day of March, 2017 (the "Date of Grant"), an award (the "Performance Share Award") of the number of performance shares (the "Performance Shares") that are specified herein pursuant to the Equity and Incentive Plan (the "Plan") of Employers Holdings, Inc. (the "Company"), as amended from time to time. The Performance Share Award is subject to the terms and conditions set forth below in this Performance Share Agreement (this "Agreement") and of the Plan, which is a part of this Agreement. To the extent that there is a conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern. Any term not defined herein shall have the meaning assigned to such term in the Plan.

1. Performance and Vesting Periods: January 1, 2017 (the "Performance Period Start Date") to December 31, 2018 (the "Performance Period End Date," and the period from the Performance Period Start Date to the Performance Period End Date, the "Performance Period"); January 1, 2019 (the "Vesting Start Date") until December 31, 2019 (the "Vesting End Date") is referred to as the "Vesting Period."
2. Award Term: The Performance Period and the Vesting Period together comprise the "Award Term."
3. Number of Performance Shares: The number of Performance Shares that the Grantee may earn hereunder will be determined in accordance with the provisions of Exhibit A, which is attached to and forms a part of this Agreement.
4. Performance Goals: The Performance Shares will become payable only upon the achievement of certain Performance Goals (as defined in Exhibit A) and the satisfaction of such other terms and conditions as are set forth herein and in the Plan.
5. Performance Certification Date: The date following the Performance Period End Date that the Compensation Committee of the Board of Directors of the Company (the "Committee") certifies that the Performance Goals have been achieved, but no later than 75 days following the Performance Period End Date.
6. Vesting and Payment of Performance Shares: To the extent Performance Shares are payable pursuant to this Agreement, then, except as otherwise provided in Sections 7 and 8 of this Agreement, payment of one share of common stock, par value \$.01, of the Company ("Stock") for each Performance Share that becomes payable under this Agreement will be made only (a) following certification by the Committee that the Performance Goals have been achieved (as described in Section 5 of this Agreement), and (b) so long as the Grantee has remained continuously employed during the entire Award Term, but payment shall be made no later than two and one-half months after the Vesting End Date (the "Payment Date").
7. Termination:
  - (a) General. In the event the Grantee's employment terminates prior to the Vesting End Date, payment of the Performance Shares shall be made to the extent provided in subsections (b) through (e) of this Section 7.
  - (b) Death or Disability. If the Grantee's employment terminates prior to the Vesting End Date by reason of the Grantee's total and permanent disability (as defined in any agreement between the Grantee and the Company or, if no such agreement is in effect, as determined by the Committee in its good faith discretion, in accordance with the definition used by the Company's then current Long Term Disability insurance carrier) or death, then a portion (or all) of the Performance Shares shall be deemed earned as of the date of such termination of employment equal to the product of (i) the total number of Performance Shares granted pursuant to this Agreement and (ii) a fraction, the numerator of which is the number of full months elapsed from the Performance Period Start Date until the earlier of (A) the date of the Grantee's termination of employment and (B) the Performance Period End Date, and the denominator of which is 24, and shall become payable within 30 days following the later of the Performance Certification Date and the date the Grantee's employment terminates, based on, and to the extent of, the actual achievement of the Performance Goals, as determined by the Committee.

