

Employers Holdings, Inc.
Form S-1
December 04, 2006

As filed with the Securities and Exchange Commission on December 4, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Employers Holdings, Inc.⁽¹⁾

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	6331 (Primary Standard Industrial Classification Code Number)	04-3850065 (I.R.S. Employer Identification Number)
9790 Gateway Drive Reno, Nevada 89521 (888) 682-6671		

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee
Common Stock, par value \$0.01 per share	\$287,960,000	\$30,812

- (1)Employers Holdings, Inc. is the name that EIG Mutual Holding Company, a Nevada mutual insurance holding company, will adopt upon consummation of its conversion to a stock corporation. This conversion and name change will occur immediately prior to the closing of the offering of common stock described in this registration statement.
- (2)Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, and includes amounts attributable to shares that may be purchased pursuant to an over-allotment option granted to the underwriters.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued December 4, 2006

Shares

COMMON STOCK

This is our initial public offering of our common stock. This offering is being made in connection with our conversion to a stock corporation from a mutual insurance holding company owned by our policyholder members. Upon the conversion, which will occur prior to the closing of this offering, our name will change from EIG Mutual Holding Company to Employers Holdings, Inc. Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$ and \$ per share.

In addition to the shares offered by this prospectus, we will issue an estimated shares of our common stock to our members entitled to receive shares in the conversion in exchange for the extinguishment of their membership interests in our company.

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "EIG."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 15 to read about factors you should consider before buying our common stock.

PRICE \$ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us
Per Share	\$	\$	\$
Total	\$	\$	\$

We have granted the underwriters the right to purchase up to an additional shares to cover over-allotments. None of the Securities and Exchange Commission, any state securities commission, the Nevada Commissioner of Insurance or any other regulatory authority has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares of common stock to purchasers against payment on or about , 2007.

MORGAN STANLEY

, 2007

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus. We are offering to sell and are seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

Until , 2007, which is the 25th day after the date of this prospectus, all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before purchasing the common stock offered by this prospectus. You should read the entire prospectus carefully, including the “Risk Factors” and “Forward-Looking Statements and Associated Risks” sections and our historical consolidated financial statements and the notes to those financial statements, before making an investment decision. Unless otherwise stated or the context otherwise requires, references in this prospectus to “we,” “our” or “us” refer to EIG Mutual Holding Company and its subsidiaries prior to the effective date of the conversion and to Employers Holdings, Inc. (the successor to EIG Mutual Holding Company in the conversion) and its subsidiaries after the effective date of the conversion and references to “EIG” refer solely to EIG Mutual Holding Company prior to the effective date of the conversion and to Employers Holdings, Inc. (the successor to EIG Mutual Holding Company in the conversion) after the effective date of the conversion. All financial information contained in this prospectus, unless otherwise indicated, has been derived from our consolidated financial statements and is presented in conformity with generally accepted accounting principles. The Glossary beginning on page G-1 of this prospectus includes definitions of certain insurance and other terms, such as assumed premiums written, direct premiums written, base direct premiums written, gross premiums written, net premiums written and net premiums earned.

Our Company

Overview

We are a specialty provider of workers' compensation insurance focused on select small businesses engaged in low to medium hazard industries. Our business has historically targeted employers located in several western states, primarily California and Nevada. We believe that the market we serve has, to date, been characterized by fewer competitors, more attractive pricing and strong persistency, or repeat business, when compared to the U.S. workers' compensation insurance industry in general. We distribute our products almost exclusively through independent agents and brokers and our strategic distribution relationships. We had net premiums written (which excludes premiums ceded, or paid, to our reinsurers for transferring all or a portion of risk), of \$439.7 million and \$299.5 million, total revenues of \$496.5 million and \$359.2 million, and net income of \$137.6 million and \$116.5 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. During 2005, based on net premiums written, we were the largest, seventh largest and seventeenth largest non-governmental writer of workers' compensation insurance in Nevada, California and the United States, respectively, as reported by A.M. Best Company, or A.M. Best. We had total assets of \$3.2 billion at September 30, 2006.

The workers' compensation insurance industry classifies risks into four hazard groups based on severity, with employers in the first, or lowest, group having the lowest cost claims. In 2005, 67% and 31% of our base direct premiums written (which we define as direct premiums written prior to any policy audit or rating adjustments) were generated by employers in the second and third lowest hazard groups, respectively. Direct premiums written is the sum of premiums on all policies issued by our insurance subsidiaries. Within each hazard group, our underwriters use their local market expertise and disciplined underwriting to assess employers and risks on an individual basis and to select those types of employers and risks that allow us to generate attractive returns. We believe that, as a result of our disciplined underwriting standards, we are able to price our policies competitively and profitably.

