



The Hanover Insurance Group, Inc.

Fourth Quarter 2011 Results

February 8, 2012

**To be read in conjunction with the press release dated
February 8, 2012 and the conference call scheduled for February 9, 2012**

Forward-Looking Statements and Non-GAAP Financial Measures

Certain statements in this presentation, including responses to questions, contain or may contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Use of the words “believes,” “anticipates,” “expects,” “projections,” “outlook,” “should,” “plan,” “confident,” “guidance,” “on track to,” “promise,” “line of sight,” “will” and similar expressions are intended to identify forward-looking statements. In particular, this presentation and related earnings call includes forward-looking statements with respect to the ability to continue to improve our financial performance and capitalize on growth opportunities; upgrades in the quality of our product portfolio; guidance on 2012 segment income and segment income per share; trends compared to prior statements of expectations; improved market and economic conditions; building momentum in Personal and Commercial Lines profitability improvement; momentum in newer states; the pricing environment and the company’s ability to increase rates in domestic P&C and in Lloyd’s businesses; the investment yield environment and the company’s ability to minimize the impact; interest expense on debt; the impact of foreign exchange fluctuations; competitive position, including with respect to agents; net written premium growth and retention; new business growth; future prior year reserve development and reserve adequacy; GAAP and accident year loss ratios; expense ratio and expense improvements from improving scale; adequacy of capital to rating agency expectations; product margins, including with respect to specialty business; ability to realize on prior investments; expected contribution of operating results of Chaucer Holdings PLC (“Chaucer”) to consolidated earnings, including expected segment earnings for the full year 2012, and Chaucer’s earnings accretion; Chaucer’s ability to contribute to the company’s profitability; Chaucer’s ability to benefit from improved international rate environment; net investment income and the effect of lower yields on future net investment income; product introductions; product- geographic- and account- based mix changes on future growth and profitability; and may also include forward looking statements on underwriting conditions, other potential benefits of the acquisition of Chaucer, capital levels, ratings, the number of shares outstanding, investment impairments and net investment income.

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 February 8, 2012 and the Annual Report 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, speaks as of December 31, 2011.

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, 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, 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, the risks that the company will not achieve the benefits from the Chaucer transaction and those inherent in Chaucer’s business.

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 total segment income, segment income after taxes, combined ratios and loss ratios excluding catastrophes and/or development and accident year loss ratios excluding catastrophes. A reconciliation of non-GAAP measures to the closest GAAP measure is included in either the press release or statistical supplement, which are posted on our website. The reconciliation of accident year loss ratio and combined ratio excluding catastrophes to the nearest GAAP measure, total loss ratio and combined ratio, is found on pages 7, 10 and 13 of the statistical supplement. Segment income after-tax (segment income after tax per diluted share) is a non-GAAP measure. It is defined as net income excluding the after-tax impact of net realized investment gains (losses), as well as results from discontinued operations for a period divided by the average number of diluted shares of common stock. The definition of other financial measures and terms can be found in the Annual Report on pages 75-77.

2011 Highlights

Fourth Quarter

- Net income of \$49.3 million, or \$1.09 per share; segment income after tax* of \$45.2 million, or \$1.00 per share
- Combined ratio of 99.0%; ex-catastrophe combined ratio of 93.7%*
- Net premiums written of \$977 million, 36.3% higher than the prior-year quarter driven by:
 - Addition of \$206.5 million in net premiums written from Chaucer
 - Commercial Lines growth of 12.6% driven by core commercial and specialty offering
- Fifth consecutive quarter of accelerating rate increases across core Commercial Lines

Full Year

- Net income of \$37.1 million, or \$0.81 per share; segment income after tax of \$14.6 million, or \$0.32 per share
- Combined ratio of 104.6%; ex-catastrophe combined ratio of 94.6%
- Chaucer segment income before interest and taxes* of \$32.3 million
- Net premiums written of \$3.6 billion, 17.9% higher than the prior-year quarter driven by:
 - Addition of \$428.8 million in net premiums written from Chaucer
 - Commercial Lines growth of 7.5% driven by specialty offering
- Book value per share of \$56.24, up 2.7% from December 2010
- Repurchased 625,571 shares at an average price of \$34.72

* Non-GAAP measure. See slide 2. These measures are used throughout this presentation.