- (c) Retirement. If the Grantee's employment terminates prior to the Vesting End Date by reason of the Grantee's Retirement (as defined below), then a portion (or all) of the Performance Shares shall be deemed earned as of the date of such termination of employment equal to the product of (i) the total number of Performance Shares granted pursuant to this Agreement and (ii) a fraction, the numerator of which is the number of full months elapsed from the Performance Period Start Date until the earlier of (A) the date of the Grantee's termination of employment and (B) the Performance Period End Date, and the denominator of which is 24, and shall become payable within 30 days following the later of the Performance Certification Date and the date the Grantee's employment terminates, based on, and to the extent of, the actual achievement of the Performance Goals, as determined by the Committee, so long as the Grantee refrains from engaging in Harmful Conduct. For purposes of this Agreement, "Retirement" shall mean the Grantee's termination of employment after attaining age 60 and completing 10 years of continuous service with the Company (or any Subsidiary thereof), and provided that the Grantee has given written notice of the Grantee's intent to retire to the Company (or its designate), no fewer than six months prior to the date that the Grantee terminates employment, in a form satisfactory to the Company (or its designate).
- (d) Involuntary Termination. If the Grantee's employment is terminated prior to the Vesting End Date other than for any of the reasons described in subsections (b), (c) or (e) of this Section 7, then a portion (or all) of the Performance Shares shall be deemed earned as of the date of such termination of employment equal to the product of (i) the total number of Performance Shares granted pursuant to this Agreement and (B) a fraction, the numerator of which is the number of full months elapsed from the Performance Period Start Date until the earlier of (A) the date of the Grantee's termination of employment and (B) the Vesting End Date, and the denominator of which is 36, and shall become payable within 30 days following the later of the Performance Certification Date and the date the Grantee's employment terminates, based on, and to the extent of, the actual achievement of the Performance Goals, as determined by the Committee.
- (e) For Cause; Voluntary Termination. If the Grantee's employment terminates prior to the Vesting End Date for Cause or the Grantee voluntarily terminates his/her employment for any reason other than for any of the reasons described in subsections (b) or (c), above, the Performance Shares, and any rights thereto, shall terminate immediately and the Grantee shall have no right thereafter to payment of any portion of the Performance Shares.
8. Change in Control Provisions: The following provisions shall apply in the event of a Change in Control that constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A of the Code (a "Section 409A Change in Control"):
- (a) Acceleration of Performance Shares. Upon the occurrence of a Section 409A Change in Control, (i) if the Section 409A Change in Control occurs before the Performance Period End Date, the number of Performance Shares that would have been earned at target level of achievement shall be deemed earned as of the date of such Section 409A Change in Control, and shall become payable upon (or within 15 days following) the date of the Section 409A Change in Control and any other performance conditions or vesting requirements imposed with respect to such shares shall be deemed to have been fully achieved and satisfied, and (ii) if the Section 409A Change in Control occurs on or after the Performance Period End Date, the number of Performance Shares earned as of that date, and shall become payable upon (or within 15 days following) the date of the Section 409A Change in Control and any vesting conditions imposed with respect to such shares shall be deemed to have been fully satisfied.
- (b) Discretionary Cashout. Notwithstanding any other provision of the Plan or this Agreement, in the event of a Section 409A Change in Control, the Committee may, in its discretion, provide that upon the occurrence of the Section 409A Change in Control, in lieu of the treatment described in Section 8(a) above, the Performance Shares shall be cancelled in exchange for a payment made upon (or within 15 days following) the date of the Section 409A Change in Control in an amount equal to (i) the value (as determined by the Committee) of the consideration paid per share of Stock in the Section 409A Change in Control multiplied by (ii) the number of Performance Shares that would have been payable pursuant to the preceding paragraph, and any other performance conditions or vesting requirements imposed with respect to such shares shall be deemed to have been fully achieved and satisfied.
9. Tax Withholding: The Company shall have the power and the right to deduct or withhold, or require the Grantee or beneficiary to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement. Without limiting the foregoing, the Company shall be entitled to require, as a condition of delivery of the shares of Stock

(or, if applicable, cash or other consideration) in settlement of the Performance Shares, that the Grantee agree to remit an amount in cash sufficient to satisfy all then current and/or estimated future federal, state and local withholding, and other taxes relating thereto. Payment of any dividend equivalents will be net of such federal, state, and local withholding taxes.

