The Hanover Insurance Group, Inc.

Fourth Quarter 2017 Results
February 1, 2018

To be read in conjunction with the press release dated January 31, 2018 and conference call scheduled for February 1, 2018

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-looking statements

Certain statements in this release or in the above-referenced conference call may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Use of the words "believes," "anticipates," "expects," "projections," “potential,” “forecast”, “outlook,” “should,” “could,” “confident,” “plan,” “guidance,” “on track to,” “committed to,” “looking ahead,” “ability to” and similar expressions is intended to identify forward-looking statements. The company cautions investors that any such forward-looking statements are estimates or projections that involve significant judgment and that neither historical results and trends nor forward-looking statements are guarantees or necessarily indicative of future performance. Actual results could differ materially. In particular, “forward-looking statements“ include statements in this press release or in such conference call regarding our ability to deliver on “Hanover 2021” goals and objectives, specifically growing profitably within existing distribution plant, thoughtfully expanding domestic and Chaucer Specialty businesses and capabilities, focus on innovation, and financial management to further distinguish The Hanover as a premier Property and Casualty company; ability to generate strong growth, attractive margins, double-digit return on equity; strength of balance sheet and capital base; impact and magnitude of catastrophe losses, including market sentiment; ability to grow in lines with adequate pricing and target profitability; risk selection; the level of conservatism and strength of reserves and the balance sheet, likelihood reserves will run off favorably rather than unfavorably; expectation for Chaucer reserve development to contribute to earnings; ability to achieve financial goals and generate sustainable earnings; ability to generate mid-single digit Commercial Lines and overall growth; pricing compared to long-term loss trends; volatility in commercial property lines; Specialty top and bottom line growth opportunities; workers’ compensation favorable loss trends; future trends of commercial multi-peril liability claims; frequency and severity trends in personal and commercial auto; commercial auto performance including price and underwriting execution; middle market portfolio profit improvement execution; ability to drive innovation and deliver industry solutions to target underpenetrated customer segments; success of digital tools and data analytics to improve customer experience; ability to opportunistically increase Personal Lines rates and grow mid-single digits; success of our Personal Lines Prestige offering; ability to manage the cyclical nature and volatility of Chaucer’s business, risk complexity, and challenging market conditions; ability to yield improved pricing and terms in conditions as a result of catastrophe activity at Chaucer; timing of Chaucer reinsurance treaties; global market stabilization; ability to generate a long-term mid-ninety combined ratio at Chaucer; rigorous expense management including execution risks and savings benefit of expense reduction opportunities, including domestic expense ratio improvement; implications and benefit of U.S. tax reform, including effective tax rate, insurance demand, use of capital, ability to generate shareholder returns and ability of shareholders to receive benefits of expected tax savings; net investment income to remain fundamentally flat in 2018; capital management and allocation rigor; ability to deliver superior value to shareholders; share repurchases; increased income from expected “higher yielding assets;” volatility in unrealized gains; and ability to achieve components of the 2018 guidance, including combined ratio and catastrophe ratio, are all forward-looking statements.

The company cautions investors that neither historical results and trends nor forward-looking statements are guarantees of or necessarily indicate future performance, and actual results could differ materially. Investors are directed to consider the risks and uncertainties in our business that may affect future performance and that are discussed in readily available documents, including the company’s earnings press release dated January 31, 2018 and the Annual Report, Form 10-K and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at www.hanover.com under “Investors.” We assume no obligation to update this presentation, which, unless otherwise noted, are as of December 31, 2017.

These uncertainties include the uncertain U.S. and global economic environment, the possibility of adverse catastrophe experience (including terrorism) and severe weather, the uncertainties in estimating catastrophe and non-catastrophe weather-related losses, the uncertainties in estimating property and casualty losses, accident year picks, and incurred but not reported loss and LAE reserves, the ability to increase or maintain certain property and casualty insurance rates in excess of loss trends, the impact of new product introductions, adverse loss and LAE development for prior years, changes in frequency and loss trends, the ability to improve renewal rates and increase new property and casualty policy counts, adverse selection in underwriting activities, investment impairments and returns, the impact of competition (including rate pressure), adverse and evolving state, federal and, with respect to Chaucer, international, legislation or regulation, adverse regulatory or litigation actions, financial ratings actions, and those risks inherent in Chaucer’s business.

Non-GAAP Measures: The discussion in this presentation of The Hanover’s financial performance includes reference to certain financial measures that are not derived from generally accepted accounting principles, or GAAP, such as operating income, operating income before taxes (and interest expense), combined ratios and loss ratios, excluding catastrophes and/or prior-year development and accident year loss ratios, excluding catastrophes, and book value per share excluding net unrealized gains and losses. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated January 31, 2018 or the financial supplement, which are posted on our website. The reconciliation of current accident year loss ratio and combined ratio excluding catastrophes to the most directly comparable GAAP measure, total loss ratio and combined ratio, is found in the end notes starting on page 14 of this presentation. Operating income (operating income per diluted share) is a non-GAAP measure. It is defined as net income excluding the after-tax impact of net realized investment gains and losses, as well as results from discontinued operations divided by, in the case of per share reported figures, the average number of diluted shares of common stock. Book value per share, excluding net unrealized gains and losses, is calculated as total shareholders’ equity excluding the after-tax effect of unrealized investment gains and losses, divided by the number of common shares outstanding. Normalized operating return on equity is a non-GAAP measure. A reconciliation to the closest GAAP measure is included in the last page of this presentation. The definition of other financial measures and terms can be found in the 2016 Annual Report on pages 77-80.

Fourth Quarter and Full Year 2017

The Hanover Reports Fourth Quarter Net Income and Operating Income[1] of $1.20 and $2.00 per Diluted Share, Respectively; Fourth Quarter Combined Ratio of 95.1%; Combined Ratio Excluding Catastrophes[2] of 91.3%; Full Year Net Income and Operating Income of $4.33 and $4.74 per Diluted Share, Respectively

- Combined ratio of 95.1% in the fourth quarter and 98.7% in the full year, including 3.8 and 7.9 points of catastrophe losses and 0.3 and 0.7 points of favorable prior-year development, respectively
- Current accident year combined ratio, excluding catastrophes[3], of 91.6% in the fourth quarter, an improvement of 2.4 points over the prior-year quarter
- Current accident year combined ratio, excluding catastrophes, of 91.5% for the full year, an improvement of 1.4 points over the prior-year
- Net premiums written up 8.4% in the fourth quarter and 5.5% for the full year, driven by growth in all segments, with continued price increases in Commercial and Personal Lines
- Net investment income of $78.1 million in the fourth quarter, up 5.3% from the prior-year quarter, and $298.1 million for the full year, up 6.7%
- Book value per share of $70.59, up 4.7% from December 31, 2016; book value per share, excluding net unrealized gains on investments[4], of $65.75, up 4.3%
- One-time non-operating tax expense of $22.3 million, or $0.52 per diluted share, related to the recently enacted changes in U.S. tax laws, consisting of a revaluation of deferred tax balances and the recognition of federal income taxes on previously untaxed income from foreign operations
- On December 5, 2017, the Board of Directors approved an increase to the quarterly dividend of 8%, to $0.54 per common share

(1) See information about this and other non-GAAP measures and definitions used throughout this presentation on the final pages of this document.