In 2005, we generated 77.7% and 18.3% of our direct premiums written in California and Nevada, respectively. We also write business in six other states (Arizona, Colorado, Idaho, Montana, Texas and Utah) and are licensed to write business in six additional states (Illinois, Maryland, New Mexico, New York, Oregon and Pennsylvania). We market

and sell our insurance products through independent local and regional agents and brokers, and through our strategic distribution partners, including our principal partners, ADP, Inc., or ADP, and Blue Cross of California, an operating subsidiary of Wellpoint, Inc., or Wellpoint. In 2005, policies underwritten directly or through our independent agents and brokers

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generated \$323.6 million, or 70.6%, of our gross premiums written, while those underwritten through our strategic relationships generated \$126.9 million, or 27.7%, of our gross premiums written (which we define as the sum of direct written premiums and assumed premiums written before the effect of ceded reinsurance and the intercompany pooling agreement).

Under the leadership of our senior management team, our net premiums written increased from \$187.0 million in 2002 to \$439.7 million in 2005, and the total consolidated statutory surplus of our insurance subsidiaries has grown from \$215.4 million at year end 2002 to \$530.6 million at year end 2005 and \$625.9 million at September 30, 2006. Total consolidated statutory surplus is the amount remaining after all liabilities are subtracted from all admitted assets, as determined in accordance with statutory accounting practices. Our average combined ratio on a statutory basis for the same four years was 96.8%. This ratio was lower than the industry composite combined ratio calculated by A.M. Best for U.S. insurance companies having more than 50% of their premiums generated by workers' compensation insurance products. The industry combined ratio on a statutory basis for those companies was 106.8% during the same four years. The combined ratio is a measure used in the property and casualty insurance business to show the profitability of an insurer's underwriting, and it represents the percentage of each premium dollar spent on claims and expenses. The combined ratio is the sum of the losses and loss adjustment expenses, or LAE, ratio, the commission expense ratio and the underwriting and other operating expense ratio. The losses and LAE ratio, commission expense ratio and underwriting and other operating expense ratio express the relationship between losses and LAE (which we define as the expenses of investigating, administering and settling claims (including legal expenses)), commission expense, and underwriting and other operating expenses (including policyholder dividends), respectively, to net premiums earned. When the combined ratio is below 100%, an insurance company experiences underwriting gain, meaning that claims payments, the cost of settling claims, commissions and underwriting expenses are less than premiums collected. If the combined ratio is at or above 100%, an insurance company cannot be profitable without investment income, and may not be profitable if investment income is insufficient. Companies with lower combined ratios than their peers generally experience greater profitability.

As of September 30, 2006, our insurance subsidiaries were assigned a group letter rating of A- (Excellent), with a "positive" financial outlook, by A.M. Best, the fourth highest of 16 ratings. This A.M. Best rating is a financial strength rating designed to reflect our ability to meet our obligations to policyholders. This rating does not refer to our ability to meet non-insurance obligations and is not a recommendation to purchase or discontinue any policy or contract issued by us or to buy, hold or sell our securities.

We commenced operations as a private mutual insurance company on January 1, 2000 when our Nevada insurance subsidiary assumed the assets, liabilities and operations of the Nevada State Industrial Insurance System, or the Fund, pursuant to legislation passed in the 1999 Nevada legislature. The Fund had over 80 years of workers' compensation experience in Nevada. In July 2002, we acquired the renewal rights to a book of workers' compensation insurance business from Fremont Compensation Insurance Group and its affiliates, or collectively, Fremont. Because of the Fremont transaction, we were able to establish our important relationships and distribution agreements with ADP and Wellpoint.

This offering is being made in connection with our conversion to a stock corporation from a mutual insurance holding company owned by our policyholder members. See “The Conversion.”

Our Competitive Strengths

We believe we benefit from the following competitive strengths:

Focused Operations. We focus on providing workers' compensation insurance to select small businesses in low to medium hazard groups in specific geographic markets. We believe that this focus provides us with a unique competitive advantage because we are able to gain in-depth customer and market knowledge and expertise. In addition, we believe that we benefit by focusing on small businesses, as they are not generally the principal focus of large insurance companies. As a result, we believe we enjoy

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strong persistency and attractive pricing. We have also benefited from the attractive pricing resulting from the bundling of our workers' compensation insurance product with the small group health insurance product marketed to our targeted customers by one of our strategic distribution partners, Wellpoint.

Disciplined Underwriting. We employ a disciplined, conservative and highly automated underwriting approach designed to individually select specific types of employers that we believe will have fewer and less costly claims relative to other employers in the same hazard group. Our underwriting guidelines are designed to minimize underwriting of classes and subclasses of business which have historically demonstrated claims severity that do not meet our target risk profiles. We price our policies based on the specific risks associated with each potential insured rather than solely on the industry class in which such potential insured is classified. In 2005, policyholders in the second lowest industry defined hazard group generated approximately 67% of our base direct premiums written. Our statutory losses and LAE ratio, a measure which relates inversely to our underwriting profitability, was 58.3% in 2005, 18.2 percentage points below the 2005 statutory industry composite losses and LAE ratio calculated by A.M. Best for U.S. insurance companies having more than 50% of their premiums generated by workers' compensation insurance products. Our statutory losses and LAE ratio was at least ten percentage points below the A.M. Best composite losses and LAE ratio for the industry for each of the five years ended December 31, 2005. Our disciplined underwriting approach is a critical element of our culture and has allowed us to realize competitive prices, diversify our risks and achieve profitable growth.