Underwriting Performance

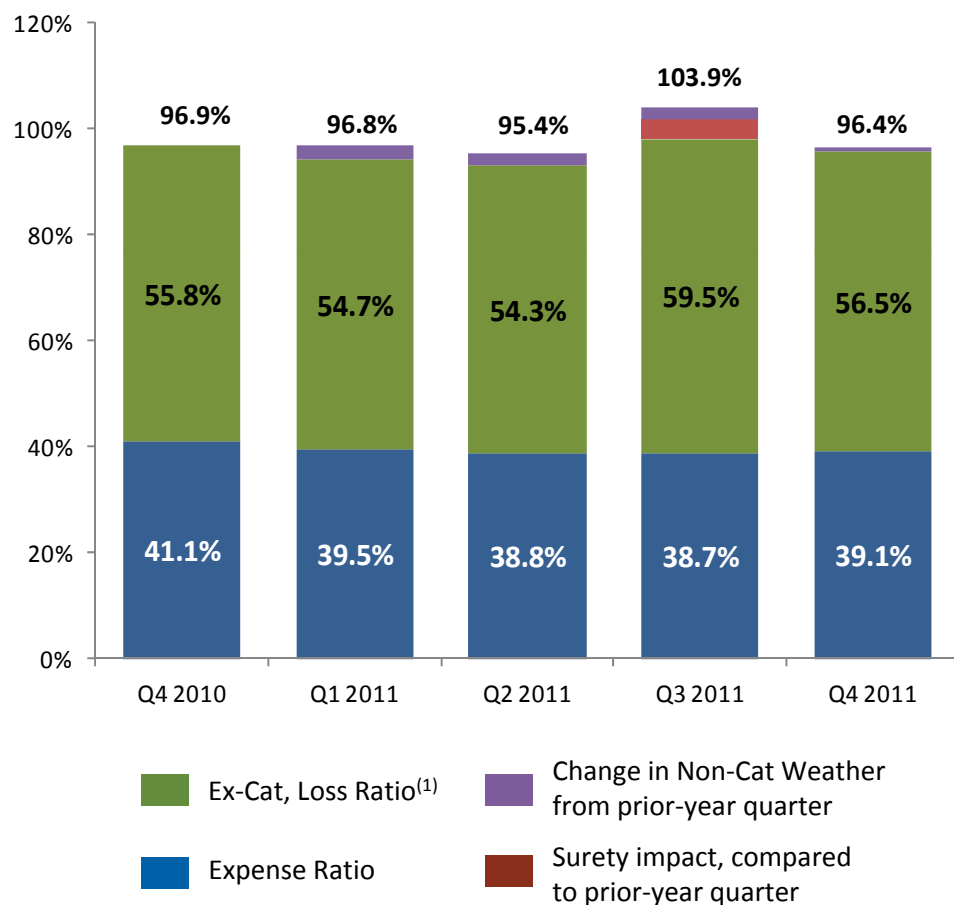
	Three Months Ended ⁽²⁾ December 31		Twelve Months Ended ⁽²⁾ December 31	
	2011	2010	2011	2010
Loss and LAE ratio:				
Current accident year, ex-cat	63.2%	64.0%	63.7%	63.6%
Catastrophe losses	5.3%	2.2%	10.0%	5.6%
Prior year favorable reserve development	(2.9%)	(3.2%)	(2.9%)	(3.9%)
Loss and LAE ratio	65.6%	63.0%	70.8%	65.3%
Expense ratio	33.4%	34.8%	33.8%	34.8%
Combined ratio	99.0%	97.8%	104.6%	100.1%
Combined ratio, ex-cat	93.7%	95.6%	94.6%	94.5%
Current accident year combined ratio, ex-cat⁽¹⁾	96.6%	98.8%	97.5%	98.4%
Underwriting income (loss)	\$ 6.3	\$ 12.3	\$ (183.3)	\$ (18.2)
Catastrophes	55.6	16.8	361.6	160.3
Ex-cat, underwriting income⁽¹⁾	\$ 61.9	\$ 29.1	\$ 177.3	\$ 142.1

(1) Non-GAAP measure. See slide 2. These measures are used throughout this presentation.

(2) Data for 2010 does not include Chaucer; Data for 2011 includes Chaucer beginning at July 1, 2011.