10. **Legend on Certificates:** The certificates representing the shares of Stock issued in respect of the Performance Shares that are delivered to the Grantee pursuant to this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may determine are required by the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such shares of Stock are listed, any applicable federal or state laws or the Company's Certificate of Incorporation and Bylaws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
11. **Transferability:** The Performance Shares may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary thereof; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.
12. **Repayment Upon Restatement; Clawbacks Generally:** In the event that the Company is required to restate any of its financial statements applicable to the Performance Period, the Company may require the Grantee to repay to the Company the aggregate Fair Market Value of any Performance Shares and any dividend equivalents that became payable upon the achievement of the Performance Goals, to the extent such Performance Goals would not have been achieved had such restatement not been required. In addition, the Performance Shares and any dividend equivalents shall be subject to such other repayment, clawback or similar provisions as may be required by the terms of the Plan or applicable law or applicable policy in effect from time to time.
13. **Securities Laws:** Upon the acquisition of any shares of Stock pursuant to the settlement of the Performance Shares, the Grantee will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.
14. **No Right to Continued Employment:** Neither the Plan nor this Agreement shall be construed as giving the Grantee the right to continue in the employ or service of the Company or any Subsidiary thereof or to be entitled to any remuneration or benefits not set forth in the Plan, this Agreement or other agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary to terminate such Grantee's employment. Nor does this Agreement constitute an employment contract.
15. **Notices:** Any notice under this Agreement shall be addressed to the Company in care of the Chief Legal Officer, addressed to the principal executive office of the Company and to the Grantee at the address last appearing in the records of the Company for the Grantee or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.
16. **Acknowledgement:** By entering into this Agreement the Grantee agrees and acknowledges that the Grantee has received and read a copy of the Plan.
17. **No Stockholders Rights:** Subject to Section 18 below, the Grantee shall have no rights of a stockholder of the Company with respect to the Performance Shares, including, but not limited to, the rights to vote until the date of issuance of a stock certificate for such shares of Stock.
18. **Dividend Equivalents:** Upon achievement of the applicable Performance Goals, the Grantee shall be credited with a dividend equivalent with respect to the Performance Shares that are earned thereon (such Performance Shares, the "Earned Performance Shares") (such credit, the "Initial Credit"). The amount of the Initial Credit shall be equal to the dividends or distributions made on or before the Performance Certification Date. In addition, the Grantee shall be credited with a dividend equivalent for each dividend or distribution made following the Performance Certification Date with respect to the shares of Stock covered by the then-outstanding Earned Performance Shares, with the amount of each such dividend equivalent equal to the amount of the applicable dividend or distribution. The dividend equivalents shall be subject to the same terms and conditions, and shall be payable in cash (without interest) when the underlying Performance Share becomes payable. If the underlying Performance Share does not become payable or is forfeited, any dividend equivalents with respect to the underlying Performance Share will also fail to become payable and be forfeited.

19. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the conflicts of laws provisions thereof.
20. **Amendment:** This Agreement may not be amended, terminated, suspended or otherwise modified except in a written instrument duly executed by both parties.
21. **Entire Agreement:** This Agreement (and the other writings incorporated by reference herein) constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.
22. **Signature in Counterparts:** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

**EMPLOYERS HOLDINGS, INC.**

By:  
Douglas D. Dirks  
President and Chief Executive Officer

**GRANTEE**

By:  
[Insert Name of Grantee]

**EMPLOYERS HOLDINGS, INC.  
EQUITY AND INCENTIVE PLAN  
FORM OF  
RESTRICTED STOCK UNIT AGREEMENT**

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), is made effective as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), between Employers Holdings, Inc. (the "Company") and the individual named as the grantee on the signature page hereto (the "Grantee"), pursuant to the Company Equity and Incentive Plan, as amended from time to time (the "Plan"), which is a part of this Agreement. Capitalized terms not defined herein will have the meanings ascribed to such terms in the Plan. To the extent that there is a conflict between the terms of the Plan and this Agreement, the terms of the Plan will govern.

1. Grant of Restricted Stock Units. The Company hereby grants to the Grantee, \_\_\_\_\_ Restricted Stock Units (the "RSUs"). The RSUs shall be subject to the terms and conditions set forth herein and, to the extent applicable, the Plan.