Consolidated Financial Results Snapshot

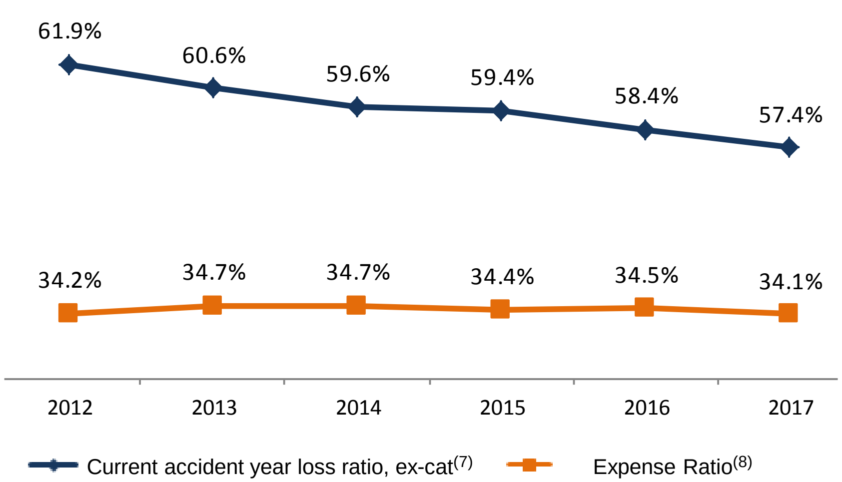
($ in millions, except per share amounts)	Three Months Ended					Twelve Months Ended	
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2016	December 31, 2017
Net income (loss) per share	($0.32)	$1.05	$1.83	$0.26	1.20	$3.59	$4.33
Operating income (loss) after taxes per share	($0.46)	$0.95	$1.69	$0.11	2.00	$4.27	$4.74
Book value per share	$67.40	$68.44	$70.18	$70.10	$70.59	$67.40	$70.59
Shareholders' equity	$2,858	$2,914	$2,973	$2,972	$2,998	$2,858	$2,998
Debt	$786	$787	$787	$787	$787	$786	$787
Total capital	$3,644	$3,701	$3,760	$3,759	$3,785	$3,644	$3,785
Debt/total capital	21.6%	21.3%	20.9%	20.9%	20.8%	21.6%	20.8%
Total assets	$14,220	$14,491	$14,793	$15,389	$15,470	$14,220	$15,470
Total equity, excluding net unrealized appreciation (depreciation) on investments, net of tax (5)	$2,671.5	$2,708.5	$2,747.7	$2,743.5	$2,792.3	$2,671.5	$2,792.3
Average equity, excluding net unrealized appreciation (depreciation) on investments, net of tax(5)	$2,697.9	$2,690.0	$2,728.1	$2,745.6	$2,767.9	$2,683.0	$2,731.9
Operating income (loss) after tax	($19.7)	$40.8	$72.3	$4.7	$86.0	$184.4	$203.8
Operating return on equity(6)	(2.9)%	6.1%	10.6%	0.7%	12.4%	6.9%	7.5%
Operating income (loss) before interest and taxes	($22.1)	$69.1	$118.9	$13.1	$135.2	$322.8	$336.3

Continued improvement in current accident year performance, ex-CAT in 2017

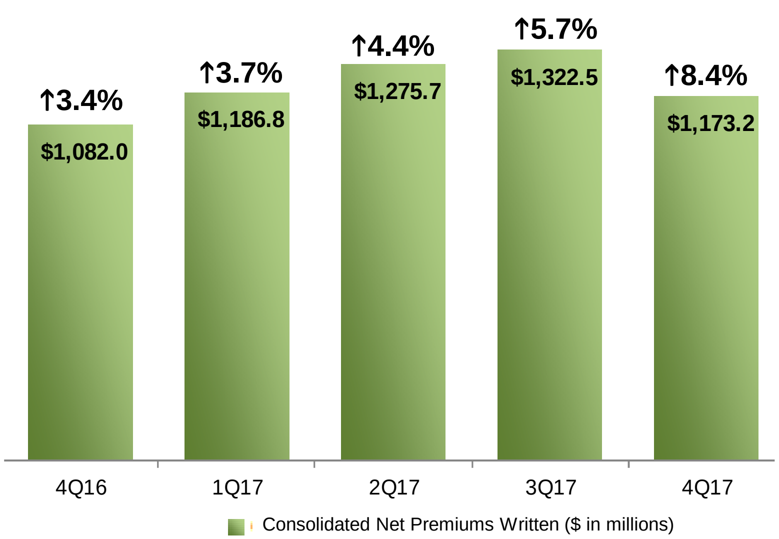
($ in millions)	Three Months Ended December 31		Twelve Months Ended December 31	
	2016	2017	2016	2017
Net Premiums Written	$ 1,082.0	$ 1,173.2	$ 4,698.8	$ 4,958.2
Growth	3.4%	8.4%	(1.2)%	5.5%
Combined Ratio	107.7%	95.1%	98.6%	98.7%
Combined ratio, ex-cat	106.3%	91.3%	95.9%	90.8%
Current accident year combined ratio, ex-cat	94.0%	91.6%	92.9%	91.5%

- Full year combined ratio of 98.7%, compared to 98.6% in 2016, affected by elevated catastrophe losses in 2017 and domestic reserve activity in 2016
- Strong current accident year combined ratio in 2017, excluding catastrophes, driven by improved accident year loss ratio and expense ratio
- Strong net premiums written growth in attractive profitable businesses
- Solid fourth quarter 2017 combined ratio of 95.1%, in line with expectations. Comparison to fourth quarter 2017 impacted by significant reserve adjustments in the fourth quarter 2016