Long-Standing and Strategic Distribution Relationships. We have established long-standing, strong relationships with independent agents and brokers by emphasizing personal interaction, offering responsive service and competitive commissions and maintaining a focus on workers' compensation insurance. We are able to use these long-standing relationships to identify new business opportunities. Our field underwriters continue to work closely with independent agents and brokers to market and underwrite our business, regularly visit their offices and participate in presentations to customers, which results in enhanced understanding of the businesses and risks we underwrite and the needs of prospective customers. To expand our distribution reach, we have also developed important and long-standing strategic distribution relationships with ADP and Wellpoint and have recently entered into a strategic distribution relationship with E-chx, Inc., or E-chx, a payroll outsourcing company. Through our strategic distribution partnership with ADP, we jointly market our workers' compensation insurance products with ADP's payroll services primarily to small businesses in California, as well as in Colorado, Idaho, Texas and Utah, generating \$48.5 million in gross premiums written in 2005. Through our strategic distribution partnership with Wellpoint, we jointly market our

workers' compensation insurance products with Wellpoint's group health insurance plans to small businesses in California, generating \$78.4 million in gross premiums written in 2005.

Scalable and Cost-Effective Infrastructure. We have three strategic business units overseeing eleven territorial offices serving the various states in which we are currently doing business. We believe we have created an efficient, cost-effective, scalable infrastructure that complements our geographic reach, our focus on workers' compensation insurance and our targeting of small businesses. As part of our cost-effective infrastructure, we have developed a highly automated underwriting software program that allows for electronic submission and review of insurance applications, employing our underwriting standards and guidelines. This automated process leads to efficient and timely processing of applications for small, straight-forward policies that meet our standards and saves our independent agents and brokers considerable time in processing customer applications.

Financial Strength. As of September 30, 2006, our insurance subsidiaries had total consolidated statutory surplus of \$625.9 million and were assigned a group letter rating of A- (Excellent), with a "positive" financial outlook, by A.M. Best, the fourth highest of 16 ratings. The amount of statutory surplus is regarded as financial protection to policyholders in the event an insurance company suffers unexpected or catastrophic losses. We have a proven history of conservative reserving. There have been no prior year adverse developments, or increases in the estimated ultimate losses and LAE from one valuation date to a subsequent valuation date, in our reserves since we commenced operations in 2000. Our insurance subsidiaries' ratio of net premiums written to total consolidated statutory surplus, a

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measure of underwriting leverage, of 0.83:1 at December 31, 2005, compared to an industry average of 1.1:1 at such date, further demonstrates the strength of our balance sheet. In connection with our assumption in 2000 of the assets, liabilities and operations of the Fund, including in force policies and historical liabilities associated with the Fund for losses prior to January 1, 2000, our Nevada insurance subsidiary assumed the Fund's rights and obligations under a retroactive 100% quota share reinsurance agreement (referred to in this prospectus as the LPT Agreement) which the Fund had entered into with third party reinsurers. The LPT Agreement substantially reduced the exposure to losses for pre-July 1995 Nevada insured risks.

Strong Senior Management with Extensive Industry Experience. We have a strong senior management team with significant insurance industry experience across a variety of markets and market conditions. Our executive officers and senior management team also have significant experience with the state-by-state workers' compensation legislative and regulatory environment, particularly in the states in which we operate or are licensed, and they have been proactive in encouraging legislation that allows us to operate profitably within a balanced framework. Douglas D. Dirks, our President and Chief Executive Officer, and four of our other executive officers have an average of over 18 years of insurance industry experience and over 16 years of workers' compensation insurance experience. Additionally, our senior underwriting and claims managers on average have over 20 years of experience in the insurance industry.

Our Strategies

We plan to pursue profitable growth by focusing on the following strategies:

Maintain Focus on Underwriting Profitability. We are committed to disciplined underwriting, and we will continue this approach in pursuing profitable growth opportunities. We will carefully monitor market trends to assess new

business opportunities, only pursuing opportunities that we expect to meet our pricing and risk standards. We will seek to underwrite our portfolio of low to medium hazard risks with a view toward maintaining long-term underwriting profitability across market cycles.