2. Vesting of Restricted Stock Units.

(a) Subject to subsections 2(b), (c) and (d) below, the RSUs shall become vested as to 25% of the RSUs on March 15, 2018, and as to an additional 25% of the RSUs on each of the first three anniversaries of the first vesting date, provided that the Grantee has been continuously employed by the Company or any Subsidiary thereof through the relevant vesting dates and subject to accelerated vesting as set forth in Section 3 below and Section 7 of the Plan.

(b) Termination of Employment by Reason of Death or Disability. If the Grantee's employment terminates by reason of death or the Grantee's total and permanent disability (as defined in any agreement between the Grantee and the Company or, if no such agreement is in effect, as determined by the Committee (or its delegate) in its good faith discretion, in accordance with the definition used by the Company's then current Long Term Disability insurance carrier), then the RSUs shall become fully vested as of such date of termination.

(c) Termination by Reason of Retirement. If the Grantee's employment terminates by reason of the Grantee's Retirement (as defined below), then 50% of the Grantee's then unvested RSUs shall become vested as of the date of such termination and all of the Grantee's remaining unvested RSUs shall cease to vest and shall be forfeited and cancelled as of the date of such termination, without consideration. For purposes of this Agreement, "Retirement" shall mean the Grantee's termination of employment after attaining age 60 and completing 10 years of continuous service with the Company (or any Subsidiary thereof), and provided (i) that the Grantee has given written notice of the Grantee's intent to retire to the Company (or its designate), no fewer than six months prior to the date that the Grantee terminates employment, in a form satisfactory to the Company (or its designate); and (ii) that such termination of employment constitutes a "separation of employment" within the meaning of Section 409A of the Code (a "Separation of Service").

(d) Termination of Employment other than by Reason of Death, Retirement or Disability. Subject to Section 3 below, if the Grantee's employment terminates for any reason other than by reason of death, Retirement or the Grantee's total and permanent disability, then all of the Grantee's unvested RSUs shall immediately be forfeited and canceled as of such date without consideration.

3. Change in Control Provisions. In the event of a Change of Control:

(a) If RSUs Are Assumed. If the RSUs are assumed or substituted for in connection with a Change in Control, then, upon the termination of the Grantee's employment without Cause during the 24-month period following such Change in Control, (i) such RSUs shall become fully vested, (ii) any restrictions, payment conditions, and forfeiture conditions applicable to such RSUs shall lapse, and (iii) any performance conditions imposed with respect to such RSUs shall be deemed to be fully achieved.

(b) If RSUs Are Not Assumed. With respect to outstanding RSUs that are not assumed or substituted in connection with a Change in Control, upon the occurrence of the Change in Control (i) such RSUs shall become fully vested, (ii) any restrictions, payment conditions, and forfeiture conditions applicable to any such RSUs shall lapse, and (iii) any performance conditions imposed with respect to such RSUs shall be deemed to be fully achieved. Notwithstanding the foregoing, no settlement or distribution under this Agreement that constitutes an item of "deferred compensation" under Section 409A of the Code, and that becomes payable by reason of such Change in Control shall be made to the Grantee until a termination

of the Grantee's employment that constitutes a Separation from Service or, if earlier, the death of the Grantee, and no such settlement or distribution of deferred compensation shall be made to the Grantee prior to the earlier of (a) the expiration of the six month period measured from the date of the Grantee's Separation from Service, and (b) the date of the Grantee's death, if (i) the Grantee is deemed at the time of such Separation from Service to be a "specified employee" within the meaning of that term under Section 409A of the Code and (ii) such delayed commencement is otherwise required to avoid an "additional tax" under Section 409A of the Code.

(c) Definition of Assumed or Substituted For. For purposes of this Section 3, RSUs shall be considered assumed or substituted for if, following the Change in Control, such RSUs remain subject to the same terms and conditions that were applicable to such units immediately prior to the Change in Control, except that such units confer the right to receive, for each such unit the consideration (whether stock, cash or other securities or property) received in the Change in Control by holders of shares of Stock for each share of Stock held on the effective date of the Change in Control (and if holders were offered a choice of consideration, the type of consideration chosen by the greatest number of holders of the outstanding shares). Such assumption or substitution shall comply with the applicable provisions of Section 409A of the Code.

