

**Corporate Governance Guidelines**

**of**

**Employers Holdings, Inc.**

**Adopted by the Board of Directors on May 6, 2009**

## **Corporate Governance Guidelines of Employers Holdings, Inc.**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the "Board") of Employers Holdings, Inc. ("Employers" or the "Company") to assist the Board in fulfilling its responsibilities. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, or the Articles of Incorporation or By-laws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board.

### **THE BOARD**

#### **Role of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

#### **The Board's Goals**

The Board's goal is to build long-term value for the Company's stockholders and to assure the vitality of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer, and offer him or her constructive advice and feedback. When it is appropriate or necessary, it is the Board's responsibility to remove the Chief Executive Officer and to select his or her successor.

#### **Selection of the Chairman of the Board**

The Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board shall be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time.

#### **Size of the Board**

The Board believes that it should generally have no fewer than five directors and the exact number shall be fixed by the Board. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

## **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Board Governance and Nominating Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Board Governance and Nominating Committee shall also consider advice and recommendations from others as it deems appropriate.

The Board Governance and Nominating Committee will consider candidates recommended by shareholders. In considering candidates submitted by shareholders, the Board Governance and Nominating Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Board Governance and Nominating Committee may establish procedures, from time to time, regarding shareholder submission of candidates.

## **Board Membership Criteria**

The Board Governance and Nominating Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

The Board Governance and Nominating Committee may apply several criteria in selecting nominees. At a minimum, the Committee shall consider (a) whether each such nominee has demonstrated, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and (b) the nominee's reputation for honesty and ethical conduct in his or her personal and professional activities. Additional factors which the Committee may consider include a candidate's specific experiences and skills, relevant industry background and knowledge, time availability in light of other commitments, age, potential conflicts of interest, material relationships with the Company and independence from management and the Company. The Board Governance and Nominating Committee also may seek to have the Board represent a diversity of backgrounds and experience.

Each director shall be expected, within a reasonable period of time following his or her election to the Board, to own stock in the Company in an amount that is appropriate for such director's financial circumstances.

## **Other Public Company Directorships**

The Board believes that each of its members should serve on the boards of directors of no more than three (3) other public companies. While the Board recognizes that other directorships may add to the diversity of its members' experiences and skill sets, it believes such benefits may be offset by the difficulties inherent in balancing the competing time demands of multiple directorships.

In addition, in recognition of the enhanced time commitments associated with membership on a public company's audit committee, the Board has adopted a policy that no member of the Audit Committee may serve simultaneously on the audit committees of more than two (2) other public companies.

## **Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE").

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence. In the event that a director becomes aware of any change in circumstances that may result in such director no longer being considered independent under the listing standards of the NYSE or under applicable law, the director shall promptly inform the Chairman of the Board Governance and Nominating Committee.

## **Lead Independent Director**

If the Chairman of the Board is not an Independent Director, the Company's Independent Directors will designate one of the Independent Directors on the Board to serve as a lead Independent Director (the "Lead Independent Director"). If the Chairman of the Board is an Independent Director then he or she shall serve as Lead Independent Director. The Lead Independent Director's duties will include coordinating the activities of the Independent Directors, coordinating the agenda for and moderating sessions of the Board's Independent Directors, and facilitating communications between the other members of the Board.

In performing the duties described above, the Lead Independent Director is expected to consult with the Chairmen of the appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibilities of such committee Chairmen.

## **Directors Who Change Their Present Job Responsibility**

Directors who are also employees of the Company are expected to resign from the Board at the same time they leave employment with the Company.

The Board does not believe that non-employee directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the director must notify the Board Governance and Nominating Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Board Governance and Nominating Committee's recommendation following such review.

## **Retirement Age**

It is the general policy of the Company that no director having attained the age of 70 years shall be nominated for re-election or reappointment to the Board. However, the Board may determine to waive this policy in individual cases.

## **Director Tenure**

In connection with each director nomination recommendation, the Board Governance and Nominating Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's renomination is dependent upon such director's performance evaluation, as well as a suitability review, each to be conducted by the Board Governance and Nominating Committee in connection with each director nomination recommendation.

## **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation. The Compensation Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full Board for consideration.

Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that a member of the Audit Committee may also receive fixed amounts of compensation under a retirement plan (including deferred compensation) from the Company for prior service with the Company so long as such compensation is not contingent in any way on continued service.

## **Separate Sessions of Non-Management Directors**

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis, but no less than four times a year. The Chairman, if an Independent Director, or the Lead Independent Director shall preside at such executive sessions, or in such director's absence, another Independent Director designated by the Chairman or Lead Independent Director shall preside at such executive sessions.

In the event that the non-management directors include directors who are not independent under the NYSE listing standards, the Company should, at least once a year, schedule an executive session including only independent directors.

Any interested parties desiring to communicate with the Chairman or Lead Independent Director and the other non-management directors regarding the Company may directly contact such directors by sending correspondence to: Employers Holdings, Inc., c/o Chief Legal Officer, 10375 Professional Circle, Reno, Nevada 89521. Communications may also be sent to the e-mail address: [ChiefLegalOfficer@employers.com](mailto:ChiefLegalOfficer@employers.com).

Communications may be submitted anonymously, and a sender may also indicate whether he or she is a stockholder, customer, supplier, or other interested party.

All communications received as described above shall be opened by the Chief Legal Officer for the purpose of determining whether the contents represent a message to our directors, and depending on the facts and circumstances outlined in the communication, will be distributed to the Board, the non-management directors, an individual director, or committee of directors, as appropriate. The Chief Legal Officer shall make sufficient copies of the contents to send to each director who is a member of the Board, or of the group or committee, to which the envelope or e-mail is addressed.