Fourth Quarter Commercial Lines Highlights

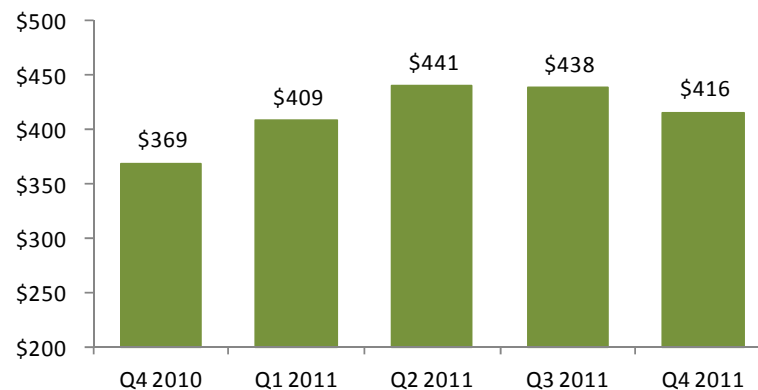
Combined Ratio, Ex-Cat



Financial Highlights

- Combined ratio of 97.3%, a 2-point improvement from Q4 2010
- Expense ratio improved by 2 points from Q4 2010
- Net written premium growth of 12.6%, primarily driven by core commercial and specialty lines
- Pricing increases of approximately 4% in core commercial, fifth consecutive quarter of pricing increase
- Retention improved to 85.9%, up 4.4 points from Q4 2010

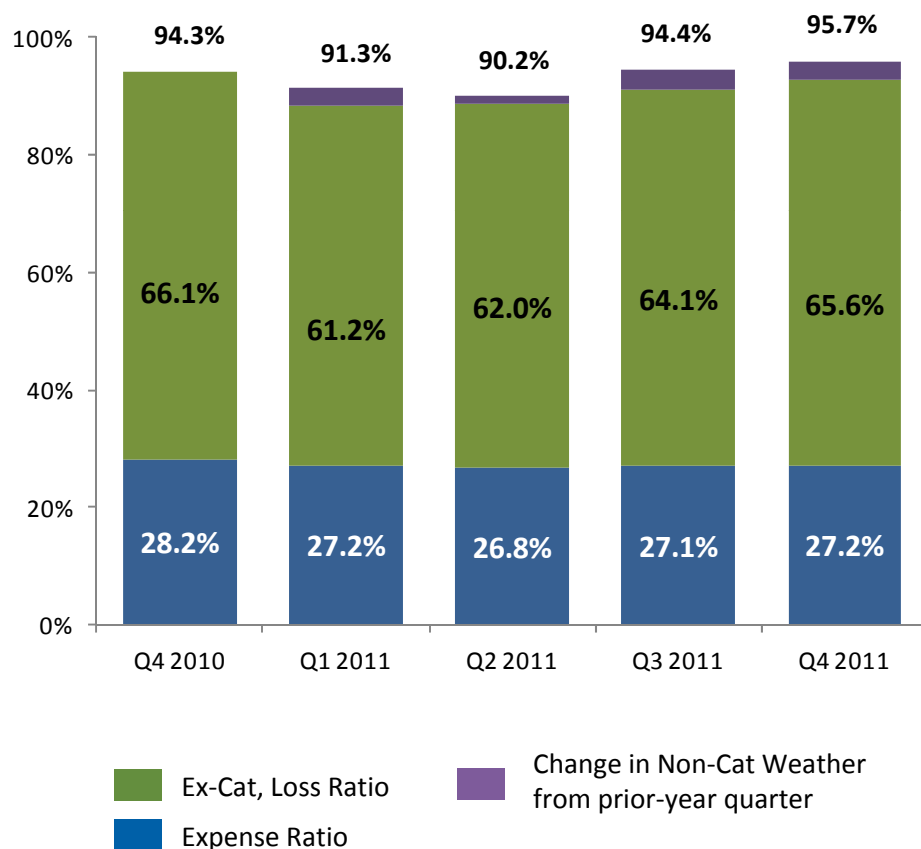
Net Written Premiums (In millions)



⁽¹⁾ Non-GAAP measure. See slide 2. These measures are used throughout this presentation.

