



# The Hanover Insurance Group (THG) Keefe, Bruyette & Woods Insurance Conference

*September 6, 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 presentation 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; impact and magnitude of weather losses; 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 August 1, 2018 and the Annual Report, Form 10-Q and other documents filed by The Hanover with the Securities and Exchange Commission, which are available at [www.hanover.com](http://www.hanover.com) under "Investors." We assume no obligation to update this presentation, which, unless otherwise noted, reflects information as of Year End 2017 and as of December 31, 2017.

These uncertainties include the uncertain U.S. and global economic and political 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 may include 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, book value per share excluding net unrealized gains and losses and operating ROE. A reconciliation of non-GAAP measures to the closest GAAP measure is included in the end notes to this presentation, the press release dated May 2, 2018 or the financial supplement, which are posted on our website. The reconciliation of 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 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. The definition of other financial measures and terms can be found in the 2017 Annual Report on pages 80-83.



## Executive Summary

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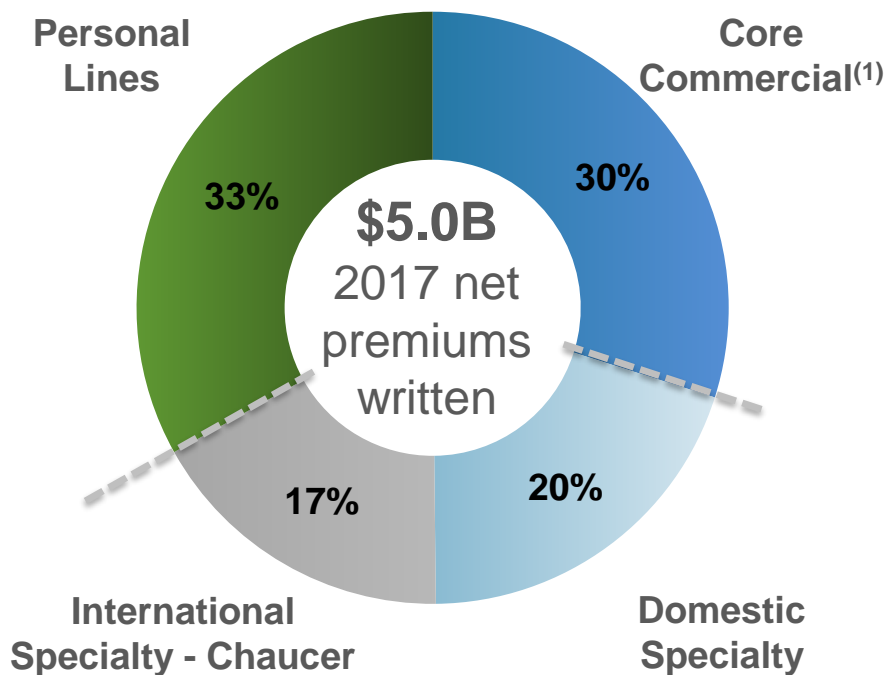
- **Premier property and casualty company**
- **Our 2021 strategy marks the path to achieve our vision, translating to a strong investor value proposition:**
  - Achieve above industry growth and returns by leveraging the strength of our distribution channel, expanding our specialization and driving innovation
  - Ensuring rigorous financial, capital and expense management
- **More than a year into our five-year plan, we remain intently focused on our financial and strategic goals:**
  - Maintained the loss ratio (ex-cats) and enhanced margins from expense savings and fixed cost leverage
  - Leveraged our most profitable businesses by deepening agency penetration
  - Tax Cuts and Jobs Act is a tail wind
- **Confidence in go forward performance and achievability of targets**



# The Hanover overview – Growing from a strong foundation

A premier insurance company in the Independent Agency Space

## Hanover Agency Markets



## Hanover Specialty

- One of the most respected franchises in the independent agency space
- Significant opportunity for premium and earnings growth
- Distinguished global specialty capabilities through Chaucer

## NYSE: THG

|  |                    |
|--|--------------------|
| Market capitalization (as of 9.4.2018)         | \$5.2 billion      |
| Annualized dividend per share (as of 9.4.2018) | \$2.16 yield: 1.8% |
| GAAP equity (as of 6.30.18)                    | \$2.9 billion      |

## The Hanover's Investor value proposition



Leverage the strength of our agency business by substantially growing market share with our independent agents



Leverage our specialized capabilities to further strengthen our overall product offering in domestic and international markets



Drive innovation to improve analytics, operating efficiencies and develop new growth solutions



Book value growth and return on equity expansion through rigorous financial management, expense leverage, and disciplined capital management

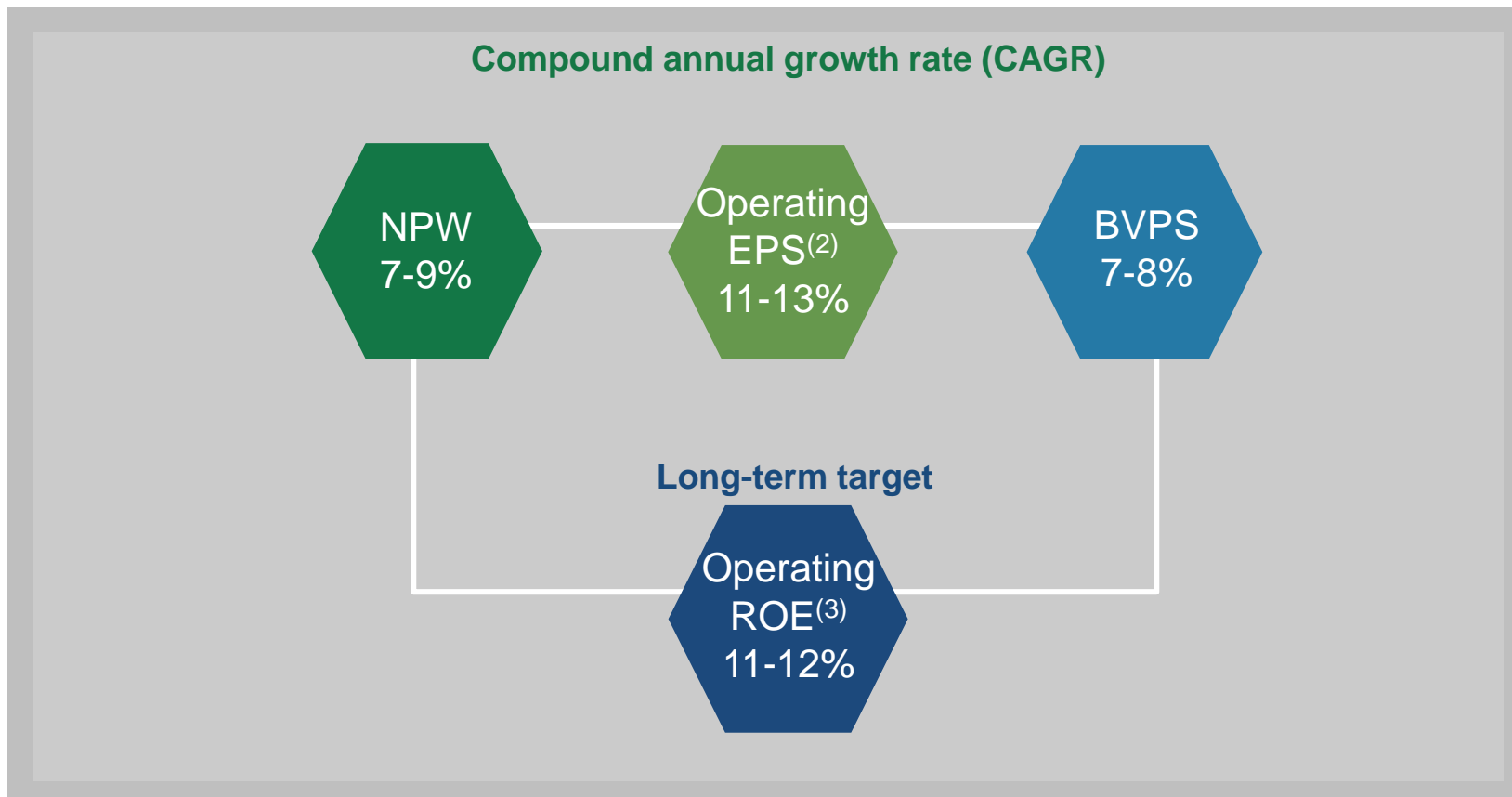


Assembled a world class team and will continue to attract top tier talent in order to deliver superior customer service and further establish our position in the market