Continue to Grow in Our Existing Markets. Since commencing operations in Nevada in 2000, we have expanded our operations to California, were able to establish important strategic distribution relationships with ADP and Wellpoint because of the Fremont transaction, entered six other states and obtained licenses in six new states. We plan to continue to seek profitable growth in our existing markets by addressing the workers' compensation insurance needs of small businesses, which we believe represent a large and profitable market segment, and by entering into new strategic distribution agreements such as our recent agreement with E-chx. Small businesses generally grow faster than large businesses and, according to the United States Small Business Administration, 60% to 80% of new jobs over the past decade ending in 2005 were created by small businesses. In the states in which we operate, the workers' compensation market for small businesses is not highly concentrated, with a significant portion of premiums being written by numerous insurance companies with small individual market shares. We believe that our focus on workers' compensation insurance, our disciplined underwriting and risk selection, and our loss control and claims management expertise for small businesses position us to profitably increase our market share in our existing markets.

Enter New Markets Through Our Existing Distribution Relationships. Since commencing operations in Nevada in 2000, we have expanded our operations to California, established important strategic distribution relationships with ADP and Wellpoint, entered six new states and obtained licenses in six other states. We intend to continue to selectively enter new markets, taking into account the adequacy of premium rates, market dynamics, the labor market, political and economic conditions and the regulatory environment. Our strategic distribution partnerships with ADP and Wellpoint have allowed us to access new customers and to write attractive business in an efficient manner. For example, we intend to enter Illinois in the fourth quarter of 2006 and Florida in the first quarter of 2007 through ADP. Additionally, we will seek to leverage our existing independent agent and broker relationships to enter new states.

Capitalize on the Flexibility of Our New Corporate Structure. This initial public offering is part of our conversion from a mutual insurance holding company owned by our Nevada policyholders to a stock

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corporation owned by our public stockholders. We believe that our conversion to a public company will give us enhanced financial and strategic flexibility. This will allow us to consider acquisitions, joint ventures and other strategic transactions, as well as new product offerings, which make strategic sense for our business while achieving our goal of profitable growth.

Manage Capital Prudently. We intend to manage our capital prudently relative to our overall risk exposure, establishing adequate loss reserves to protect against future adverse developments while seeking to grow profits and long-term stockholder value, maintain our financial strength, fund growth, invest in our infrastructure or return capital to stockholders, which may include share repurchases. We will target an optimal level of overall leverage to support our underwriting activities and are committed to maintaining our financial strength and ratings over the long term.

Leverage Infrastructure, Technology and Systems. We will continue to invest in our scalable, cost-effective infrastructure and our underwriting and claims processing technology and systems. We recently introduced a new highly automated underwriting system, which over time will replace three legacy underwriting systems. We anticipate that this new system will reduce transaction costs and support future profitable growth. In 2007, we expect to

implement a new claims system designed to enhance our ability to support best-in-class claims processing.

The Conversion

On August 17, 2006, the board of directors of EIG, which we refer to in this prospectus as our board of directors, unanimously proposed, approved and adopted a plan of conversion under which EIG will convert from a mutual insurance holding company to a stock corporation. On October 3, 2006, our board of directors unanimously approved an amended and restated plan of conversion, which we refer to in this prospectus as the plan of conversion. This offering is being made in connection with the completion of the conversion, and each of the effectiveness of the conversion and the completion of this offering are conditioned upon the occurrence of the other.

Upon completion of the conversion, EIG will become a Nevada stock corporation and will change its name to “Employers Holdings, Inc.” and all of the membership interests of our policyholder members will be extinguished. In exchange, eligible members will receive shares of our common stock, cash or a combination of both. When the conversion and this offering are complete, EIG will be a public company and will continue to indirectly own 100% of the common stock of Employers Insurance Company of Nevada, or EICN, and our other operating subsidiaries.

Pursuant to Nevada law and the plan of reorganization that EICN adopted and amended in 2004 to reorganize into a mutual insurance holding company structure, the plan of conversion, including the amendments to EIG's articles of incorporation contemplated thereby, must be approved by both the affirmative vote of a majority of EIG's members, as of a record date fixed by EIG's board of directors in accordance with EIG's by-laws, and by the affirmative vote of not less than two-thirds of the eligible members voting in person or by proxy at the meeting of EIG's members called to vote on the plan of conversion. Nevada law also requires that the plan of conversion be approved by the Nevada Commissioner of Insurance, by issuance of both an initial order following a public hearing, and a final order approving the application for conversion. Under the terms of the plan of conversion, the conversion will not become effective until we have obtained these approvals and the Nevada Commissioner of Insurance has issued a new certificate of authority to EICN. The articles of incorporation and by-laws of EIG will be amended and restated effective upon completion of the conversion in the form filed as exhibits to the registration statement of which this prospectus forms a part.

On August 22, 2006, we filed an application for conversion with the Nevada Commissioner of Insurance. The Nevada Commissioner of Insurance held a public hearing on the application for conversion on October 26, 2006 and issued an initial order approving the application for conversion on November 29, 2006, based upon, among other things, a determination that the plan of conversion is fair and equitable to EIG's eligible members. EIG has scheduled a special meeting of its members for January 13, 2007 to consider and vote upon a proposal to approve the plan of conversion, including the amended and restated articles of incorporation of EIG.