Fourth Quarter Personal Lines Highlights

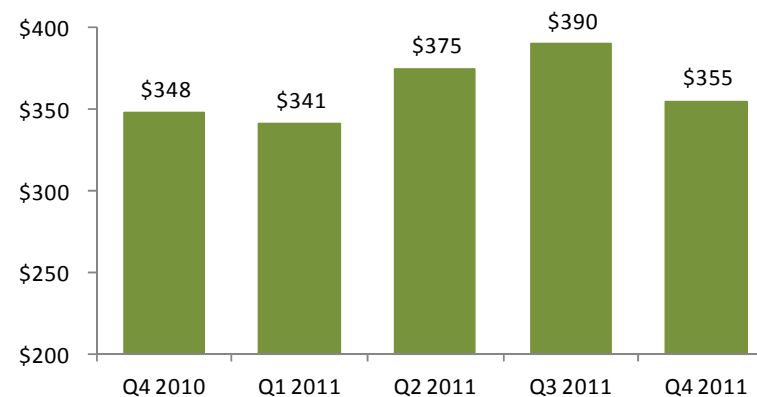
Combined Ratio, Ex-Cat



Financial Highlights

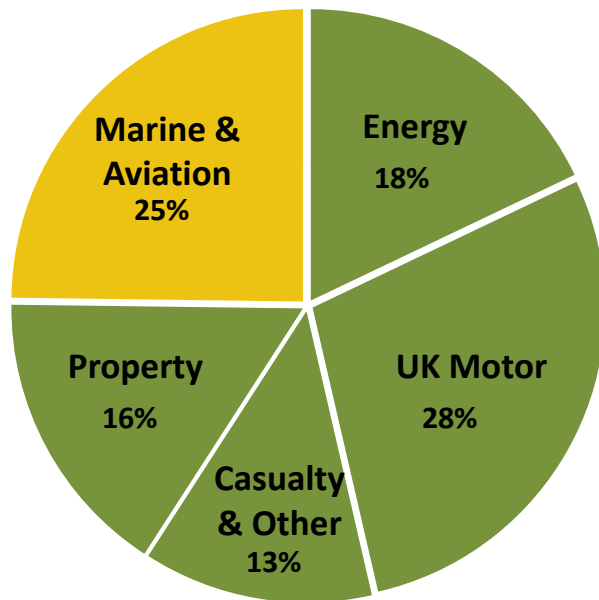
- Year-over-year increase in the combined ratio, ex-cat, driven by lower favorable reserve development
- Net written premium growth of 2.0%
 - Applied rate increases of 5% in auto and 7% in homeowners
- Retention improved 2.1 points from Q4 2010, driven by continued improvement in business mix and our account strategy

Net Written Premiums (In millions)