(d) Discretionary Cashout. Notwithstanding any other provision of the Plan or this Agreement, in the event of a Change in Control that constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A of the Code, the Committee may, in its discretion, provide that upon the occurrence of such Change in Control, the RSUs shall be cancelled in exchange for a payment in an amount equal to (i) the consideration paid per share of Stock in such Change in Control multiplied by (ii) the number of RSUs granted hereunder that had not been settled as of such date. Such payment shall be made within 30 days following such Change in Control; provided, however, that if such payment constitutes an item of "deferred compensation" under Section 409A of the Code, no settlement or distribution under this Agreement that constitutes an item of "deferred compensation" under Section 409A of the Code, and that becomes payable by reason of such Change in Control shall be made to the Grantee until a termination of the Grantee's employment that constitutes a Separation from Service or, if earlier, the death of the Grantee, and no such settlement or distribution of deferred compensation shall be made to the Grantee prior to the earlier of (a) the expiration of the six month period measured from the date of the Grantee's Separation from Service, and (b) the date of the Grantee's death, if (i) the Grantee is deemed at the time of such Separation from Service to be a "specified employee" within the meaning of that term under Section 409A of the Code and (ii) such delayed commencement is otherwise required to avoid an "additional tax" under Section 409A of the Code.

4. Settlement of RSUs and Section 409A Provisions. Unless otherwise provided in Section 3 above or in the Plan, including, without limitation, by reason of a Change in Control, the RSUs shall be settled in whole shares of Stock (*i.e.*, the Grantee shall receive one share of Stock for each RSU) within 30 days following the date such RSUs become vested, subject to any provision of this Agreement or the Plan that may delay such settlement by reason of Section 409A of the Code. Consistent with the foregoing, no settlement or distribution under this Agreement that constitutes an item of "deferred compensation" under Section 409A of the Code, and that becomes payable by reason of the termination of the Grantee's employment hereunder shall be made to the Grantee unless and until the termination of the Grantee's employment constitutes a Separation from Service, and no such settlement or distribution of deferred compensation shall be made to the Grantee prior to the earlier of (a) the expiration of the six month period measured from the date of the Grantee's Separation from Service, and (b) the date of the Grantee's death, if (i) the Grantee is deemed at the time of such Separation from Service to be a "specified employee" within the meaning of that term under Section 409A of the Code and (ii) such delayed commencement is otherwise required to avoid an "additional tax" under Section 409A of the Code. All settlements and payments that are delayed pursuant to the immediately preceding sentence shall be paid to the Grantee upon expiration of such six month period (or if earlier, upon the Grantee's death). Each individual settlement or payment under this Agreement shall be a "separate payment" for purposes of Section 409A of the Code, and notwithstanding the foregoing provisions of this Agreement, to the extent permitted under Section 409A of the Code, any separate settlement or payment under this Agreement shall not be "deferred compensation" subject to Section 409A and the six month delay described above, to the extent provided or permitted in any applicable exception or provision under Section 409A of the Code.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Grantee the right to continue in the employ or service of the Company or any Subsidiary thereof or to be entitled to any remuneration or benefits not set forth in the Plan, this Agreement or other agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary to terminate such Grantee's employment. Nor does this Agreement constitute an employment contract.

6. Legend on Certificates. The certificates representing the whole shares of Stock issued in settlement of the RSUs that are delivered to the Grantee pursuant to Section 4 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may determine is required by the rules, regulations, and other requirements of the Securities



and Exchange Commission, any stock exchange upon which such shares of Stock are listed, any applicable federal or state laws or the Company's Certificate of Incorporation and Bylaws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

7. Transferability. An RSU may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Subsidiary thereof; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

8. Tax Withholding. The Company shall have the power and the right to deduct or withhold from the grant of RSUs, or require the Grantee or beneficiary to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Agreement. Without limiting the foregoing, the Company shall be entitled to require, as a condition of delivery of the shares of Stock in settlement of the RSUs, that the Grantee agree to remit an amount in cash sufficient to satisfy all then current and/or estimated future federal, state and local withholding, and other taxes relating thereto. Payment of any dividend equivalents will be net of such federal, state, and local withholding taxes.