Current accident year loss ratio and expense ratio trends

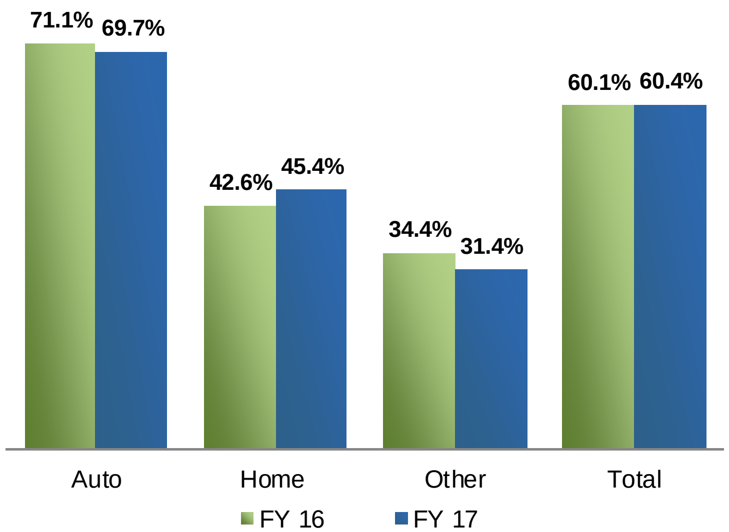


Net premiums written growth

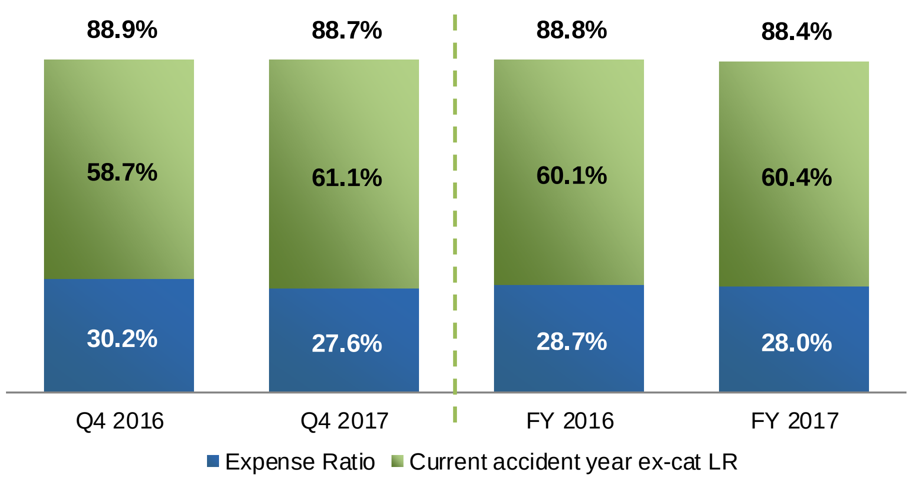


Personal Lines Underwriting Highlights

Current Accident Year Loss Ratio, Ex-Cat



Current Accident Year Combined Ratio (CR), Ex-Cat

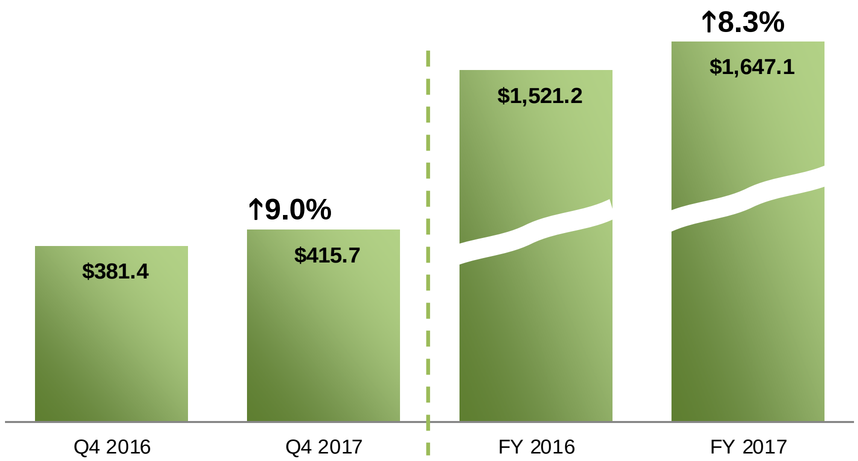


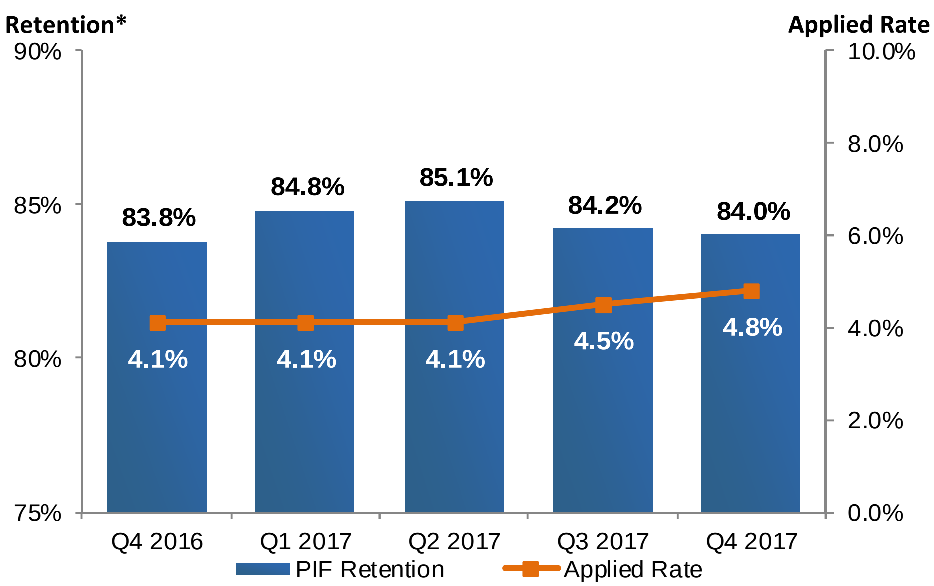
- Current accident year combined ratio, excluding catastrophes, improved in the fourth quarter and full year 2017, driven by a lower expense ratio, partially offset by an increase in the homeowners loss ratios driven by higher large property losses
  - Auto frequency and severity remained within expectations
  - Higher homeowners loss ratio in the quarter was driven in part by a comparison to unusually low weather and large loss experience in 2016
  - Very high Homeowners profitability despite an increase in large losses
- Expense ratio improved over the fourth quarter and full year 2017 by 2.6 and 0.7 points, respectively, driven by:
  - Fixed cost leverage from premium growth and expense savings initiatives initiated in the second half of 2017
  - Improvement in the fourth quarter 2017 also reflects unusually high agency performance-based compensation in the fourth quarter of 2016

Personal Lines Growth Highlights

($ in millions)

Net Premiums Written

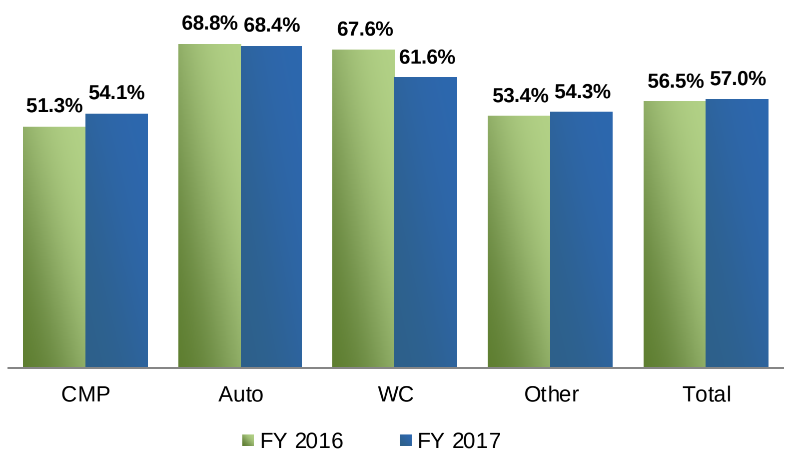


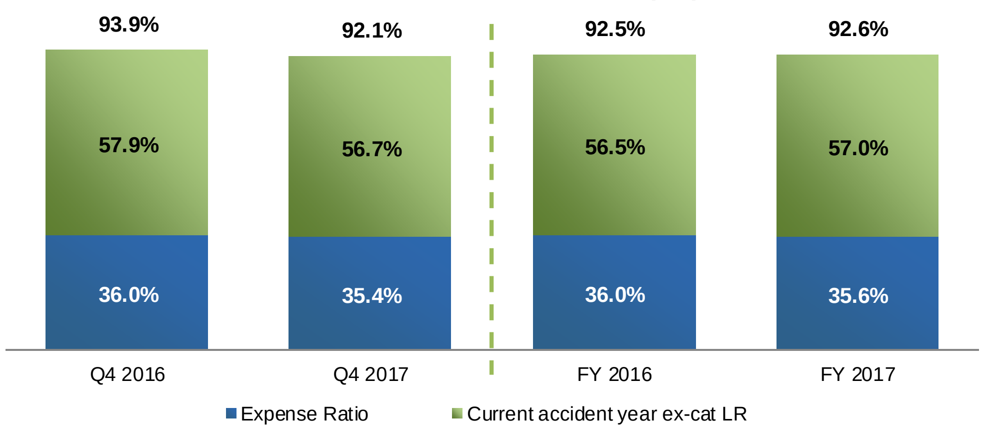


- Strong net premiums written growth of 9.0% for the quarter and 8.3% for the full year driven by higher renewal premium due to rate increases and improved retention
  - Policies-in-force increased by 3.5% over the prior-year quarter and year
- Strong quality of growth:
  - Account business represents 87% of new business and 83% of total book
  - The Hanover Platinum product offering continues to mature and drive profitable growth in full account business

** Retention is defined as ratio of net retained policies for noted period to those policies available to renew over the same period.*