# Our Five-year aspirational goals are aggressive but achievable

## Pre Tax Reform



*Evaluating impact of recent tax reform on long-term targets*



## U.S. Tax reform – positive for the economy and our company

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### Business effects

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- Increased business activity should drive insurance demand
- Level playing field between U.S. and foreign companies
- Earnings and cash flow
- Capital flexibility:
  - Return to shareholders
  - Additional business investments

### Potential beneficiaries

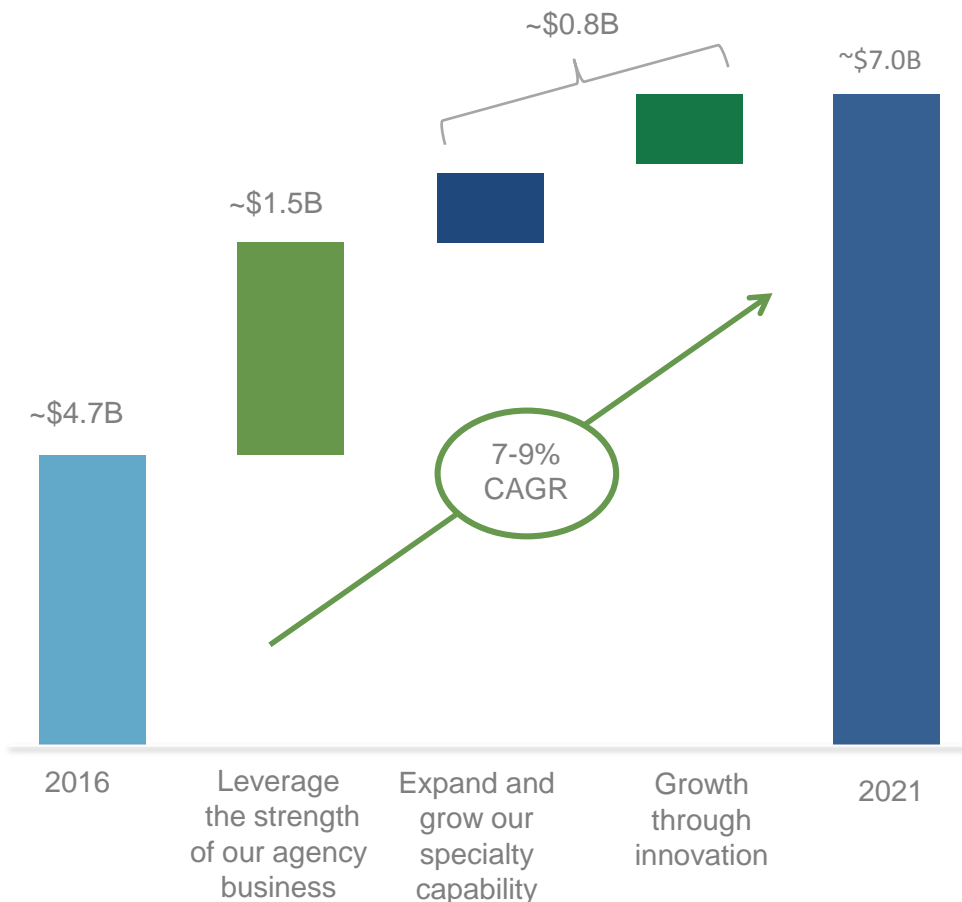
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- Shareholders
  - Earnings growth
  - Return of capital
- Employees
- Consumers and agents



# Our growth will continue to be primarily driven by increasing agency penetration in our current footprint

## Net premiums written (NPW)



## Key takeaways

- Drive greater agency penetration through product and agency innovation and footprint expansion
- Grow Specialty business by expanding distribution, improving data analytics and hiring best-in-class talent
- Develop new business models to aid our distribution partners in identifying new customers, improve risk selection and pricing models

## Where we are today

- Net written premium grew 5.5% to \$5B in 2017, driven primarily by strong growth in Personal Lines and Small Commercial through agency penetration

**While maintaining a stable loss ratio and improving expense ratio**





# We have a unique and effective distribution strategy....

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## Our agency strategy

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## Our strategy is unique

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- **Targeted distribution**– breadth and depth: multiple business relationships with each agent, focused on growing deeper market share
- **Deep business insights and consultative approach** to our partners' business allows us to craft optimized portfolio solutions for agents and their customers
- **Local underwriting**: more responsive, knowledgeable interactions with underwriting desks

## Partnership characteristics

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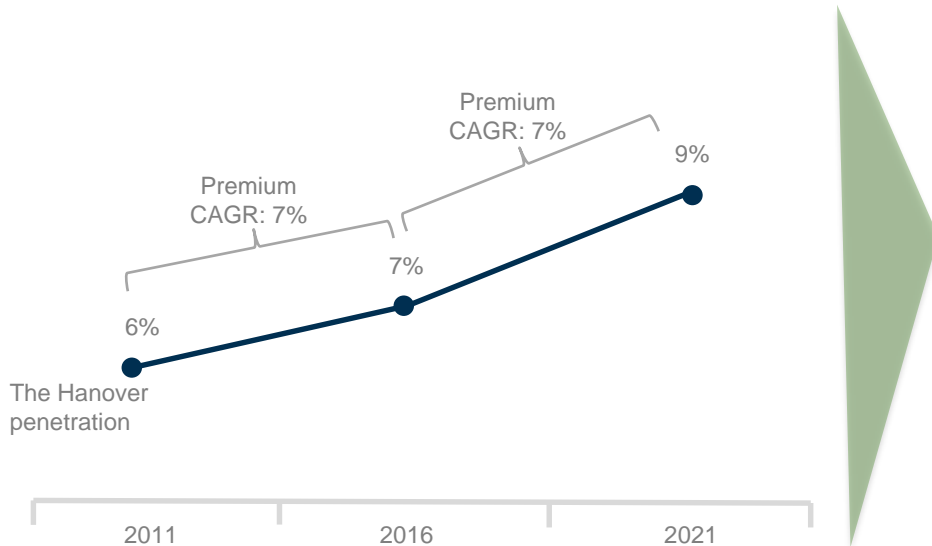
- Multiple business segment relationships
- Strong and growing share with The Hanover
- Committed to growing, investing and specializing their business