9. Securities Laws. Upon the acquisition of any shares of Stock pursuant to the settlement of the RSUs, the Grantee will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

10. Notices. Any notice under this Agreement shall be addressed to the Company in care of the Chief Legal Officer, addressed to the principal executive office of the Company and to the Grantee at the address last appearing in the records of the Company for the Grantee or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the conflicts of laws provisions thereof.

12. Acknowledgement. By entering into this Agreement the Grantee agrees and acknowledges that the Grantee has received and read a copy of the Plan.

13. No Stockholder Rights. Subject to Section 14 below, the Grantee shall have no rights of a stockholder of the Company with respect to the RSUs, including, but not limited to, the rights to vote until the date of issuance of a stock certificate for such shares of Stock.

14. Dividend Equivalents. The Grantee shall be credited with a dividend equivalent for each dividend or distribution made prior to each vesting date with respect to the shares of Stock covered by then-outstanding RSUs. The amount of each dividend equivalent shall be equal to the amount of the applicable dividend or distribution. The dividend equivalents shall be subject to the same terms and conditions, and shall be payable in cash (without interest) when the underlying RSU becomes payable. If the underlying RSU does not vest or is forfeited, any dividend equivalents with respect to the underlying RSU will also fail to vest and be forfeited.

15. Repayment Upon Restatement; Clawbacks Generally. In the event the Company is required to restate any of its financial statements, the Company may (i) require the Grantee to repay to the Company the aggregate Fair Market Value of any RSUs that were settled or any dividend equivalents that were paid or (ii) cancel any outstanding RSUs or any dividend equivalents. In addition, the RSUs shall be subject to such other repayment, clawback or similar provisions as may be required by the terms of the Plan or applicable law or applicable policy in effect from time to time.

16. Section 409A Compliance. It is intended that this Agreement shall comply with the provisions of section 409A of the Code so as not to subject the Grantee to the payment of additional taxes or interest under section 409A of the Code. In furtherance of this intent, this Agreement shall be interpreted, operated, and administered in a manner consistent with these intentions, and to the extent that any regulations or other guidance issued under section 409A of the Code would result in the Grantee being subject to payment of additional income taxes or interest under section 409A of the Code, the Grantee and the Company agree to amend this Agreement the extent feasible to avoid the application of such taxes or interest under section 409A of the Code.

17. Amendment. This Agreement may not be amended, terminated, suspended or otherwise modified except in a written instrument duly executed by both parties.

18. Entire Agreement. This Agreement (and the other writings incorporated by reference herein) constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto

19. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

EMPLOYERS  
HOLDINGS, INC.

By: \_\_\_\_\_

Douglas D. Dirks  
President and Chief  
Executive Officer

GRANTEE

\_\_\_\_\_  
Insert name of Grantee

## CERTIFICATIONS

I, Douglas D. Dirks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Employers Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2017

/s/ Douglas D. Dirks

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Douglas D. Dirks

President and Chief Executive Officer

Employers Holdings, Inc.

## CERTIFICATIONS

I, Michael S. Paquette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Employers Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2017

/s/ Michael S. Paquette

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Michael S. Paquette

Executive Vice President and Chief Financial Officer

Employers Holdings, Inc.

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**  
**as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Form 10-Q of Employers Holdings, Inc. (the Company) for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2017

/s/ Douglas D. Dirks

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Douglas D. Dirks

President and Chief Executive Officer

Employers Holdings, Inc.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**  
**as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Form 10-Q of Employers Holdings, Inc. (the Company) for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2017

/s/ Michael S. Paquette

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Michael S. Paquette

Executive Vice President and Chief Financial Officer

Employers Holdings, Inc.

(Principal Financial and Accounting Officer)