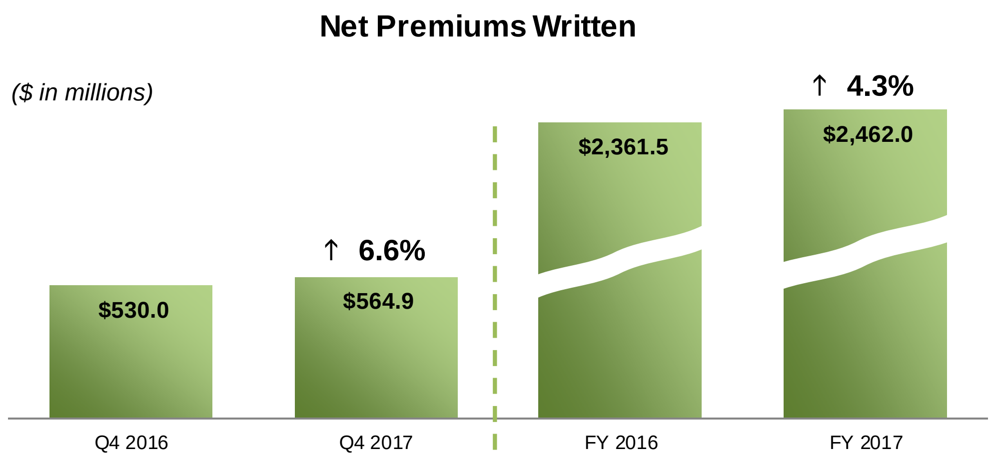
Commercial Lines Underwriting Highlights

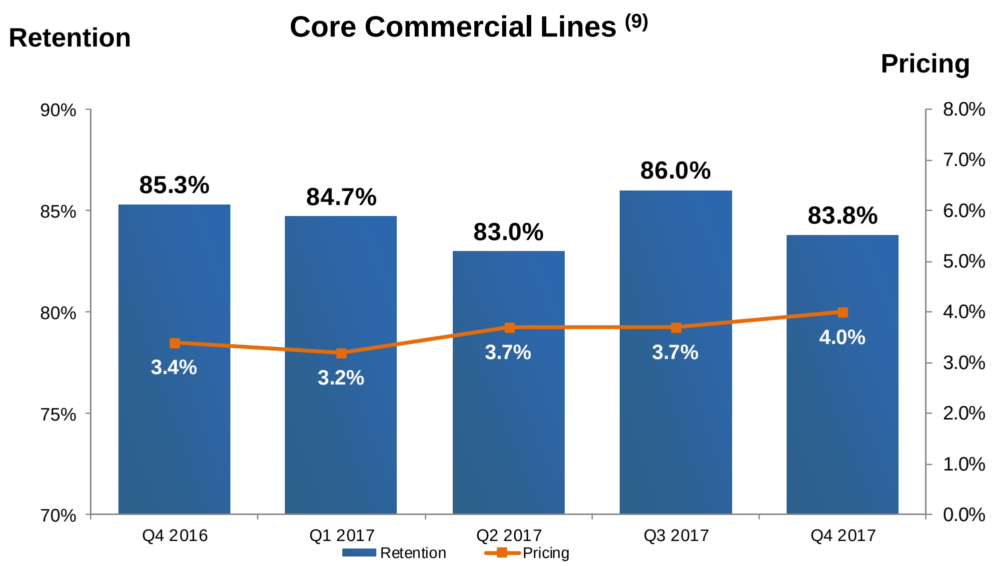




- Current accident year combined ratio, excluding catastrophes, slightly increased for the full year 2017 driven by:
  - Elevated property large losses in certain lines
  - Partially offset by improvement in liability loss experience, primarily in workers' compensation; other liability lines performing in line with expectations
- Improved expense ratio over prior-year quarter and full year driven by:
  - Expense savings actions initiated in the second half of the year and fixed cost leverage from continued premium growth

Commercial Lines Growth Highlights



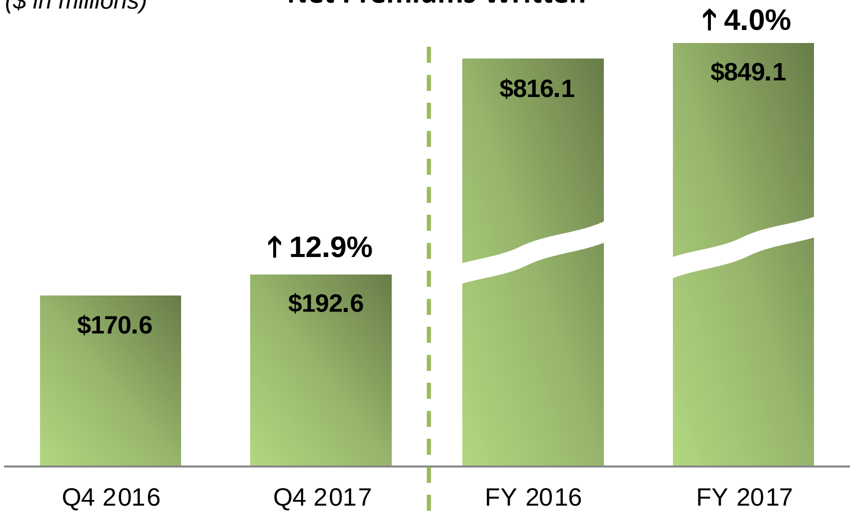


- Paced growth for both the quarter and the full year driven by:
  - Increased premiums in our most profitable segments, where pricing levels continue to be attractive, such as small commercial and certain specialty lines of business
  - Selective growth in middle market, where market conditions remain challenging and underwriting actions are ongoing
- Balancing price and retention while seeking to optimize the quality of portfolio – pleased with full year retention of 84.5%
- Price increases slightly improved from third quarter 2017

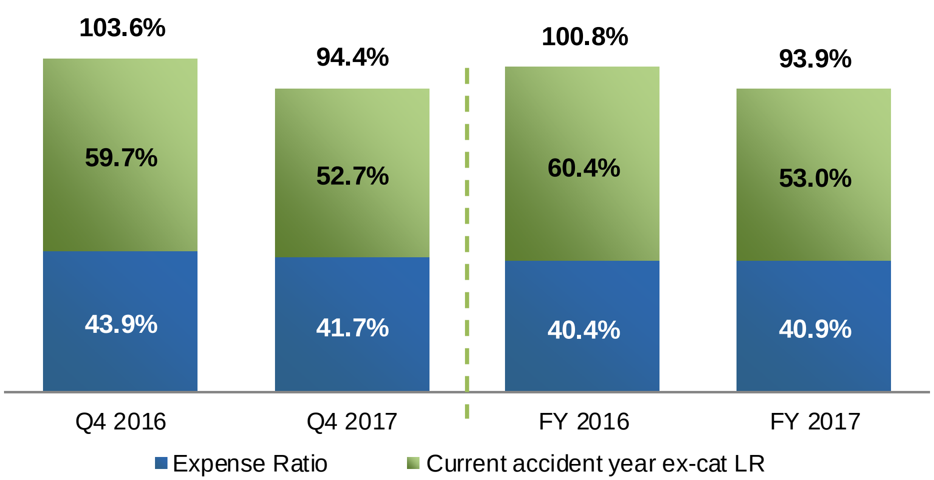
Chaucer Highlights

($ in millions)