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Risks Relating to Our Business and this Offering

Investing in our shares of common stock involves substantial risk. In addition, the maintenance of our competitive strengths, the implementation of our strategy and our future results of operations and financial condition are subject to a number of risks and uncertainties. The factors that could adversely affect our actual results and performance, as well as the successful implementation of our strategy, are discussed under the headings “Risk Factors” and “Forward-Looking Statements and Associated Risks” and include, but are not limited to:

Uncertainty of Establishing Loss Reserves. We establish reserves for our losses and LAE based on estimates involving actuarial and statistical projections of the ultimate settlement and administration costs of claims on the policies we write. These reserves may be inadequate to cover our ultimate liability for losses and actual claims and claim expenses paid might exceed our reserves.

Downward Pressure on Premiums as a Result of Regulation. In 2005, 77.7% of our direct premiums written were generated in California, a state that has recently been through a cycle of substantial rate increases followed by equally substantial rate decreases. As a result of these pressures and various regulatory reforms, from September 2003 through September 30, 2006, we have reduced our rates in California by 56% and expect that we will further reduce our rates in the foreseeable future. Future rate regulations in California or any state in which we operate could impair our ability to operate profitably and ultimately have a material adverse effect on our financial condition and results of operations.

Geographic Concentration. Our written premiums are heavily concentrated in the western United States, particularly California and Nevada. Our revenues and profitability for the foreseeable future will be substantially impacted by prevailing regulatory, economic, demographic, competitive, weather and other conditions in these states.

Exposure to Natural and Man-Made Disasters. Our insurance operations expose us to claims arising out of unpredictable natural and other catastrophic events, as well as man-made disasters such as acts of terrorism. Claims arising from such events could reduce our earnings and cause substantial volatility in our results of operations for any fiscal quarter or year and adversely affect our financial condition. Additionally, under our excess of loss reinsurance treaty, or contract of reinsurance, our reinsurers' obligation to cover terrorism-related events is limited.

We Write Only a Single Line of Insurance. Because we offer only a single line of insurance, workers' compensation, we are at a competitive disadvantage to our competitors who offer a wide array of insurance products. Additionally, we are fully exposed to the cyclical nature of the workers' compensation insurance market, which has been characterized in the past by periods of intense price competition due to excessive underwriting capacity.

Termination or Underperformance of Our Principal Strategic Distribution Relationships. Our relationships with ADP and Wellpoint are responsible for a substantial portion of our premiums written and our reliance on these relationships will increase as we enter new states. Our agreement with ADP is not exclusive, and ADP can terminate the agreement with us without cause upon 120 days' notice. Although our agreements with Wellpoint are exclusive, Wellpoint may terminate its agreements with us if we are not able to provide coverage through a carrier with an A.M. Best financial strength rating of B++ or better. After January 1, 2007, Wellpoint may also terminate its agreements with us without cause upon 60 days' notice. The termination of either of these relationships would have a substantial impact on our business and results of operations, and we cannot assure you that we would be able to develop similar relationships with other distribution partners on terms favorable to us.

Changes in the Availability, Cost or Quality of Reinsurance Coverage. We may be unable to purchase reinsurance for our own account on commercially acceptable terms or to collect under any reinsurance we have purchased.

Constraints Related to Our Holding Company Structure. As a holding company, EIG has no direct operations. Dividends and other permitted distributions from insurance subsidiaries are expected to be

EIG's sole source of funds to meet ongoing cash requirements. These payments are limited by regulations in the jurisdictions in which EIG's subsidiaries operate. If EIG's insurance subsidiaries are unable to pay dividends, EIG may have difficulty paying dividends on common stock and meeting holding company expenses.

Our Corporate Information

Our principal executive offices are located at 9790 Gateway Drive, Reno, Nevada 89521. Our telephone number is (888) 682-6671. Our internet address is www.eig.com. Information on our website does not constitute part of this prospectus. Our Nevada insurance subsidiary was organized in Nevada in 1999 and commenced operations in 2000. EIG was created in Nevada in April 2005 as a result of our reorganization into a mutual insurance holding company structure.