# ...and significant headroom in our existing agency footprint

Visibility to further agency penetration and growth

## Our agency penetration\*



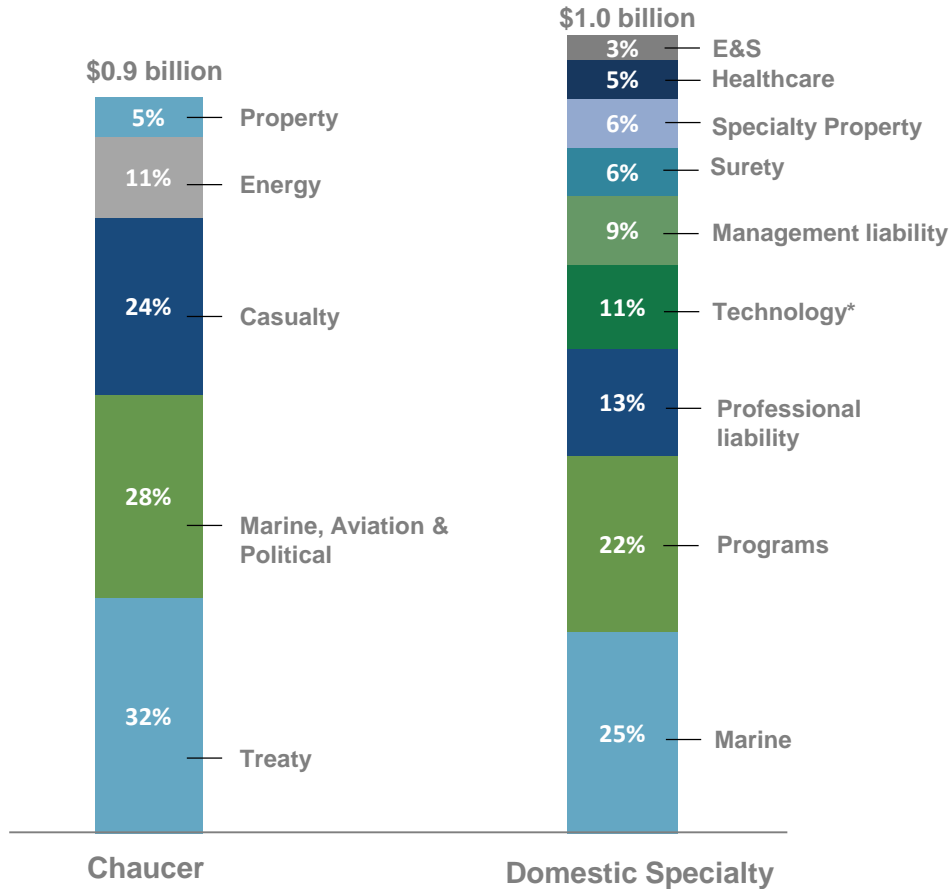
\* Agency penetration: Total addressable market given our existing footprint, product offering and risk appetite. Metrics exclude the impact of closed agents and programs business/E&S business

- Strong and leverageable distribution platforms
- Focused franchise with broad coverages:
  - 45% of domestic premium and strong momentum with the industry's Top 200 agents
  - Access to 40% of the U.S. independent agency premium
- Substantial headroom remains:
  - 7% "addressable" market shares
  - 4% market share with the Top 10 U.S. agents
- Expected future growth rate in-line with our historical trends



# Leveraging our specialized capabilities to further strengthen our overall product offering in domestic and international markets

## Nearly \$2 billion Global Specialty portfolio



Domestic Specialty: Leading specialty carrier direct to retail agents

- Continue to drive greater penetration with our existing agency partners
- Grow our appetite responsibly in existing sectors

Chaucer: Established leader at Lloyd's

- Expanding capabilities and building low-cost regional presence in Africa, Asia, Australia and Latin America

2017



# Driving innovation to improve analytics, operating efficiencies and develop new growth solutions

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## Areas of focus



**New Profit Pools/Markets**



**Underwriting and Risk Selection**



**Customer Experience**

### Examples include:

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#### In partnership with our Distribution Channel:

##### Micro Small Commercial

- Digital quote/bind capability – built on insurtech platform
- White label solution with our agents

#### Digital Personal Lines:

- Quote and bind capabilities for “digitally included” customers

#### Telematics pilots in personal auto and commercial auto

##### IOT/Sensor Technology

- Piloting the use of sensors for dentists

##### UW Analytics/ Modeling

- Enhanced predictive model for Small Commercial Lines, as well as the use of third party data in underwriting

#### Customer Self-Service Capabilities

##### Home Self-Inspections and Virtual Inspections

##### Development of BOTs to drive operating efficiencies

##### Claims Innovation

- No-touch/fast track claims
- Self-submit photos and video of property damage
- E-Delivery of claims documents



# Business maturation and fixed cost leverage are our key earnings improvement levers

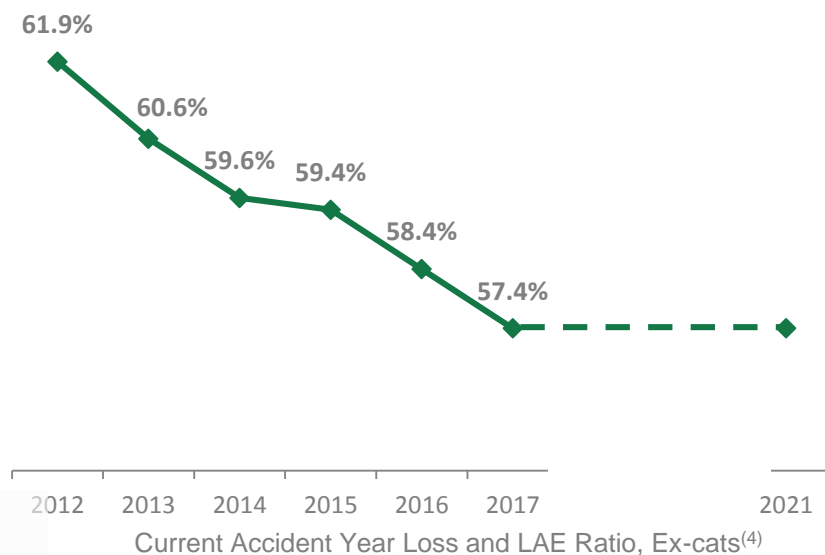
## Maintain stable loss ratio:

- Strengthen current portfolio
- Room for mix improvement
- Strategically select risk pools
- Underwriting discipline

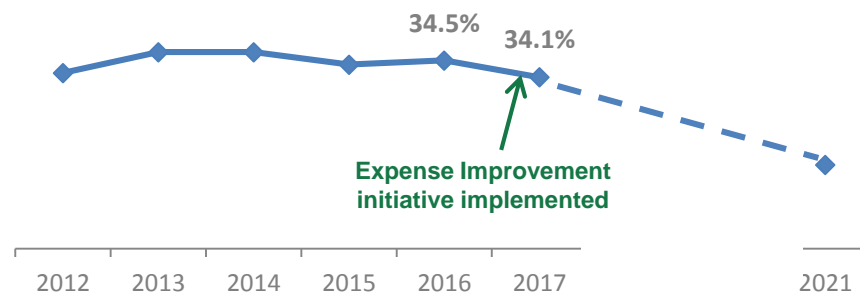
## Expense ratio - catalyst for ROE expansion:

- Growth leverage is key to expense ratio improvement
- Cost reduction and increased expense rigor