Net Premiums Written

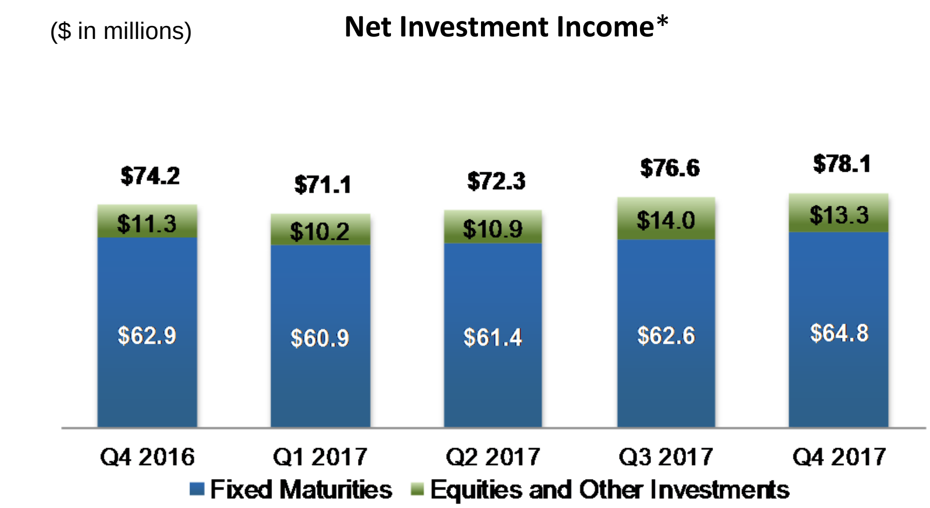


Current Accident Year Combined Ratio (CR), Ex-Cat

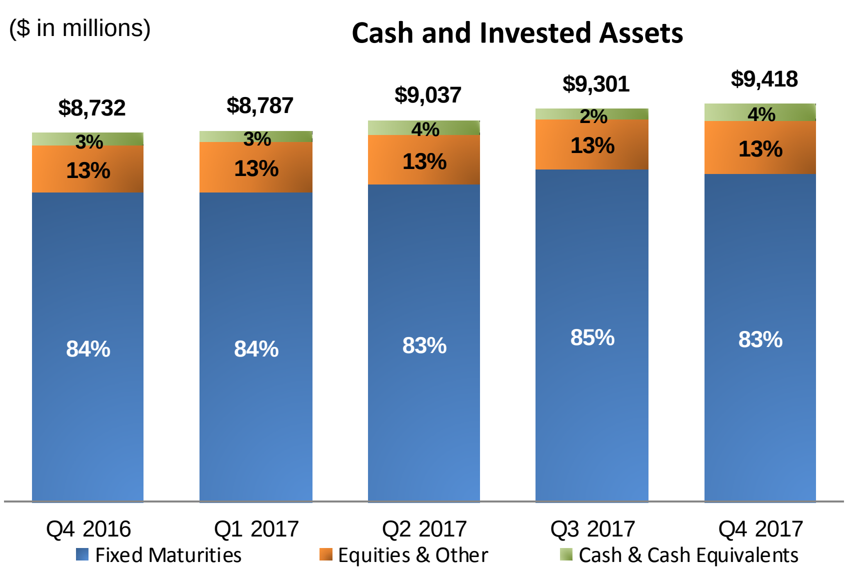


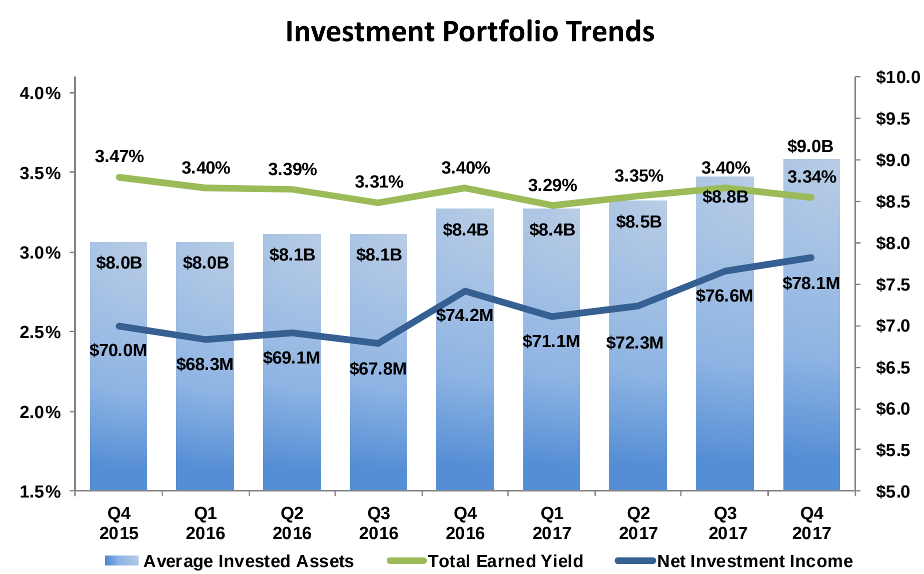
- Current accident year combined ratio, excluding catastrophes, decreased in the quarter and the full year, driven by higher than usual incidence of large losses in the prior-year periods
- Lower than expected level of expenses in the fourth quarter of 2017 and for the full year driven by lower performance-based compensation, reflective of the third quarter catastrophe activity
- Net premiums written growth of 4.0% for the full year, driven by:
  - New business initiatives including a new accident and health underwriting team, partnership with AXA, and acquisition of Australian Sports and Leisure underwriting franchise
  - Partially offset by higher ceded premiums as we judiciously use reinsurance, as well as persistent market challenges
- Elevated net premiums written growth of 12.9% for the fourth quarter 2017, amplified by discrete items:
  - Timing of new business initiatives
  - Favorable impact of foreign exchange movements
  - Premium increases on loss-sensitive accounts

Net Investment Income Trends



- Net investment income increased 5.3% over the prior-year quarter, and 6.7% for the full year primarily due to:
  - Reinvestment of higher operating cash flows from underwriting activity
  - Higher private equity partnership income
  - Partially offset by lower new money yields due to continued lower interest rate environment