Fourth Quarter Chaucer Highlights

Net Written Premiums by Division

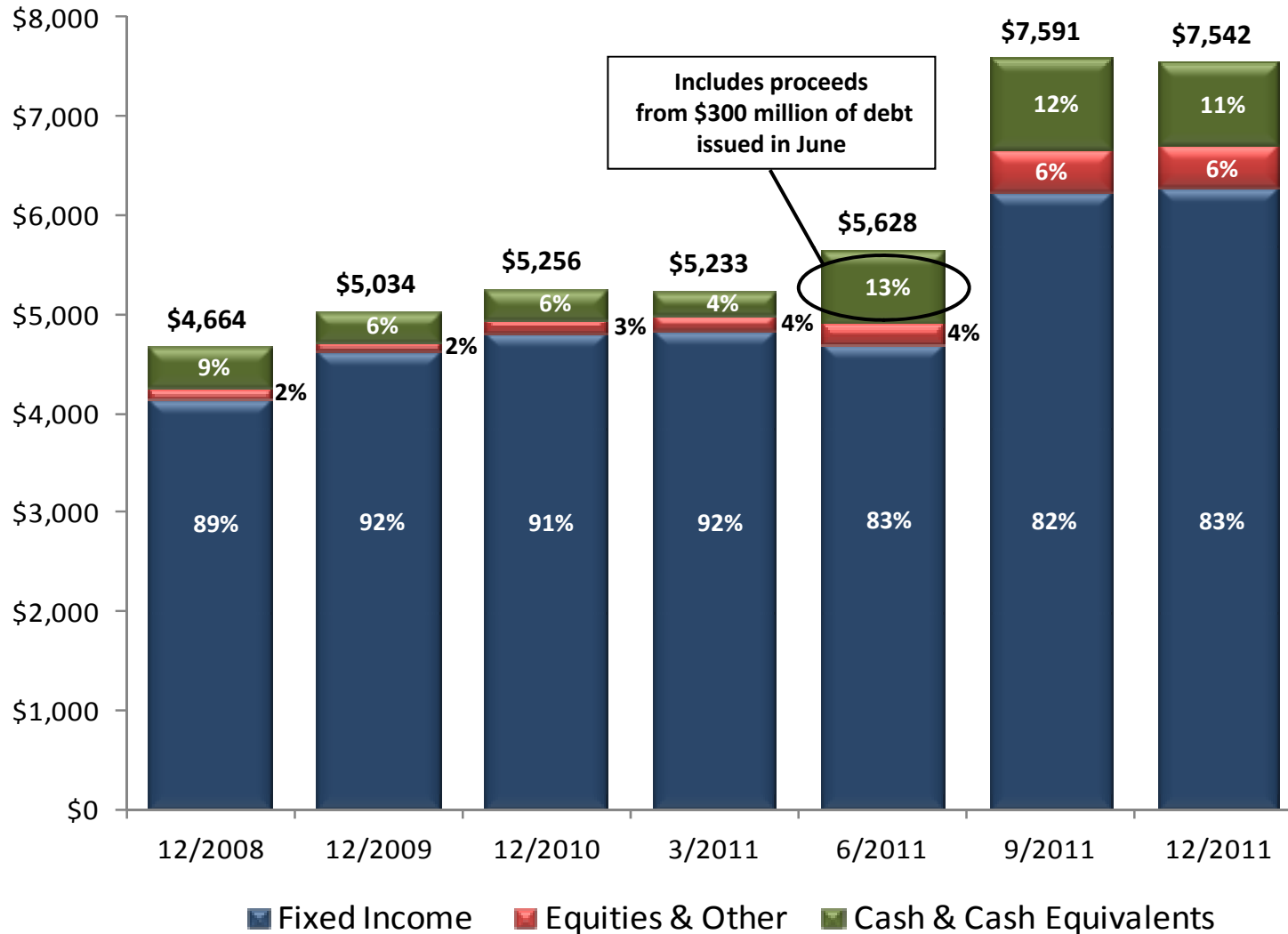


Financial Highlights

- Net written premiums \$206.5 million; net premium earned \$261.5 million
- 75% of the Chaucer portfolio is experiencing rate increases
- Segment income before interest and taxes of \$12.4 million
- Combined ratio of 100.3% included 13.7 points of catastrophes and 7.2 points of favorable development
- Catastrophe losses in the fourth quarter 2011 were driven by flooding in Thailand