## Track record of loss ratio improvement



## Expense ratio<sup>(5)</sup> opportunity

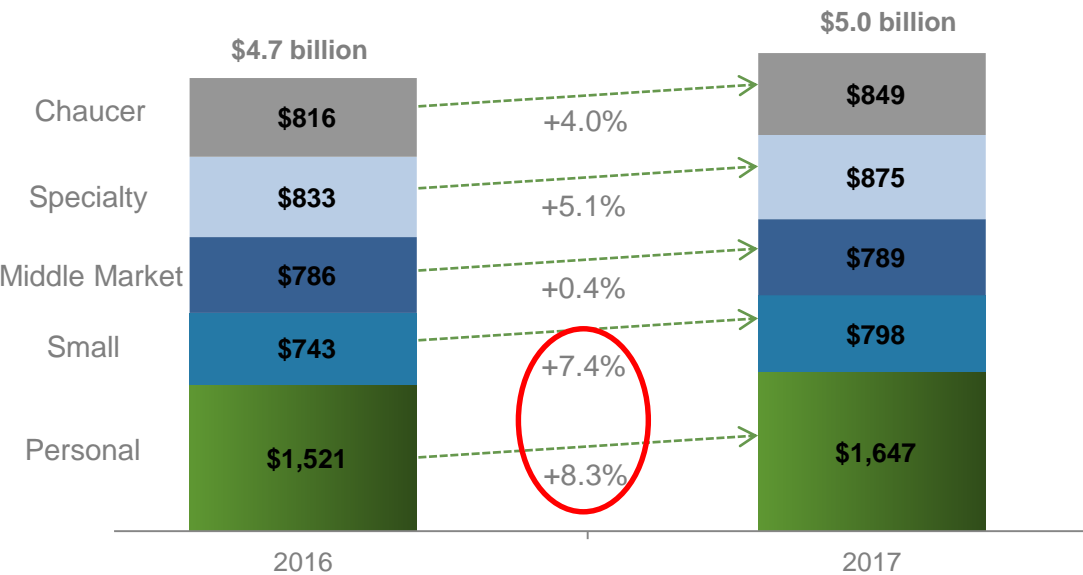




# 2017 overview: Successfully executing on our 2021 strategy while growing in the most profitable segments...

## Net premiums written growth

NPW \$ in millions

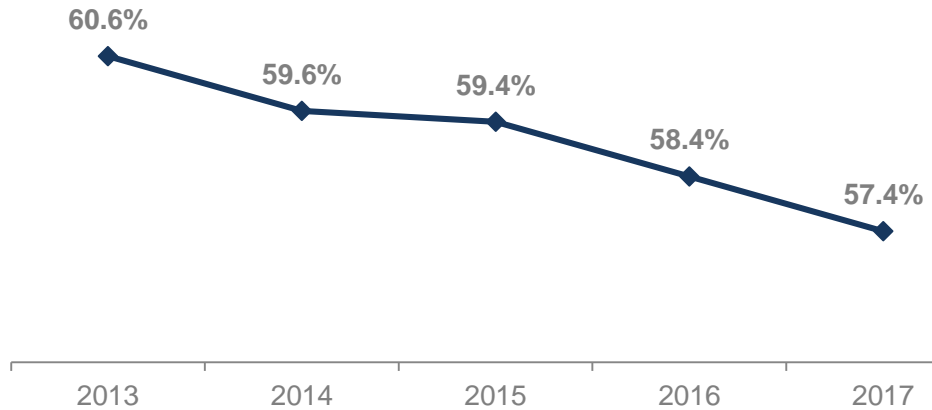


- Net written premium grew 5.5%, upper single digit growth in most profitable businesses:
  - Personal Lines
  - Small Commercial
  - Over \$2B of stable high quality business
- Progress on business initiatives:
  - Further expanded Domestic and Chaucer Capabilities
  - Deepened agency penetration

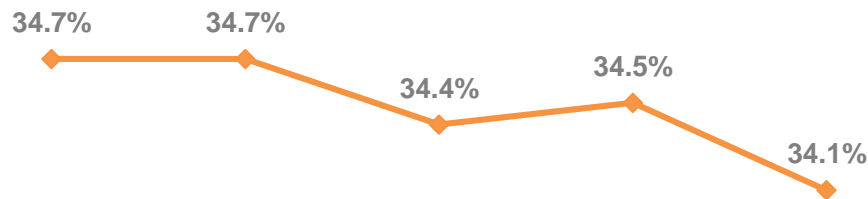


# ...and demonstrating significant earnings momentum

## Current accident year loss ratio, excluding catastrophes, trends



### Expense ratio trends



|                               |       |       |       |       |       |
|-------------------------------|-------|-------|-------|-------|-------|
| CAY CR, ex-cat <sup>(6)</sup> | 95.3% | 94.3% | 93.8% | 92.9% | 91.5% |
| CR                            | 96.7% | 96.9% | 95.7% | 98.6% | 98.7% |

- Impacted by significant catastrophe losses:
  - Faired well compared to industry given our exposures
- Improved or stable current accident year loss ratios, ex-CATs, in most segments
- Executed an expense savings initiative in domestic business in the third quarter 2017
  - On track to yield meaningful improvement on a run-rate basis
  - Partially offset by continued business investment