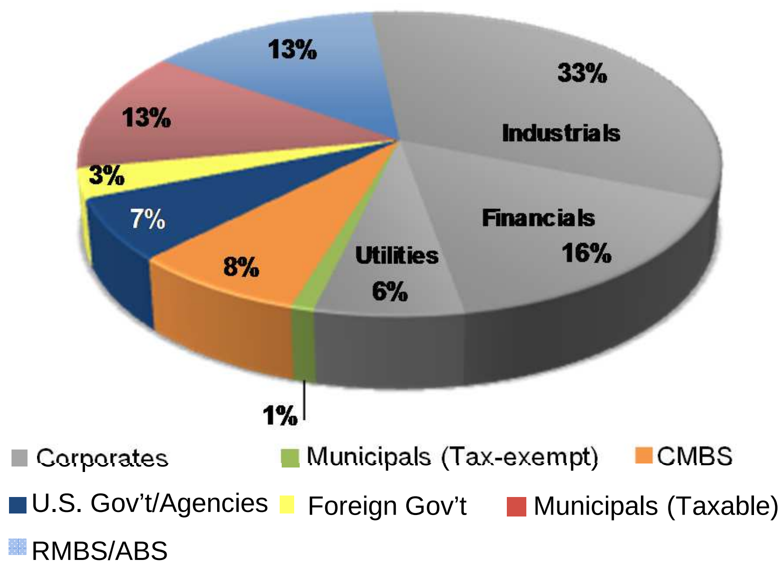




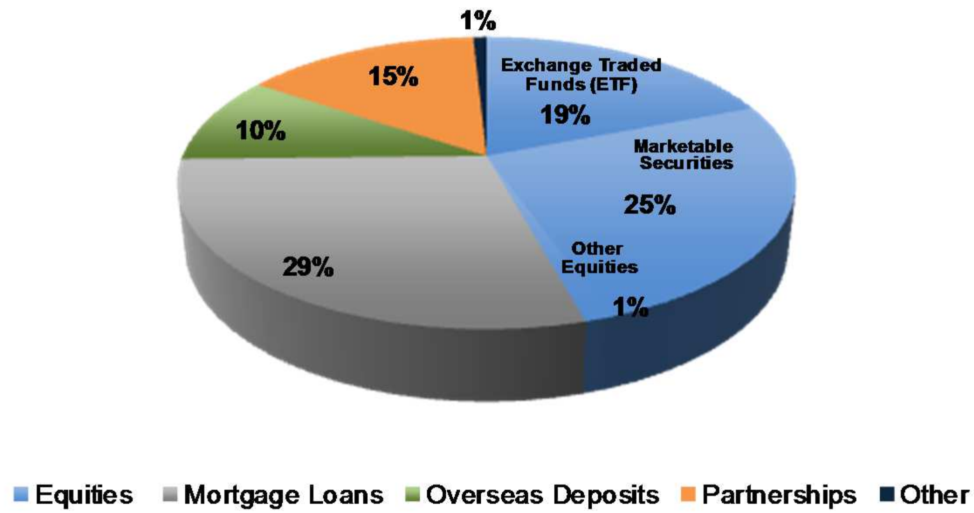
*Net Investment Income from Equities and Other investments is presented net of investment expenses.

Investment Portfolio Holdings Breakdown as of December 31, 2017

Fixed Maturities $7.8 Billion



Equities and Other $1.3 Billion



<u>Fixed Income Characteristics:</u>

- 95% of fixed maturity securities are investment grade
- Weighted average quality: A+
- Duration: 4.3 years

About The Hanover

The Hanover Insurance Group, Inc. is the holding company for several property and casualty insurance companies, which together constitute one of the largest insurance businesses in the United States. The company provides exceptional insurance solutions in a dynamic world. The Hanover distributes its products through a select group of independent agents and brokers. Together with its agents, The Hanover offers standard and specialized insurance protection for small and mid-sized businesses, as well as for homes, automobiles, and other personal items. Through its international member company, Chaucer, The Hanover also underwrites business at Lloyd's of London in several major insurance and reinsurance classes, including marine, property and energy. For more information, please visit hanover.com.

End Notes

(1) Operating income (loss) and operating income (loss) per diluted share are non-GAAP measures. See the disclosure on the use of non-GAAP measures throughout this presentation under the heading "Forward-Looking Statements and Non-GAAP Financial Measures." Operating income (loss) before taxes, as referenced in the results of the three business segments, is defined as, with respect to such segment, operating income (loss) before taxes and interest expense. The following table provides the reconciliation of operating income (loss) and operating income (loss) per diluted share to the most directly comparable GAAP measures, income (loss) from continuing operations and income (loss) from continuing operations per diluted share, respectively:

The Hanover Insurance Group, Inc.	Three Months ended December 31, 2016		Three Months ended March 31, 2017		Three Months ended June 30, 2017		Three Months ended September 30, 2017		Three Months ended December 31, 2017		Twelve Months Ended December 31, 2016		Twelve Months Ended December 31, 2017	
(In millions, except per share data)	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted	$ Amount	Per Share Diluted
OPERATING INCOME (LOSS)														
Commercial Lines	($93.3)		$37.4		$43.2		$28.2		$69.1		$35.9		$177.9	
Personal Lines	42.2		9.9		47.9		59.7		41.7		178.4		159.2	
Chaucer	39.2		24.9		29.7		(73.8)		26.3		126.8		7.1	
Other	(10.2)		(3.1)		(1.9)		(1.0)		(1.9)		(18.3)		(7.9)	
Total	(22.1)		69.1		118.9		13.1		135.2		322.8		336.3	
Interest expense	(12.1)		(12.0)		(12.2)		(12.1)		(12.2)		(54.9)		(48.5)	
Operating income (loss) before income taxes	(34.2)	($0.81)	57.1	$1.33	106.7	$2.49	1.0	$0.02	123.0	$2.86	267.9	$6.20	287.8	$6.70
Income tax (expense) benefit on operating income	14.5	0.35	(16.3)	(0.38)	(34.4)	(0.80)	3.7	0.09	(37.0)	(0.86)	(83.5)	(1.93)	(84.0)	(1.96)
Operating income (loss) after income taxes	(19.7)	(0.46)	40.8	0.95	72.3	1.69	4.7	0.11	86.0	2.00	184.4	4.27	203.8	4.74
Other non-operating items:														
Net realized investment gains	3.6	0.08	1.9	0.04	5.9	0.14	13.4	0.31	2.5	0.06	8.6	0.20	23.7	0.56
Loss from repurchase of debt	(2.2)	(0.05)	-	-	-	-	-	-	-	-	(88.3)	(2.05)	-	-
Effect of the Enactment of the Tax Cuts and Jobs Act	-	-	-	-	-	-	-	-	(22.3)	(0.52)	-	-	(22.3)	(0.52)
Other	0.2	-	-	-	(1.6)	(0.04)	(5.5)	(0.13)	(2.9)	(0.07)	4.2	0.10	(10.0)	(0.23)
Income tax benefit (expense) on other non-operating items	5.9	0.14	2.5	0.06	1.8	0.04	(0.3)	(0.01)	3.8	0.09	47.2	1.09	7.8	0.18
Income (loss) from continuing operations, net of taxes	(12.2)	(0.29)	45.2	1.05	78.4	1.83	12.3	0.28	67.1	1.56	156.1	3.61	203.0	4.73
Discontinued operations, net of taxes	(1.3)	(0.03)	-	-	-	-	(1.2)	(0.02)	(15.6)	(0.36)	(1.0)	(0.02)	(16.8)	(0.40)
Net income (loss)	($13.5)	($0.32)	$45.2	$1.05	$78.4	$1.83	$11.1	$0.26	$51.5	$1.20	$155.1	$3.59	$186.2	$4.33
Weighted average shares outstanding*		42.5		42.9		42.8		42.9		43.0		43.2		43.0

*Weighted average shares outstanding and per diluted share amounts in the fourth quarter of 2016 exclude common stock equivalents, as the impact of these instruments was anti-dilutive.

End Notes Continued

(2) Combined ratio, excluding catastrophes, is a non-GAAP measure, which is equal to the combined ratio, excluding catastrophe losses. This measure and measures excluding prior-year reserve development ("current accident-year" ratios) are used throughout this document. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP combined ratio to the combined ratio, excluding catastrophes losses:

	Three months ended December 31, 2017					Three months ended December 31, 2016				
	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total
Total combined ratio	95.4%	94.0%	95.1%	95.1%	95.1%	122.8%	93.4%	112.2%	87.3%	107.7%
Less: catastrophe ratio	4.8%	3.0%	4.1%	2.4%	3.8%	1.3%	3.1%	2.0%	(1.6%)	1.4%
Combined ratio, excluding catastrophe losses	90.6%	91.0%	91.0%	92.7%	91.3%	121.5%	90.3%	110.2%	88.9%	106.3%

	Twelve months ended December 31, 2017					Twelve months ended December 31, 2016				
	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total	Commercial Lines	Personal Lines	Total Domestic	Chaucer	Total
Total combined ratio	99.3%	94.1%	97.4%	105.3%	98.7%	105.1%	92.3%	100.4%	90.4%	98.6%
Less: catastrophe ratio	7.1%	5.1%	6.3%	15.4%	7.9%	3.0%	3.2%	3.1%	1.0%	2.7%
Combined ratio, excluding catastrophe losses	92.2%	89.0%	91.1%	89.9%	90.8%	102.1%	89.1%	97.3%	89.4%	95.9%