### **Self-Evaluation by the Board**

The Board Governance and Nominating Committee will coordinate an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Board Governance and Nominating Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

### **Strategic Direction of the Company**

Normally it is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of top management and other Board members. To facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

## **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chief Executive Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

## **Attendance of Management Personnel at Board Meetings**

The Board encourages the Chief Executive Officer to bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

## **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

## **Board Interaction with Institutional Investors, Analysts, Press, and Customers**

The Board believes that management generally should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee.

## **Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Each director is expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

## **Director Attendance at Annual Meetings of Shareholders**

Directors are expected to attend the Company's annual meeting of shareholders. A director who is unable to attend the Company's annual meeting of shareholders (which it is understood will occur on occasion) is expected to notify the Chairman of the Board.

## **BOARD MEETINGS**

### **Frequency of Meetings**

There shall be at least four (4) regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held quarterly.

### **Selection of Agenda Items for Board Meetings**

The Chairman of the Board, in consultation with the Chief Executive Officer, shall annually prepare a "Board of Directors Master Agenda." This Master Agenda shall set forth a general agenda of items to be considered by the Board at each of its specified meetings during the year. Thereafter, the Chairman of the Board, in consultation with the Chief Executive Officer, may adjust the agenda to include special items not contemplated during the initial preparation of the annual Master Agenda.

Upon completion, a copy of the Master Agenda shall be provided to the entire Board. Each Board member shall be free to suggest inclusion of items on the agenda as well as free to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have five (5) standing committees: Audit, Board Governance and Nominating, Compensation, Finance, and Executive. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may want, from time to time, to form a new committee or disband a current committee depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit Committee, the Board Governance and Nominating Committee and the Compensation Committee shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

### **Assignment and Rotation of Committee Members**

The Board Governance and Nominating Committee shall be responsible, after consultation with the Chairman of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Board Governance and Nominating Committee's recommendations, the Board shall be responsible for appointing the Chairman and members to the committees on an annual basis.

The Board Governance and Nominating Committee shall annually review the Committee assignments and shall consider the rotation of the Chairman and members with a view toward

balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors. Absent a finding of good cause by the Board of Directors, all Committee Chairs and Committee Members shall rotate every three years.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

### **Evaluation of Chief Executive Officer**

The Board will provide the Chief Executive Officer with an annual performance review for the prior year at the second regularly scheduled meeting of the Board each fiscal year. The following steps will be utilized to carry out this review:

- The Chief Executive Officer will develop a self-evaluation at the end of each fiscal year and provide this to the Board within one month of the end of the fiscal year, either orally or in writing.
- With this information, each non-management director will provide his or her assessment of the Chief Executive Officer's performance in writing to the Compensation Committee. These assessments should include the director's appraisal of:
  - The Company's performance and the Chief Executive Officer's contribution to it, both compared to competitors and the Company's own strategic goals;
  - Achievement of personal goals set by the Chief Executive Officer for the year, as part of his or her self-evaluation; and
  - Other aspects of the Chief Executive Officer's performance which the non-management director deems relevant.

The Compensation Committee will compile this information and report a summary of this information to the non-management directors in executive session at the second regularly scheduled meeting of the Board each fiscal year. After agreement by the non-management directors to the evaluation, the chairs of the Board's committees will meet with the Chief Executive Officer to discuss the Board's assessment. The Chief Executive Officer may then take the opportunity to discuss his or her reaction to the evaluation.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer shall prepare and distribute to the Board an annual report on succession planning for all senior officers of the Company with an assessment of senior managers and their potential to succeed the Chief Executive Officer and other senior management positions. In addition, the Chief Executive Officer shall prepare, on a continuing basis, a short-term succession plan which delineates a temporary delegation of authority to certain officers of the Company, if all or a portion of the senior officers should unexpectedly become unable to perform their duties. The short-term succession plan shall be approved by the Board and shall be in effect until the Board has the opportunity to consider the situation and take action, when necessary.

### **Management Development**

The Board shall determine that a satisfactory system is in place for education, development, and orderly succession of senior and mid-level managers throughout the Company.

Adopted May 6, 2009

## Annex A – Excerpt From Section 303A of the NYSE Listed Company Manual

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### **Section 303A.09 Listed companies must adopt and disclose corporate governance guidelines.**

*Commentary:* No single set of guidelines would be appropriate for every company, but certain key areas of universal importance include director qualifications and responsibilities, responsibilities of key board committees, and director compensation. Given the importance of corporate governance, each listed company's website must include its corporate governance guidelines and the charters of its most important committees (including at least the audit, and if applicable, compensation and nominating committees). Each company's annual report on Form 10-K filed with the SEC must state that the foregoing information is available on its website, and that the information is available in print to any shareholder who requests it. Making this information publicly available should promote better investor understanding of the company's policies and procedures, as well as more conscientious adherence to them by directors and management.

The following subjects must be addressed in the corporate governance guidelines:

- **Director qualification standards.** These standards should, at minimum, reflect the independence requirements set forth in Sections 303A.01 and .02. Companies may also address other substantive qualification requirements, including policies limiting the number of boards on which a director may sit, and director tenure, retirement and succession.
- **Director responsibilities.** These responsibilities should clearly articulate what is expected from a director, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.
- **Director access to management and, as necessary and appropriate, independent advisors.**
- **Director compensation.** Director compensation guidelines should include general principles for determining the form and amount of director compensation (and for reviewing those principles, as appropriate). The board should be aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The board should critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.
- **Director orientation and continuing education.**

- **Management succession.** Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.
- **Annual performance evaluation of the board.** The board should conduct a self evaluation at least annually to determine whether it and its committees are functioning effectively.

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