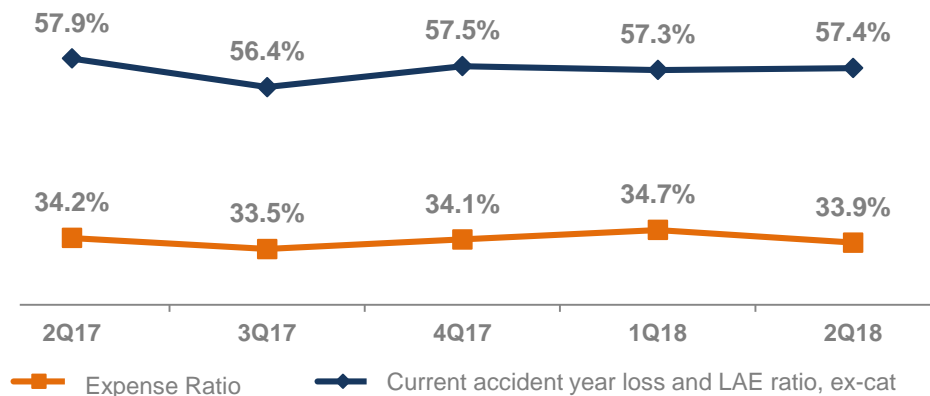


# Second Quarter 2018 continued to exhibit strong performance and growth

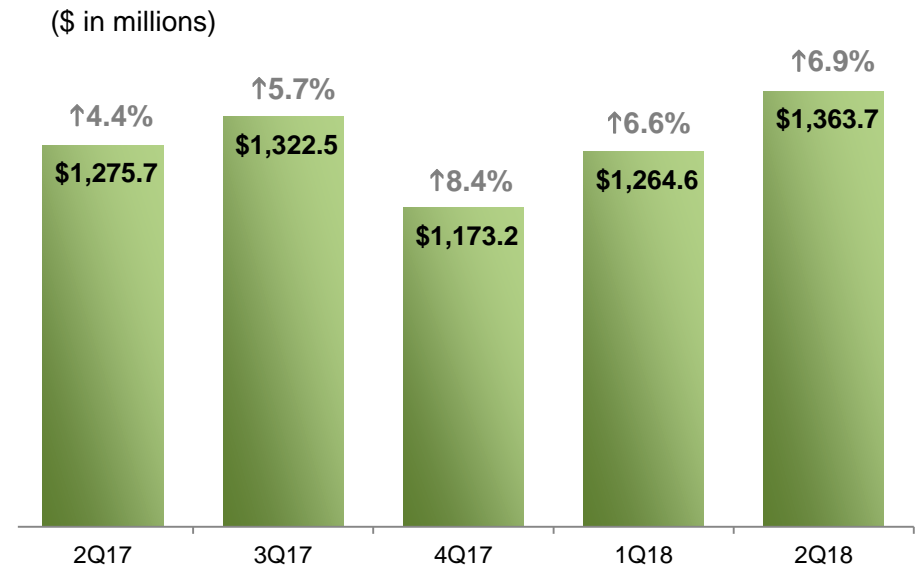
| (\$ in millions)                                    | Three Months Ended June 30 |              |
|---|----------------------------|--------------|
|   | 2017                       | 2018         |
| Net Premiums Written                                | \$ 1,275.7                 | \$ 1,363.7   |
| Growth  | 4.4%                       | 6.9%         |
| Net Earned Premiums                                 | \$ 1,181.2                 | \$ 1,272.9   |
| Combined Ratio                                      | 95.6%                      | 95.5%        |
| <b>Combined ratio, ex-cat <sup>(7)</sup></b>        | <b>90.8%</b>               | <b>90.5%</b> |
| <b>Current accident year combined ratio, ex-cat</b> | <b>92.1%</b>               | <b>91.3%</b> |

- Robust premium growth in most profitable business segments, including Personal Lines and most profitable Commercial Lines classes
- Stable underlying loss trends as past mix improvement initiatives gained further traction
- Domestic expense ratio improvement driven by continued cost efficiency actions complimented by premium growth leverage

## Stable current accident year loss and expense ratio trends



## Net premiums written growth



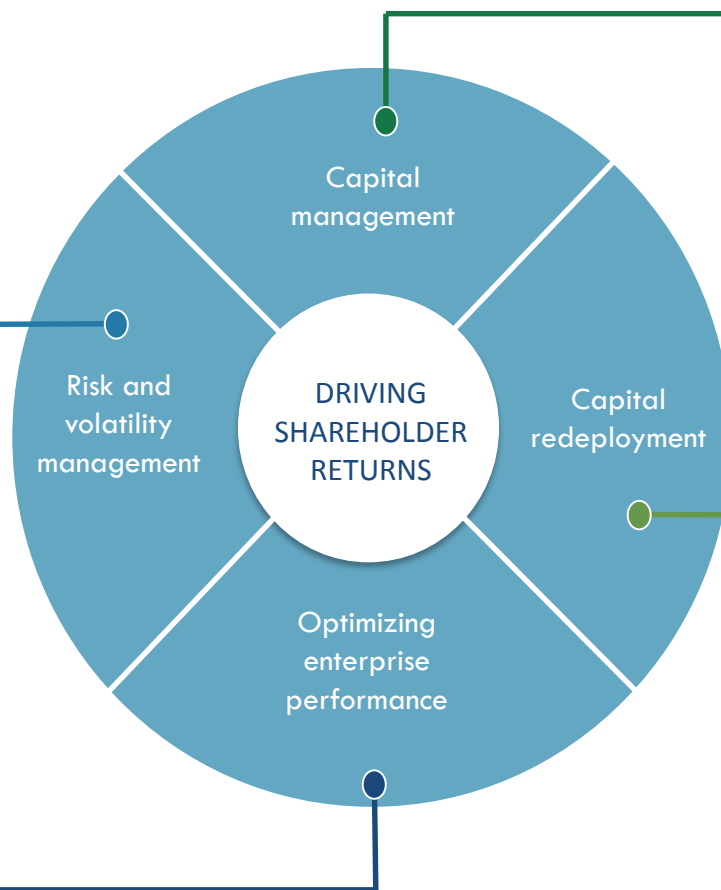




# Foster a culture of rigorous financial management to drive shareholder returns

- Enterprise-wide ERM
- Responsible appetite expansion

- Rigorous underwriting performance management
- Leveraging fixed costs through scale
- Expense efficiency

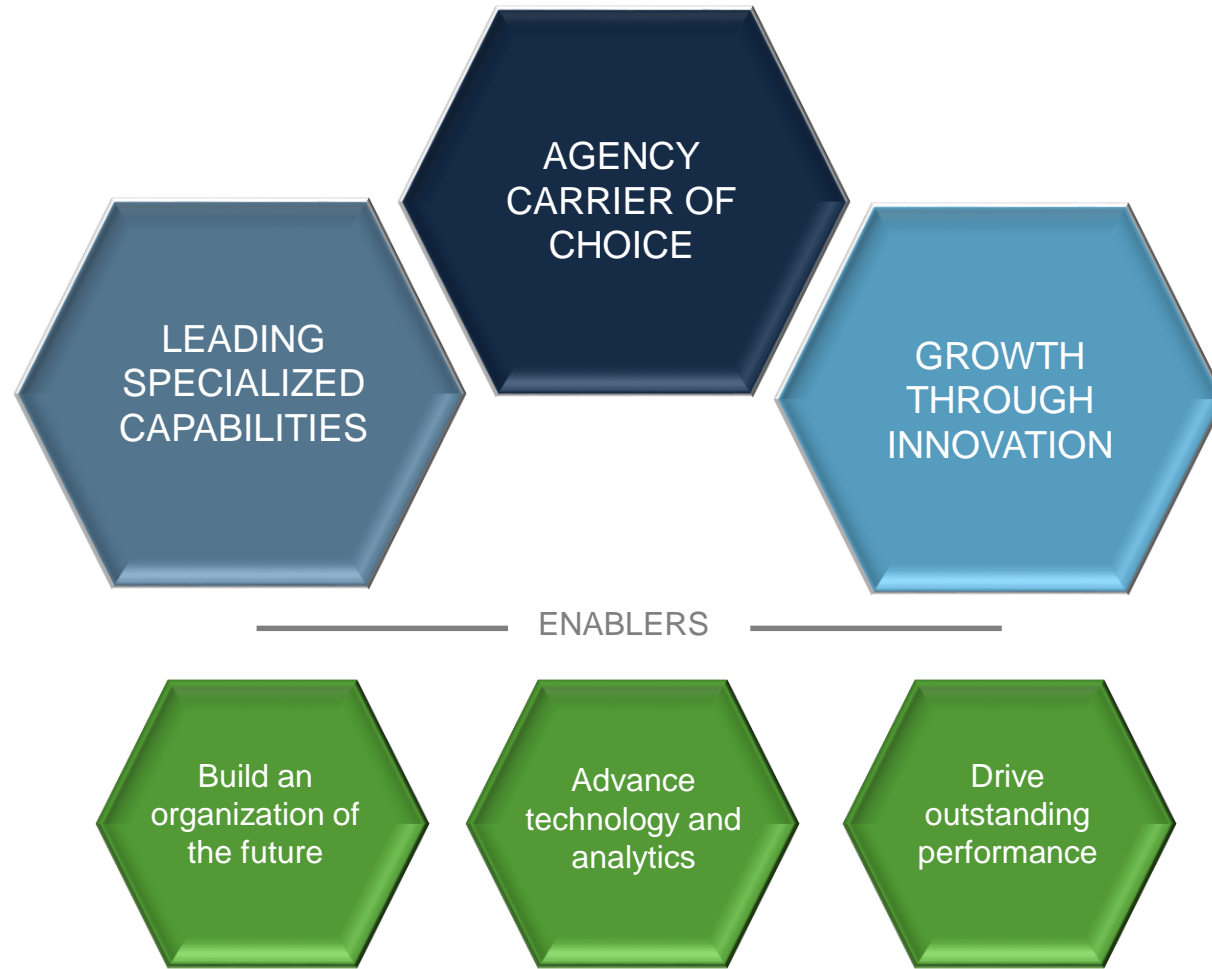


- Capital discipline
- Leveraging third-party capital
- Return of capital to shareholders