End Notes Continued

(3) Current accident year combined ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the combined ratio, excluding prior-year reserve development and catastrophe losses. The combined ratio (which includes catastrophe losses and prior-year reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP combined ratio to the current accident year combined ratio, excluding catastrophe losses:

	Three months ended December 31, 2017			
	Commercial Lines	Personal Lines	Chaucer	Total
Total combined ratio	95.4%	94.0%	95.1%	95.1%
Less:				
Prior-year reserve development ratio	(1.5%)	2.3%	(1.7%)	(0.3%)
Catastrophe ratio	4.8%	3.0%	2.4%	3.8%
Current accident year combined ratio, excluding catastrophe losses	92.1%	88.7%	94.4%	91.6%
	December 31, 2016			
Total combined ratio	122.8%	93.4%	87.3%	107.7%
Less:				
Prior-year reserve development ratio	27.6%	1.4%	(14.7%)	12.3%
Catastrophe ratio	1.3%	3.1%	(1.6%)	1.4%
Current accident year combined ratio, excluding catastrophe losses	93.9%	88.9%	103.6%	94.0%

	Twelve months ended December 31, 2017			
	Commercial Lines	Personal Lines	Chaucer	Total
Total combined ratio	99.3%	94.1%	105.3%	98.7%
Less:				
Prior-year reserve development ratio	(0.4%)	0.6%	(4.0%)	(0.7%)
Catastrophe ratio	7.1%	5.1%	15.4%	7.9%
Current accident year combined ratio, excluding catastrophe losses	92.6%	88.4%	93.9%	91.5%
	December 31, 2016			
Total combined ratio	105.1%	92.3%	90.4%	98.6%
Less:				
Prior-year reserve development ratio	9.6%	0.3%	(11.4%)	3.0%
Catastrophe ratio	3.0%	3.2%	1.0%	2.7%
Current accident year combined ratio, excluding catastrophe losses	92.5%	88.8%	100.8%	92.9%

End Notes Continued

(3) Continued

	Twelve months ended December 31					
	2012	2013	2014	2015	2016	2017
Total combined ratio	104.4%	96.7%	96.9%	95.7%	98.6%	98.7%
Less:						
Prior-year reserve development ratio	(0.4%)	(1.7%)	(2.1%)	(2.0%)	3.0%	(0.7%)
Catastrophe ratio	8.7%	3.1%	4.7%	3.9%	2.7%	7.9%
Current accident year combined ratio, excluding catastrophe losses	96.1%	95.3%	94.3%	93.8%	92.9%	91.5%

(4) The following is a reconciliation of the GAAP book value per share to the book value per share, excluding net unrealized gains on investments:

	December 31 2016	December 31 2017
Book value per share	$67.40	$70.59
Less: Net unrealized gains on investments	4.39	4.84
Book value per share, excluding net unrealized gains on investments	$63.01	$65.75

(5) Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, is a non-GAAP measure. Total shareholder's equity, is the most directly comparable GAAP measure, and is reconciled in the table below. For the calculation of Operating Return on Equity ("operating ROE"), the average of beginning and ending shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, is used for the period as shown in the table below.

	Three months ended					
($ In millions)	September 30 2016	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017
Total shareholders' equity	$3,045.7	$2,857.5	$2,913.5	$2,972.5	$2,972.0	$2,997.7
Less: net unrealized appreciation (depreciation) on investments, net of tax	$321.4	$186.0	$205.0	$224.8	$228.5	$205.4
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,724.3	$2,671.5	$2,708.5	$2,747.7	$2,743.5	$2,792.3
Average shareholders' equity		$2,951.6	$2,885.5	$2,943.0	$2,972.3	$2,984.9
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax		$2,697.9	$2,690.0	$2,728.1	$2,745.6	$2,767.9

End Notes Continued

(5) Continued.

($ In millions)	Twelve months ended December 31 2015	December 31 2016	December 31 2017
Total shareholders' equity	$2,844.4	$2,857.5	$2,997.7
Less: net unrealized appreciation (depreciation) on investments, net of tax	$149.9	$186.0	$205.4
Total shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,694.5	$2,671.5	$2,792.3
Average shareholders' equity		$2,851.0	$2,927.6
Average shareholders' equity, excluding net unrealized appreciation (depreciation)		$2,683.0	$2,731.9

(6) Operating Return on Average Equity ("operating ROE") is a non-GAAP financial measure. Operating ROE is calculated by dividing annualized operating income after tax for the applicable period (as defined on end note (1)), by average shareholders' equity, excluding unrealized appreciation (depreciation) on investments, net of tax, for the stated period (as defined on end note (5)).

($ In millions, except percentages)	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017
Annualized net income (loss) (period ended net income multiplied by 4)	($54.0)	$180.8	$313.6	$44.4	$206.0
Average shareholders' equity	$2,951.6	$2,885.5	$2,943.0	$2,972.3	$2,984.9
Return on equity (GAAP)	(1.8%)	6.3%	10.7%	1.5%	6.9%

($ In millions, except percentages)	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017
Annualized operating income (loss)[(1)] (period ended operating income multiplied by 4)	($78.8)	$163.2	$289.2	$18.8	$344.0
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,697.9	$2,690.0	$2,728.1	$2,745.6	$2,767.9
Operating return on equity (non-GAAP)	(2.9%)	6.1%	10.6%	0.7%	12.4%

End Notes Continued

(6) Continued.

($ In millions, except percentages)	Twelve months ended December 31 2016	December 31 2017
Net Income	$155.1	$186.2
Average shareholder's equity	$2,851.0	$2,927.6
Return on equity (GAAP)	5.4%	6.4%

($ In millions, except percentages)	Twelve months ended December 31 2016	December 31 2017
Operating Income	$184.4	$203.8
Average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax	$2,683.0	$2,731.9
Operating return on equity (non-GAAP)	6.9%	7.5%

End Notes Continued

(7) Current accident year loss ratio, excluding catastrophe losses, is a non-GAAP measure, which is equal to the loss and LAE ratio ("loss ratio"), excluding prior-year reserve development and catastrophe losses. The loss ratio (which includes catastrophe losses and prior-year loss reserve development) is the most directly comparable GAAP measure. The following is a reconciliation of the GAAP loss ratio to the current accident year loss ratio, excluding catastrophe losses:

Consolidated	Three months ended December 31, 2017				Three months ended December 31, 2016			
	Commercial Lines	Personal Lines	Chaucer	Total	Commercial Lines	Personal Lines	Chaucer	Total
Total loss and LAE Ratio	60.0%	66.4%	53.4%	61.0%	86.8%	63.2%	43.4%	72.0%
Less:								
Prior-year reserve development ratio	(1.5%)	2.3%	(1.7%)	(0.3%)	27.6%	1.4%	(14.7%)	12.3%
Catastrophe ratio	4.8%	3.0%	2.4%	3.8%	1.3%	3.1%	(1.6%)	1.4%
Current accident year loss ratio, excluding catastrophe losses	56.7%	61.1%	52.7%	57.5%	57.9%	58.7%	59.7%	58.3%
	Twelve months ended December 31, 2017				Twelve months ended December 31, 2016			
	Commercial Lines	Personal Lines	Chaucer	Total	Commercial Lines	Personal Lines	Chaucer	Total
Total loss and LAE Ratio	63.7%	66.1%	64.4%	64.6%	69.1%	63.6%	50.0%	64.1%
Less:								
Prior-year reserve development ratio	(0.4%)	0.6%	(4.0%)	(0.7%)	9.6%	0.3%	(11.4%)	3.0%
Catastrophe ratio	7.1%	5.1%	15.4%	7.9%	3.0%	3.2%	1.0%	2.7%
Current accident year loss ratio, excluding catastrophe losses	57.0%	60.4%	53.0%	57.4%	56.5%	60.1%	60.4%	58.4%

Consolidated	Twelve months ended					
	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Total loss and LAE Ratio	70.2%	62.0%	62.2%	61.3%	64.1%	64.6%
Less:						
Prior-year reserve development ratio	(0.4%)	(1.7%)	(2.1%)	(2.0%)	3.0%	(0.7%)
Catastrophe ratio	8.7%	3.1%	4.7%	3.9%	2.7%	7.9%
Current accident year loss ratio, excluding catastrophe losses	61.9%	60.6%	59.6%	59.4%	58.4%	57.4%

End Notes Continued

(7) Continued.