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The Offering

Common stock offered by us	20,000,000 shares, assuming an initial public offering price of \$12.52 per share and the other matters set forth under "Pro Forma Consolidated Financial Data."
Common stock to be outstanding immediately after the offering	52,374,265 shares, assuming an initial public offering price of \$12.52 per share and the other matters set forth under "Pro Forma Consolidated Financial Data," and including the shares to be issued to eligible members.
Use of proceeds	<p>We estimate that our net proceeds from the sale of shares of common stock in the offering, at an assumed initial public offering price of \$12.52 per share, will be approximately \$232.9 million, or \$267.8 million if the underwriters exercise their over-allotment option in full, after deducting the estimated underwriting discounts and commissions payable by us, and we estimate that the proceeds available to eligible members as cash consideration in the conversion, which equals those net proceeds less estimated conversion and offering expenses, will be \$220.7 million, or \$255.6 million if the underwriters exercise their over-allotment option in full. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$12.52 per share would increase (decrease) the net proceeds to us of this offering by \$18.6 million, assuming the number of shares offered by us is 20,000,000 and after deducting the underwriting discounts and commissions payable by us.</p> <p>The plan of conversion requires us to use all or a portion of the net proceeds (after deducting underwriting discounts and commissions) (1) first, to pay all fees and</p>

expenses incurred by us in connection with the conversion and this offering and all cash consideration payable to eligible members of EIG who are not eligible to receive our common stock in the conversion (which we refer to in this prospectus collectively as the “mandatory cash requirements”); and (2) next, to pay the cash consideration payable to eligible members of EIG who elect to receive cash instead of our common stock (which we refer to in this prospectus as the “elective cash requirements”). If any net proceeds remain after all of the foregoing amounts have been paid in full, EIG may retain up to \$25 million of the remaining net proceeds for working capital, payment of future dividends on the common stock, repurchases of shares of common stock and other general corporate purposes, and must contribute any remaining net proceeds in excess of such \$25 million limit that EIG seeks to retain to its indirect subsidiary, EICN. The net proceeds of any exercise of the underwriters' over-allotment option will be used first to fund any portion of the elective cash requirements that are not funded in full by the net proceeds

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of the offering before such exercise, and EIG may retain and use any remaining amounts from such exercise for working capital, payment of future dividends on the common stock, repurchases of shares of common stock and other general corporate purposes.

In circumstances where the net proceeds of this offering exceed the amount of funds necessary to pay the mandatory cash requirements and the elective cash requirements, we may use some or all of such excess net proceeds (as well as some or all of the net proceeds from the exercise of the underwriters' over-allotment option, if any) to pay cash consideration to all eligible members not electing cash, but only if the amount of net proceeds so utilized for such purpose does not exceed an aggregate amount equal to \$250 million less the sum of (1) the total amount of the elective cash requirements plus (2) the amount, if any, of the net proceeds and/or the net proceeds from the exercise of the underwriters' over-allotment option retained by us at EIG and EICN.

Dividend policy

Our board of directors currently intends to authorize the payment of a dividend of \$ per share of our common stock per quarter to our stockholders of record in the quarter of 2007. See “Dividend Policy.” Any determination

to pay dividends will be at the discretion of our board of directors and will be dependent upon EICN's payment of dividends and/or other statutorily permissible payments to us, our results of operations and cash flows, our financial position and capital requirements, general business conditions, any legal, tax, regulatory and contractual restrictions on the payment of dividends (including those described under "Regulation—Financial, Dividend and Investment Restrictions"), and any other factors our board of directors deems relevant. At September 30, 2006, EICN had positive unassigned surplus of \$23.4 million and had the capability to pay a dividend to us in such amount without prior approval of the Nevada Commissioner of Insurance. On October 17, 2006 the Nevada Commissioner of Insurance granted EICN permission to pay us up to an additional \$55 million in one or more extraordinary dividends subsequent to the successful completion of this offering and before December 31, 2008, which dividends may be used by us to pay quarterly dividends to our stockholders. See "Dividend Policy" and "Regulation—Financial, Dividend and Investment Restrictions." There can be no assurance that we will declare and pay any dividends.

Proposed New York Stock Exchange
symbol

"EIG."

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Except as otherwise indicated, this prospectus:

- assumes no exercise of the underwriters' over-allotment option;
- assumes the completion of our conversion to a stock corporation from a mutual insurance holding company owned by our policyholder members, as described under "The Conversion";
- reflects the filing, prior to the closing of this offering, of EIG's amended and restated articles of incorporation and the adoption of EIG's amended and restated by-laws, implementing the provisions described under "Description of Capital Stock";
- assumes that we do not have, and do not exercise, any option to pay in cash a portion of the consideration to be paid to those eligible members who do not elect cash (as described under "The Conversion—Amount and Form of Consideration—Cash Consideration to Non-Electing Members") and therefore further assumes that we do not issue additional shares of common stock to such members in the conversion in connection with any "top up" amount to which they could become entitled under certain circumstances if we were to exercise such option (see "The Conversion—Calculation and Distribution of Consideration"); and
- assumes that we do not retain any portion of the net proceeds from this offering, and therefore do not issue additional shares of common stock in the conversion as would be necessary in connection with such retention.

Trademarks and Copyrights

We own or have rights to trademarks, service marks and trade names that we use in conjunction with the operation of our business including, without limitation, the following: Employers Insurance Group®, Employers Insurance Company of Nevada®, Employers Compensation Insurance Company® and EMPLOYERSSM. Each trademark, service mark or trade name of any other company appearing in this prospectus belongs to its holder.