- Business investment based on risk-adjusted returns
- Converting books of business
- Strategic M&A



# The Hanover investor proposition outlines a clear strategy and financial path to top-quartile growth and returns



**HANOVER 2021**

To deliver exceptional insurance solutions in a dynamic world



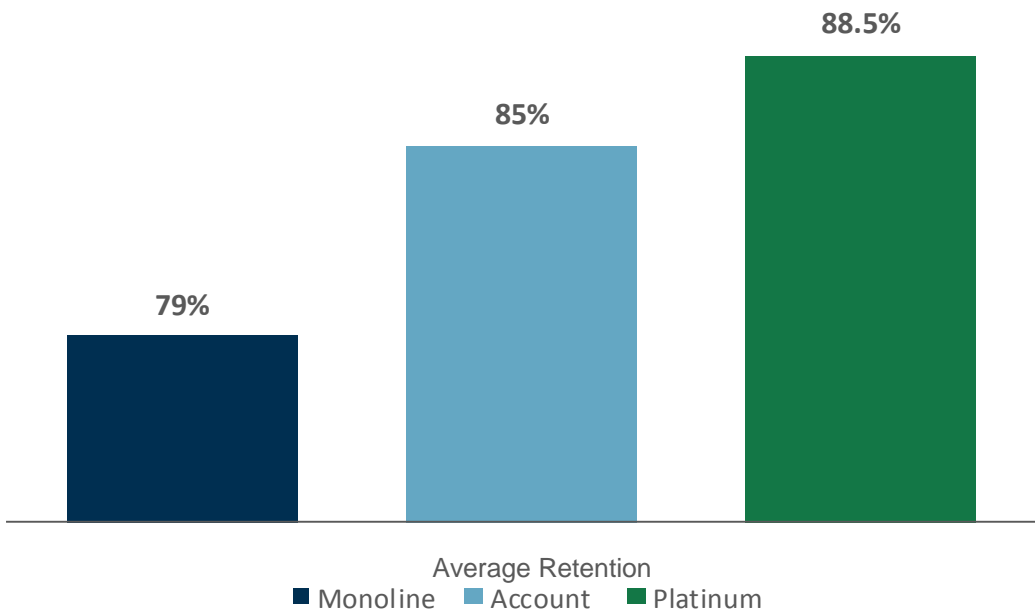
# Appendix



# Personal Lines – Leverage our profitable, whole account-oriented portfolio

2017 net premiums written growth of 8% to \$1.6 billion

Improving retention with Account and Hanover Platinum Experience offering



## Business characteristics

### *Where we are today*

- Whole account, value-oriented offering with customer base more resilient to commoditization
- Account business offers higher lifetime value
- Local operating model well established with best distributors

### *Where we are going*

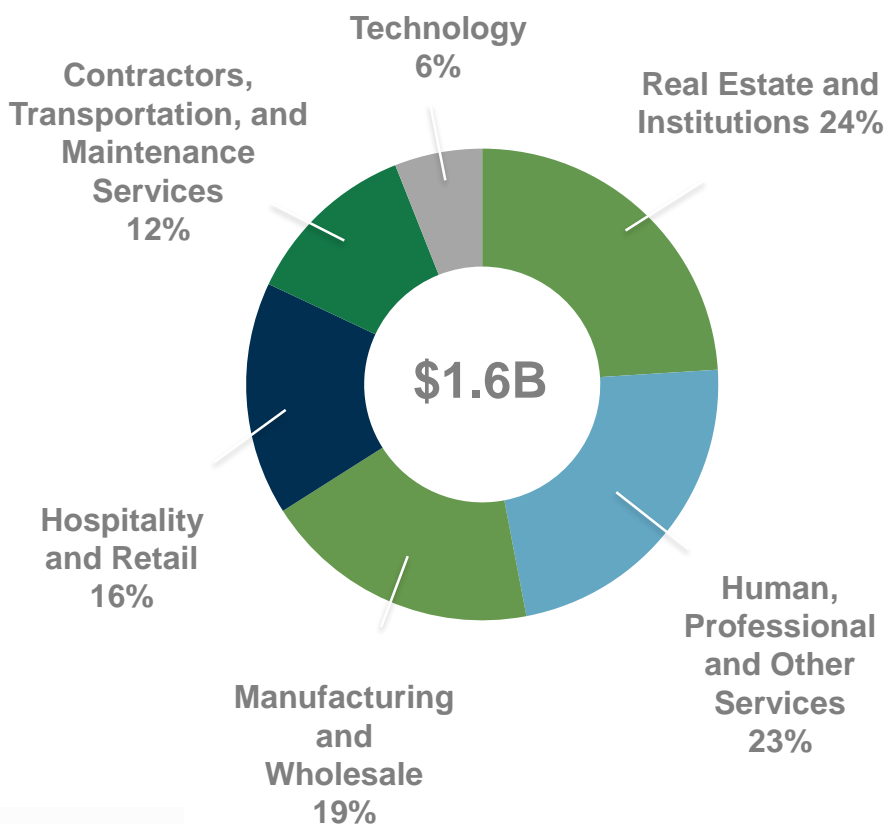
- Existing agency penetration should fuel profitable growth
- Leveraging agent-center distribution strategy to grow higher profit business, \$6-\$8 billion of new emergency affluent business within footprint



# Core Commercial – one of the leading players in the marketplace

High focus on profitability and playing to our strengths

## 2017 net premiums written



## Business characteristics

### *Where we are today*

- Higher-end Small Commercial and lower-end Middle Market focus.
- Distinctive industry specialization
- Underwriting flexibility: point of sale and non-point of sale capabilities
- Market insight into opportunities due to unique agency analytical tools
- Small account size value oriented portfolio