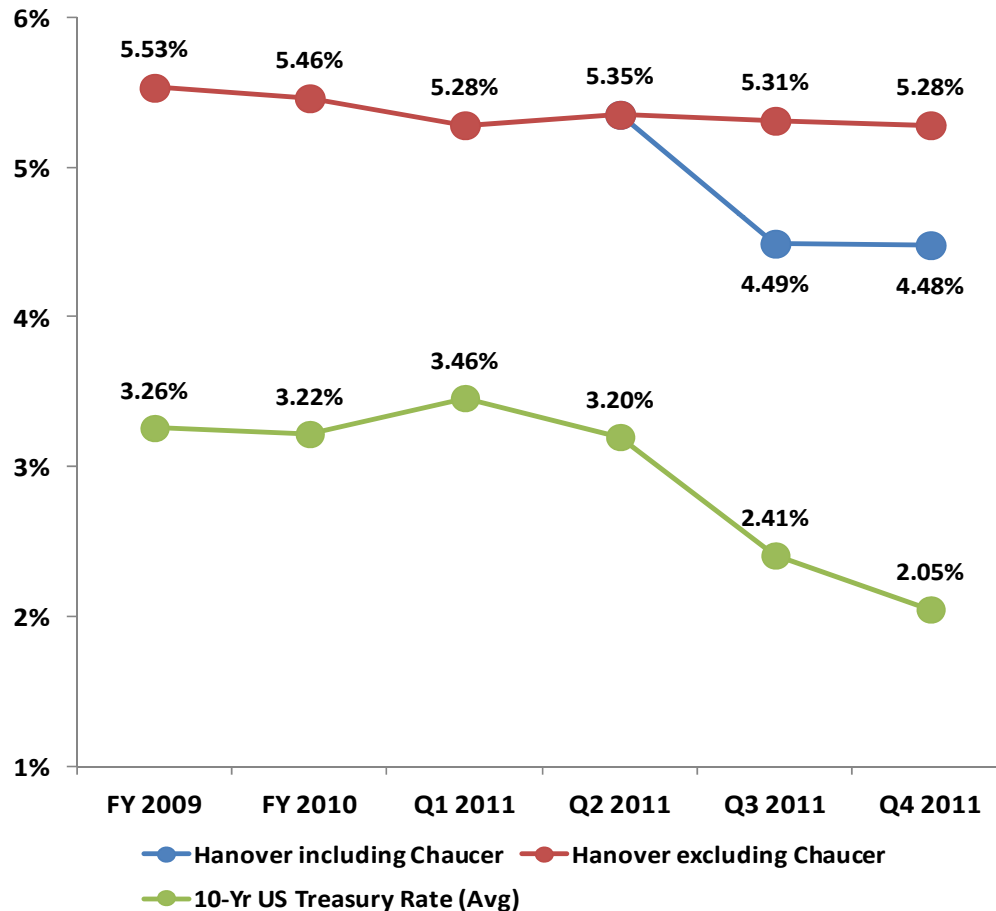
Investment Portfolio

\$ in millions



Fixed Income Yields

Earned Yields



- Hanover has a consistent history of strong earned yields
- Decline in yield reflects addition of Chaucer's investment portfolio:

	12/31/2011	
	Yield	Duration
Hanover	5.28%	4.5
Chaucer	2.19%	1.8
Consolidated	4.48%	3.9

- Hanover's standalone earned yield decreased 18 basis points from Q4 2010

Exposure to European Issuers

(as of 12/31/11)

\$ in millions

Sovereign Debt

	Market Value	Book Value	% of Total Portfolio (\$7.5B)	Average Quality Rating
United Kingdom	\$64	\$64	0.9%	Aaa
Germany	16	16	0.2%	Aaa
France	8	8	0.1%	Aaa
Denmark	1	1	0.0%	Aaa
Total	\$89	\$89	1.2%	Aaa

Supranational and Foreign Agency

	Market Value	Book Value	% of Total Portfolio (\$7.5B)	Average Quality Rating
Germany	\$39	\$39	0.5%	Aaa
Luxembourg	36	36	0.5%	Aaa
Netherlands	20	20	0.3%	Aaa
Norway	12	12	0.2%	Aaa
France	6	6	0.1%	Aaa
Switzerland	3	3	0.0%	Aaa
Sweden	1	1	0.0%	A1
Total	\$117	\$117	1.6%	Aaa

European Bank Exposure

	Market Value	Book Value	% of Total Portfolio (\$7.5B)	Average Quality Rating
United Kingdom				
Term Deposits (UK)	\$255	\$262	3.4%	Aa2
Debt	52	54	0.7%	A1
Spain				
Term Deposits (Spain)	34	33	0.4%	Aa3
Debt	5	5	0.1%	Aa3
Netherlands	31	31	0.4%	Aaa
Switzerland	17	17	0.2%	Aa2
France	15	17	0.2%	Aa3
Sweden	12	12	0.2%	Aa2
Ireland	7	7	0.1%	Baa3
Italy	3	4	0.0%	A3
Germany	0	0	0.0%	Aa3
Total	\$431	\$442	5.7%	Aa1

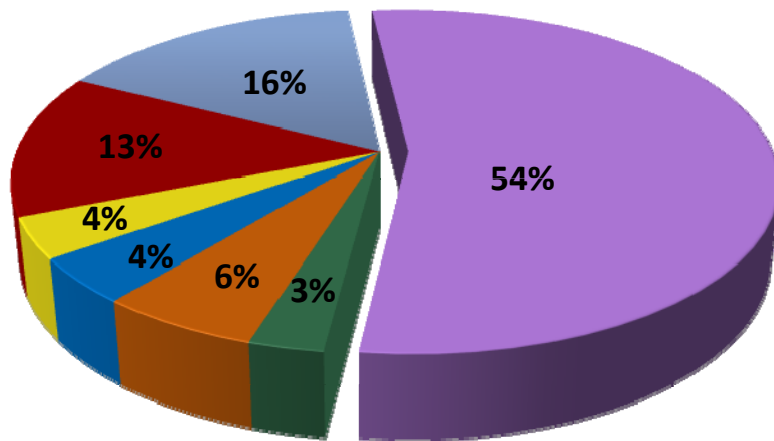
European Non-Bank Exposure

	Market Value	Book Value	% of Total Portfolio (\$7.5B)	Average Quality Rating
United Kingdom	\$225	\$215	3.0%	A3
Germany	67	65	0.9%	A3
France	62	60	0.8%	Aa3
Switzerland	50	47	0.7%	A3
Spain	32	32	0.4%	Baa1
Italy	17	18	0.2%	Baa1
Sweden	13	13	0.2%	Baa1
Luxembourg	12	13	0.2%	Baa3
Belgium	11	10	0.2%	Baa1
Netherlands	10	9	0.1%	A2
Portugal	10	11	0.1%	Baa3
Ireland	6	5	0.1%	Baa1
Norway	3	3	0.0%	Aaa
Denmark	1	1	0.0%	Baa3
Total	\$519	\$502	6.9%	A3