Personal Lines	Three months ended December 31, 2017				Three months ended December 31, 2016			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Total loss and LAE Ratio	74.3%	54.6%	27.1%	66.4%	75.5%	42.6%	42.7%	63.2%
Less:								
Prior-year reserve development ratio	1.4%	3.5%	7.3%	2.3%	3.5%	(2.6%)	5.2%	1.4%
Catastrophe ratio	0.4%	7.7%	2.1%	3.0%	0.2%	8.0%	7.3%	3.1%
Current accident year loss ratio, excluding catastrophe losses	72.5%	43.4%	17.7%	61.1%	71.8%	37.2%	30.2%	58.7%

Personal Lines	Twelve months ended December 31, 2017				Twelve months ended December 31, 2016			
	Auto	Home	Other	Total	Auto	Home	Other	Total
Total Loss and LAE Ratio	70.7%	59.8%	35.3%	66.1%	72.2%	49.9%	43.1%	63.6%
Less:								
Prior-year reserve development ratio	0.4%	0.9%	2.1%	0.6%	0.5%	(0.5%)	5.8%	0.3%
Catastrophe ratio	0.6%	13.5%	1.8%	5.1%	0.6%	7.8%	2.9%	3.2%
Current accident year loss ratio, excluding catastrophe losses	69.7%	45.4%	31.4%	60.4%	71.1%	42.6%	34.4%	60.1%

Commercial Lines	Three months ended December 31, 2017					Three months ended December 31, 2016				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Total loss and LAE Ratio	68.0%	71.4%	48.3%	53.6%	60.0%	81.2%	88.2%	21.5%	110.1%	86.8%
Less:										
Prior-year reserve development ratio	1.2%	3.1%	(11.7%)	(2.1%)	(1.5%)	22.2%	23.8%	(45.4%)	54.7%	27.6%
Catastrophe ratio	13.1%	(1.1%)	-	1.4%	4.8%	1.0%	(0.1%)	-	2.4%	1.3%
Current accident year loss ratio,excluding catastrophe losses	53.7%	69.4%	60.0%	54.3%	56.7%	58.0%	64.5%	66.9%	53.0%	57.9%

End Notes Continued

(7) Continued.

	Twelve months ended December 31, 2017					Twelve months ended December 31, 2016				
	Multiple Peril	Auto	Workers' Comp	Other	Total	Multiple Peril	Auto	Workers' Comp	Other	Total
Total loss and LAE Ratio	66.2%	70.6%	58.6%	61.1%	63.7%	66.7%	78.6%	50.6%	73.2%	69.1%
Less:										
Prior-year reserve development ratio	0.3%	0.8%	(3.0%)	(0.5%)	(0.4%)	9.6%	9.0%	(17.0%)	17.4%	9.6%
Catastrophe ratio	11.8%	1.4%	-	7.3%	7.1%	5.8%	0.8%	-	2.4%	3.0%
Current accident year loss ratio,excluding catastrophe losses	54.1%	68.4%	61.6%	54.3%	57.0%	51.3%	68.8%	67.9%	53.4%	56.5%

Chaucer	Three months ended					Twelve months ended	
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2016	December 31, 2017
Total loss and LAE Ratio	43.4%	53.4%	49.0%	99.6%	53.4%	50.0%	64.4%
Less:							
Prior-year reserve development ratio	(14.7%)	(1.1%)	(7.9%)	(5.6%)	(1.7%)	(11.4%)	(4.0%)
Catastrophe ratio	(1.6%)	3.5%	0.6%	52.8%	2.4%	1.0%	15.4%
Current accident year loss ratio, excluding catastrophe losses	59.7%	51.0%	56.3%	52.4%	52.7%	60.4%	53.0%

(8) On this page and later in this document, the expense ratio is reduced by installment fee revenues for purposes of the ratio calculation.1

End Notes Continued

(9) Core Commercial business provides commercial property and casualty coverages to small and mid-sized businesses in the U.S., generally with annual premiums per policy up to $250,000, primarily through the commercial multiple peril, commercial auto and workers' compensation lines of business, as reported on pages 8 and 9 of the Fourth Quarter 2017 Financial Supplement.

($ in millions)	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Core Commercial	Other Commercial	Total	Core Commercial	Other Commercial	Total
Net Premiums Written	$323.4	$241.5	$564.9	$305.4	$224.6	$530.0
Net Premiums Earned	$363.3	$252.8	$616.1	$344.6	$240.1	$584.7

($ in millions)	Twelve months ended December 31, 2017			Twelve months ended December 31, 2016		
	Core Commercial	Other Commercial	Total	Core Commercial	Other Commercial	Total
Net Premiums Written	$1,449.1	$1,012.9	$2,462.0	$1,385.6	$975.9	$2,361.5
Net Premiums Earned	$1,417.0	$982.6	$2,399.6	$1,353.1	$964.9	$2,318.0

Normalized operating return on average total equity ("normalized operating ROE"), as referenced in the prepared remarks during the Q4 2017 earnings call, is a non-GAAP financial measure. The following is a reconciliation of operating income (defined and reconciled to the closest GAAP measure as part of endnote 1), to the normalized operating income, which is also a non-GAAP measure and is utilized to calculate normalized operating ROE. See further details on the calculation of return on equity as part of endnote 5 and 6.

($ In millions, except percentages)	Twelve months ended December 31 2017
Operating income[1]	$203.8
Impact of higher than budgeted catastrophe losses and related activity, net of 35% statutory tax rate:	
Catastrophe losses above full year 2017 budget* of 4.5% of net premiums earned vs 7.9% of actual full year 2017 net premiums earned	110.3
Lower performance-based compensation expense and higher net reinstatement premiums	(4.0)
Normalized operating income (non-GAAP)	$310.1
Average normalized total shareholders' equity (non-GAAP) - As calculated below	$2,785.1
Normalized operating return on equity (non-GAAP)	11.1%
** 2017 full year budget is based on modeled results and management's assumptions*	

Normalized total shareholders' equity is a non-GAAP financial measure. The following is a reconciliation of GAAP total shareholders' equity to normalized total shareholders' equity:

($ In millions)	Twelve months ended December 31 2016	December 31 2017
Total shareholders' equity (GAAP)	$2,857.5	$2,997.7
Less: net unrealized appreciation (depreciation) on investments, net of tax	$186.0	$205.4
Total shareholders' equity, excluding net unrealized [5] (non-GAAP)	$2,671.5	$2,792.3
Impact of higher than budgeted catastrophe losses and related activity, net of 35% statutory tax rate:		
Catastrophe losses above full year 2017 budget* of 4.5% of net premiums earned vs 7.9% of actual full year 2017 net premiums earned		$110.3
Lower performance-based compensation expense and higher net reinstatement premiums		($4.0)
Normalized total shareholders' equity (non-GAAP)		$2,898.6
Average total shareholders' equity (GAAP)		$2,927.6
Average normalized total shareholders' equity (non-GAAP)		$2,785.1
** 2017 full year budget is based on modeled results and management's assumptions*		