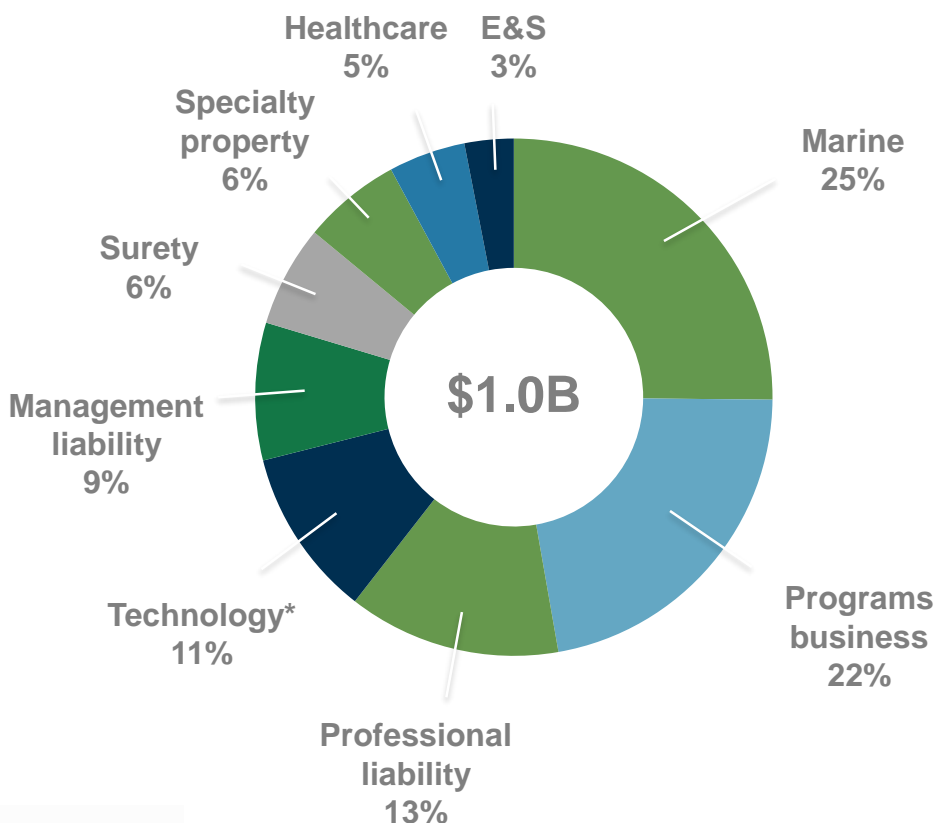
### *Where we are going*

- Gain further agency penetration
- Create more attractive product packages to better serve our agents:
  - Strengthen Small Commercial product by adding specialty coverages
  - Middle Market appetite expansion in targeted areas



# Continue to be a leading carrier in specialty coverages direct to retail agents

## 2017 net premiums written



## Business characteristics

### Where we are today

- Diversified capabilities
- Focused mainly on the lower-end of the risk and account size spectrum
- Doubled Domestic Specialty business in seven years (~14% CAGR) using organic and inorganic approaches
- Underwriting structure reaching scale

### Where we are going

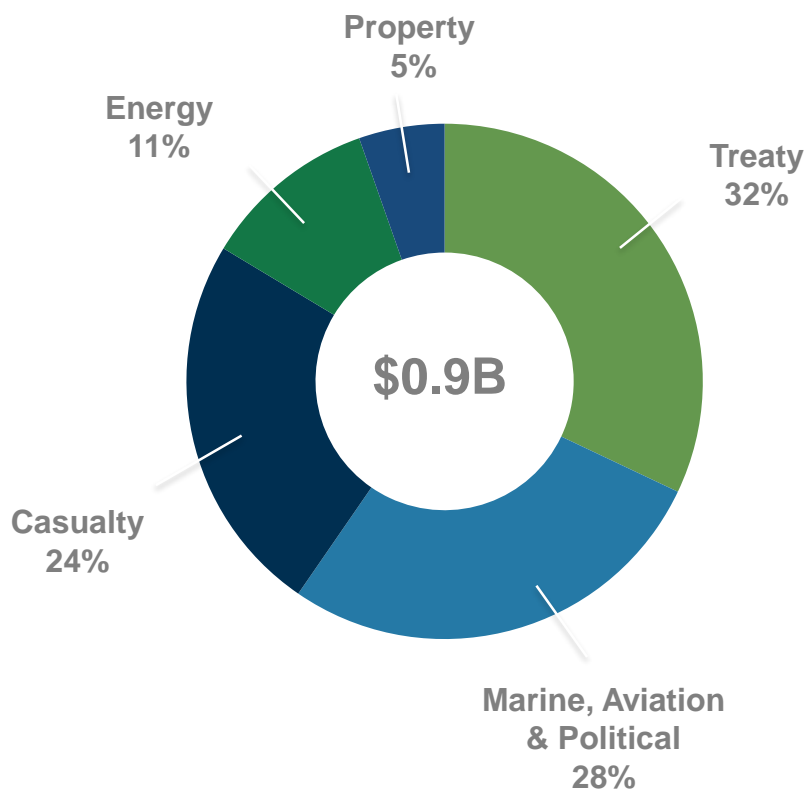
- Filling in the capability and growing prudently
  - Further penetration of targeted retail agents
  - Responsibly expand risk appetite as agents move upstream toward specialized offerings
  - Further develop existing wholesale and E&S platforms with targeted new agency appointments
- Align our businesses around three verticals in order to better leverage our capabilities in Specialty and across the enterprise

\*Technology currently included in Core Commercial offering



# Chaucer – Distinguished specialty underwriting platform

## 2017 net premiums written



## Business characteristics

### *Where we are today*

- Diversified specialist product portfolio supported by profit-motivated business model
- Leading 30-57% of business in target classes
- Market-leading underwriting results with 90% average combined ratio over last five-and-a-half years
- Leveraging best-in-class ERM globally

### *Where we are going*

- Responsibly expand risk appetite within core business (e.g., treaty)
- Extending regional geographic reach in emerging markets to capture profitable opportunities
- Exploring new coverage areas (e.g., cyber)



# Strong and leverageable distribution platform

## Agent segmentation

| Segment                | # of Agents in U.S. |
|------------------------|---------------------|
| 1. Top 3 brokers       | 3                   |
| 1a. Top 4 – 10 brokers | 7                   |
| 2. Top 200             | 200                 |
| 3. Regional agents     | 1,500               |
| 4. Mid-sized agents    | ≈7,000              |
| 5. Small agents        | ≈26,000             |
| <b>Total</b>           | <b>35,000</b>       |

## The Hanover focus

| # of Target Agents | The Hanover share |
|--------------------|-------------------|
| Limited            |                   |
| 7                  | 4%                |
| 150                | 5%                |
| 500                | 8%                |
| 1,000              | 16%               |
| 450                | 22%               |
| <b>≈2,100</b>      | <b>7%</b>         |

## Opportunity ahead

100% committed to our Independent Agents

- Dedicated to the success of 2,100 of the industry’s best independent agents
- Offering franchise value
- Providing local expertise & underwriting authority
- Continued evolution of tools and insights that help agents improve their economics

Focused franchise, broad coverage:

- 45% of our domestic premium and strong momentum with the industry’s Top 200 agents
- Access to 40% of U.S. independent agency premium

Substantial headroom:

- 7% “addressable” market share
- 4% market share with the Top 10 U.S. agents

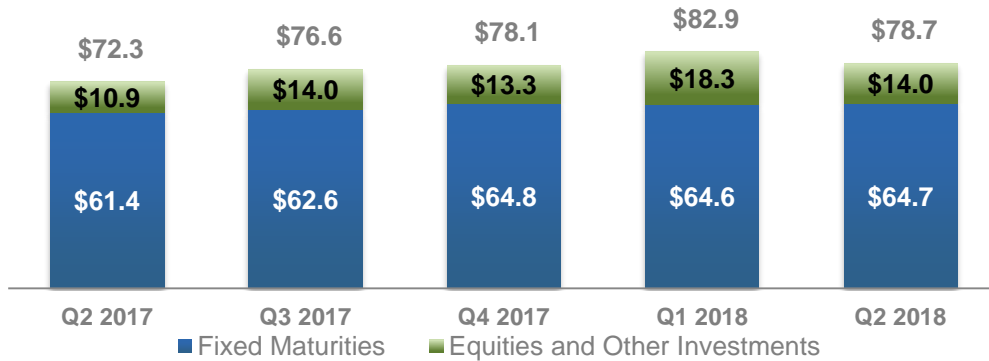




# Investment Portfolio

(\$ in millions)