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Summary Historical Consolidated Financial and Other Data

The following summary historical consolidated financial data should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this prospectus. The summary historical financial data as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006, have been derived from our unaudited consolidated financial statements and related notes thereto included elsewhere in this prospectus, which include all adjustments, consisting of normal recurring adjustments, that management considers necessary for a fair presentation of our financial position and results of operations for the periods presented. The results for periods of less than a full year are not necessarily indicative of the results to be expected for any interim period or for a full year. The summary historical financial data as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. The summary historical financial data as of December 31, 2003 have been derived from our audited consolidated financial statements and related notes thereto not included in this prospectus. The summary historical financial data as of and for the years ended December 31, 2001 and 2002 have been derived from our unaudited consolidated financial statements and related notes thereto not included in this prospectus. These historical results are not necessarily indicative of results to be expected in any future period.

The summary historical financial data reflects the ongoing impact of the LPT Agreement, a retroactive 100% quota share reinsurance agreement that our Nevada insurance subsidiary assumed on January 1, 2000 in connection with our assumption of the assets, liabilities and operations of the Fund, pursuant to legislation passed in the 1999 Nevada legislature. A quota share reinsurance agreement is a proportional or pro rata reinsurance treaty under which the same proportion is ceded on all cessions and the reinsurer assumes a set percentage of risk for the same percentage of the premium, minus an allowance for the ceding company's expenses. Upon entry into the LPT Agreement, we recorded as a liability a deferred reinsurance gain which we amortize over the period during which underlying reinsured claims are paid. We record adjustments to the direct reserves subject to the LPT Agreement based on our periodic reevaluations of these reserves. Direct reserves are our estimates of future losses and LAE payments on policies written by our insurance subsidiaries before the effect of ceded reinsurance.

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Year Ended December 31,

Nine Months En

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	2001	2002	2003	2004	2005	September 30, 2005	September 30, 2006
	(in thousands, except ratios)						
Income Statement Data:							
Revenues:							
Net premiums earned	\$ 126,368	\$ 180,116	\$ 298,208	\$ 410,302	\$ 438,250	\$ 331,066	\$ 300,000
Net investment income	47,421	36,889	26,297	42,201	54,416	39,520	49,000
Realized (losses) gains on investments	(222)	(2,028)	5,006	1,202	(95)	(2,496)	1,000
Other income	2,372	(6,442)	1,602	2,950	3,915	2,929	1,000
Total revenues	175,939	208,535	331,113	456,655	496,486	371,019	351,000
Expenses:							
Losses and loss adjustment expenses	69,670	113,776	118,123	229,219	211,688	208,246	93,000
Commission expense	15,964	16,919	56,310	55,369	46,872	36,859	30,000
Underwriting and other operating expense	37,462	44,345	56,738	65,492	69,934	47,726	55,000
Total expenses	123,096	175,040	231,171	350,080	328,494	292,831	198,000
Net income before income taxes	52,843	33,495	99,942	106,575	167,992	78,188	163,000
Income taxes	2,706	834	3,720	11,008	30,394	15,083	5,000
Net income	\$ 50,137	\$ 32,661	\$ 96,222	\$ 95,567	\$ 137,598	\$ 63,105	\$ 118,000
Selected Operating Data:							
Gross premiums written ⁽¹⁾	\$ 120,732	\$ 197,202	\$ 337,089	\$ 437,694	\$ 458,671	\$ 351,668	\$ 310,000
Net premiums written ⁽²⁾	114,763	186,950	297,649	417,914	439,721	336,347	290,000
Losses and LAE ratio ⁽³⁾	55.1%	63.2%	39.6%	55.9%	48.3%	62.9%	
Commission expense ratio ⁽⁴⁾	12.6	9.4	18.9	13.5	10.7	11.1	
Underwriting and other operating expense ratio ⁽⁵⁾	29.6	24.6	19.0	16.0	16.0	14.4	
Combined ratio ⁽⁶⁾	97.3	97.2	77.5	85.4	75.0	88.4	
Net income before impact of LPT Agreement ⁽⁷⁾⁽⁸⁾⁽⁹⁾	\$ 26,464	\$ 11,015	\$ 46,098	\$ 72,824	\$ 93,842	\$ 47,575	\$ 100,000