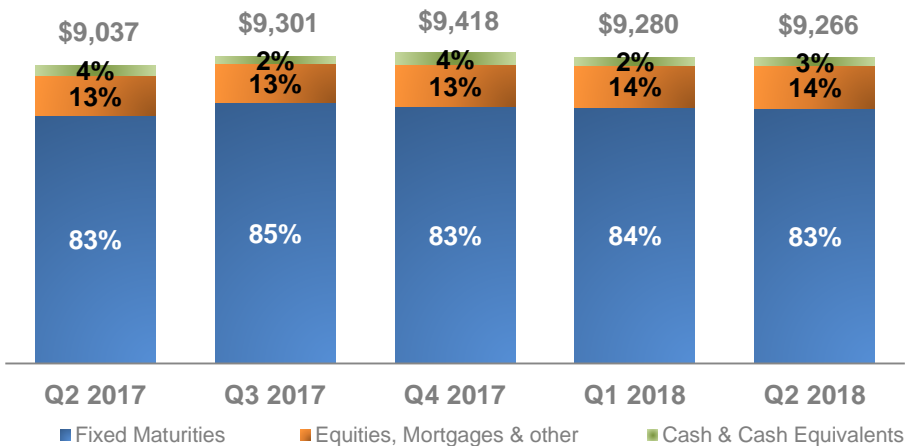
## Net Investment Income\*



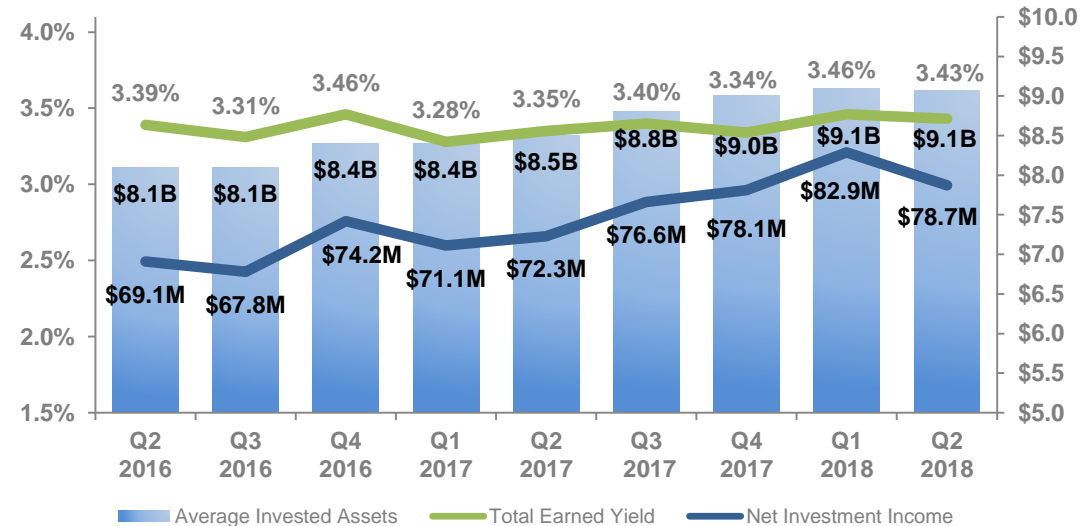
- High quality, well laddered portfolio
- Fixed income characteristics:
  - 95% are investment grade
  - Weighed average quality: A+
  - Duration: 4.3 years

(\$ in millions)

## Cash and Invested Assets



## Investment Portfolio Trends



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

- (1) 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 Second Quarter 2018 Financial Supplement posted on our website, [www.hanover.com](http://www.hanover.com).
- (2) Operating income after taxes per diluted share ("Operating EPS" or "EPS") is a non-GAAP financial measure. Operating EPS is calculated by dividing operating income after taxes, as defined as part of endnote (3), by the weighted average of the number of shares outstanding during each year.
- (3) Operating return on average equity ("Operating ROE"), operating income and operating income per diluted share and average shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, are non-GAAP financial measures. See the disclosure on the use of non-GAAP measures under the heading "Forward-looking statements and non-GAAP financial measures." Operating ROE is calculated by dividing operating income after tax annualized by average shareholders' equity, excluding unrealized appreciation (depreciation) on investments, net of tax, for the stated period. Operating income before taxes, as referenced in the results of the three business segments, is defined as, with respect to such segment, operating income before taxes and interest expense. Operating ROE is the average of beginning and ending shareholders' equity, excluding net unrealized appreciation (depreciation) on investments, net of tax, is used for the period.
- (4) Current accident year loss and LAE 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:

|  | Twelve months ended December 31 |              |              |              |              |              |
|--|---------------------------------|--------------|--------------|--------------|--------------|--------------|
|  | 2012                            | 2013         | 2014         | 2015         | 2016         | 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 | <u>61.9%</u>                    | <u>60.6%</u> | <u>59.6%</u> | <u>59.4%</u> | <u>58.4%</u> | <u>57.4%</u> |

|  | Three Months ended |                       |                      |                   |                  |
|--|--------------------|-----------------------|----------------------|-------------------|------------------|
|  | June 30,<br>2017   | September 31,<br>2017 | December 31,<br>2017 | March 31,<br>2018 | June 30,<br>2018 |
| Total loss and LAE ratio                                       | 61.4%              | 71.3%                 | 61.0%                | 62.2%             | 61.6%            |
| Less:  |                    |                       |                      |                   |                  |
| Prior-year reserve development ratio                           | (1.3)%             | (1.0)%                | (0.3)%               | (0.7)%            | (0.8)%           |
| Catastrophe ratio  | 4.8%               | 15.9%                 | 3.8%                 | 5.6%              | 5.0%             |
| Current accident year loss ratio, excluding catastrophe losses | <u>57.9%</u>       | <u>56.4%</u>          | <u>57.5%</u>         | <u>57.3%</u>      | <u>57.4%</u>     |

- (5) On this page and later in this document, the expense ratio is reduced by installment fee revenues for purposes of the ratio calculation.
- (6) Current accident year combined ratio, excluding catastrophe losses (“CAY CR, ex-cat”), is a non-GAAP measure, which is equal to the combined ratio (“CR”), 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.

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

|  | Three months ended<br>June 30, 2018 |
|--|-------------------------------------|
|  | Total                               |
| Total combined ratio   | 95.5%                               |
| Less:  |                                     |
| Prior-year reserve development ratio                               | (0.8%)                              |
| Catastrophe ratio  | 5.0%                                |
| Current accident year combined ratio, excluding catastrophe losses | <u>91.3%</u>                        |
|  | June 30, 2017                       |
| Total combined ratio   | 95.6%                               |
| Less:  |                                     |
| Prior-year reserve development ratio                               | (1.3%)                              |
| Catastrophe ratio  | 4.8%                                |
| Current accident year combined ratio, excluding catastrophe losses | <u>92.1%</u>                        |



- (7) 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<br>ended<br>June 30, 2018 | Three months<br>ended<br>June 30, 2017 |
|--|--|--|
|  | Total                                  | Total                                  |
| Total combined ratio                         | 95.5%                                  | 95.6%                                  |
| Less: catastrophe ratio                      | 5.0%                                   | 4.8%                                   |
| Combined ratio, excluding catastrophe losses | <u>90.5%</u>                           | <u>90.8%</u>                           |