	2001	2002	As of December 31, 2003	2004	2005	As of September 30, 2006
	(in thousands, except ratios)					
Balance Sheet Data:						
Cash and cash equivalents	\$ 182,955	\$ 283,351	\$ 166,213	\$ 60,414	\$ 61,083	\$ 65,900
Total investments	975,850	858,637	1,015,762	1,358,228	1,595,771	1,730,700
Reinsurance recoverable on paid and unpaid losses	1,352,225	1,370,240	1,243,085	1,206,612	1,151,166	1,116,300
Total assets	2,714,020	2,738,916	2,738,295	2,935,686	3,094,229	3,189,700
Unpaid losses and loss adjustment expenses	2,226,000	2,267,368	2,193,439	2,284,542	2,349,981	2,315,500
Deferred reinsurance gain – LPT Agreement ⁽⁷⁾⁽⁸⁾	600,679	579,033	528,909	506,166	462,409	447,700
Total liabilities	2,971,502	2,966,865	2,842,754	2,925,936	2,949,622	2,916,600
Total (deficit) equity	(257,482)	(227,949)	(104,459)	9,750	144,607	273,000
Other Financial and Ratio Data:						
Total equity including deferred reinsurance gain – LPT Agreement ⁽⁷⁾⁽⁸⁾⁽¹⁰⁾	\$ 343,197	\$ 351,084	\$ 424,450	\$ 515,916	\$ 607,016	\$ 720,800

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Total statutory surplus ⁽¹¹⁾	\$ 209,797	\$ 215,433	\$ 338,656	\$ 430,676	\$ 530,612	\$ 625,8
Net premiums written to total statutory surplus ratio ⁽¹²⁾	0.55x	0.87x	0.88x	0.97x	0.83x	

(1)Gross premiums written is the sum of both direct premiums written and assumed premiums written before the effect of ceded reinsurance and the intercompany pooling agreement. Direct premiums written are the premiums on all policies our insurance subsidiaries have issued during the year. Assumed premiums written are premiums that our insurance subsidiaries have received from any authorized state-mandated pools and previous fronting facilities. Our previous fronting facilities involved the assumption by our insurance subsidiaries of insurance policies issued by other unaffiliated insurance companies. See Note 7 in the Notes to our Consolidated Financial Statements which are included elsewhere in this prospectus.

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(2)Net premiums written is the sum of direct premiums written and assumed premiums written less ceded premiums written. Ceded premiums written is the portion of direct premiums written that we cede to our reinsurers under our reinsurance contracts. See Note 7 in the Notes to our Consolidated Financial Statements which are included elsewhere in this prospectus.

(3)Losses and loss adjustment expenses, or LAE, ratio is the ratio (expressed as a percentage) of losses and LAE to net premiums earned. Net premiums earned is that portion of net premiums written equal to the expired portion of the time for which insurance protection was provided during the financial year and is recognized as revenue.

(4)Commission expense ratio is the ratio (expressed as a percentage) of commission expense to net premiums earned.

(5)Underwriting and other operating expense ratio is the ratio (expressed as a percentage) of underwriting and other operating expense to net premiums earned.

(6)Combined ratio is the sum of the losses and LAE ratio, the commission expense ratio and the underwriting and other operating expense ratio.

(7)In connection with our January 1, 2000 assumption of the assets, liabilities and operations of the Fund, our Nevada insurance subsidiary assumed the Fund's rights and obligations associated with the LPT Agreement, a retroactive 100% quota share reinsurance agreement with third party reinsurers, which substantially reduced exposure to losses for pre-July 1, 1995 Nevada insured risks. Pursuant to the LPT Agreement, the Fund initially ceded \$1.525 billion in liabilities for incurred but unpaid losses and LAE, which represented substantially all of the Fund's outstanding losses as of June 30, 1999 for claims with original dates of injury prior to July 1, 1995.

(8)Deferred reinsurance gain—LPT Agreement reflects the unamortized gain from our LPT Agreement. Under U.S. generally accepted accounting principles, or GAAP, this gain is deferred and is being amortized using the recovery method, whereby the amortization is determined by the proportion of actual reinsurance recoveries to total estimated recoveries, and the amortization is reflected in losses and LAE. We periodically reevaluate the remaining direct reserves subject to the LPT Agreement. Our reevaluation results in corresponding adjustments, if needed, to reserves, ceded reserves, reinsurance recoverables and the deferred reinsurance gain, with the net effect being an increase or decrease, as the case may be, to net income.

(9)We define net income before impact of LPT Agreement as net income less (i) amortization of deferred reinsurance gain—LPT Agreement and (ii) adjustment to LPT Agreement ceded reserves. Net income

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before impact of LPT Agreement is not a measurement of financial performance under GAAP and should not be considered in isolation or as an alternative to net income before income taxes and net income or any other measure of performance derived in accordance with GAAP.

We present net income before impact of LPT Agreement because we believe that it is an important supplemental measure of operating performance to be used by analysts, investors and other interested parties in evaluating us. The LPT Agreement was a non-recurring transaction which does not result in ongoing cash benefits 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 excluded item has limited significance in our current and ongoing operations.

The table below shows the reconciliation of net income to net income before impact of LPT Agreement for the periods presented:

	Year Ended December 31,					Nine Months Ended	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands)						
Net income	\$50,137	\$32,661	\$				