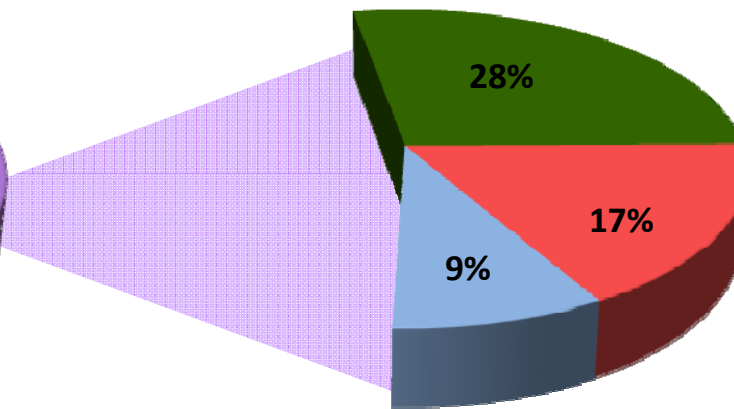
Fixed Income Sector Breakdown

as of 12/31/2011

Fixed Income \$6.3 Billion



Corporates \$3.4 Billion



■ Corporates
 ■ Municipals (Tax-exempt)
 ■ CMBS
 ■ Foreign Gov't
■ U.S. Govt/Agencies
 ■ Municipals (Taxable)
 ■ MBS/ABS

■ Industrials
 ■ Financials
 ■ Utilities

Fixed Income Characteristics:

- 94% of fixed income securities are investment grade
- Weighted average quality A+
- Duration: 3.9 years

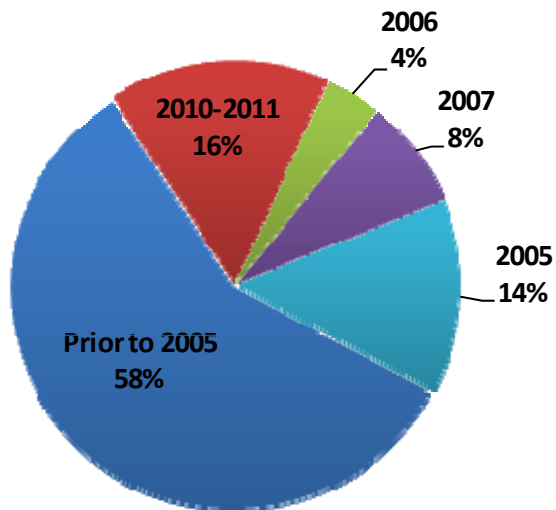
Corporate Holding Characteristics:

- 90% Investment Grade
- Weighted average quality BBB+
- Duration 4.2 years

CMBS Portfolio: \$379.1 million

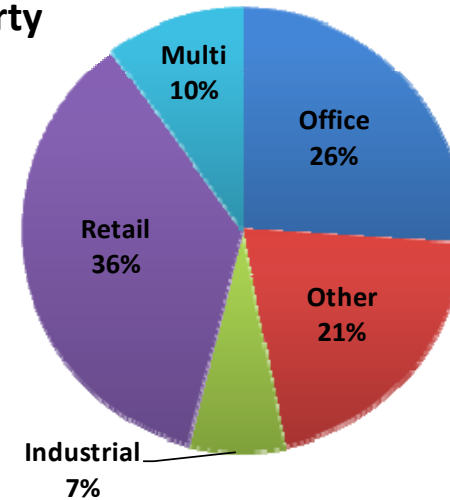
as of 12/31/2011

Vintage

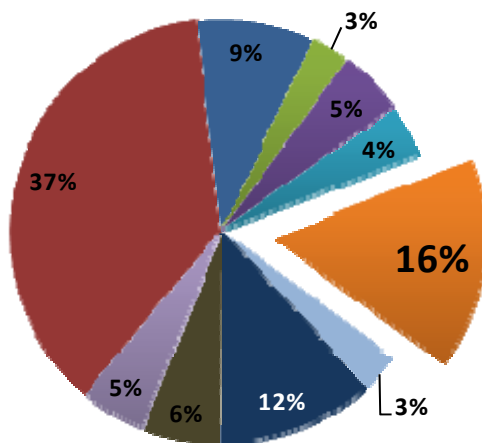


Weighted average LTV: 72%

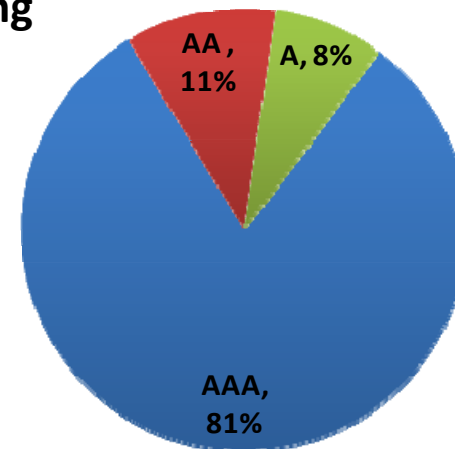
Property Type



Geography



Rating



■ Other
 ■ NY
 ■ NC
 ■ FL
 ■ VA
 ■ Defeased
 ■ NJ
 ■ CA
 ■ TX
 ■ IL

Municipal Bond Portfolio

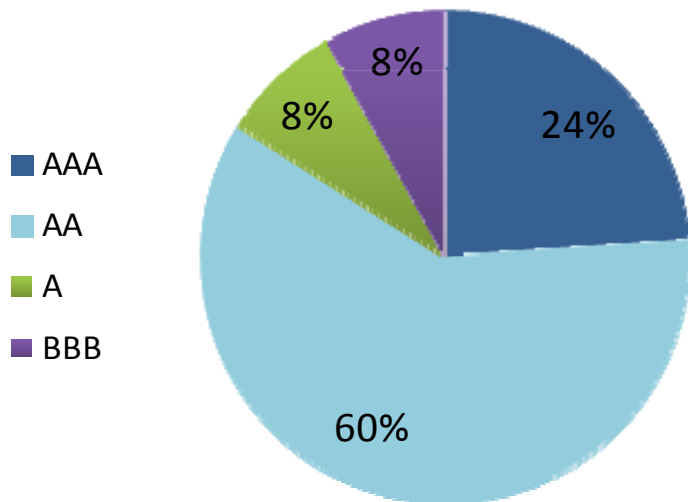
as of 12/31/2011

\$1,028 million, or 14% of total investment portfolio

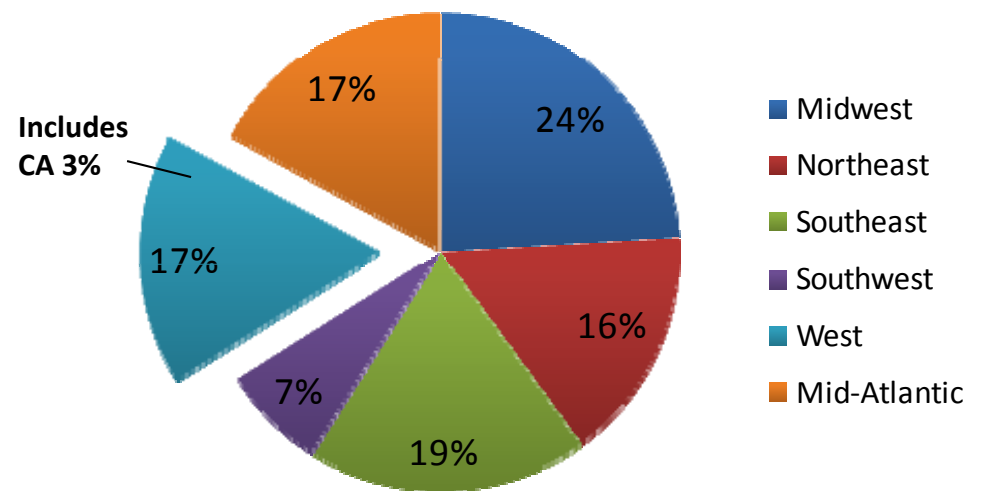
Privately Insured – 21% (A+)
 Government/Agency Insured – 8% (AA+)
 Uninsured – 71% (AA)
 Weighted Average Rating - AA

Revenue Bonds – 61%
 GO Bonds – 39%
 Taxable – 83%
 Tax-exempt – 17%

Rating



Region



No individual state accounts for more than 5.4% of the total portfolio

Balance Sheet Strength

\$ in millions, except per share data

	December 31 2010	September 30 2011	December 31 2011
Book value per share	\$54.74	\$54.98	\$56.24
Shareholders' equity	\$2,461	\$2,455	\$2,510
Debt	\$606	\$902	\$911
Total capital	\$3,067	\$3,357	\$3,421
Debt/total capital	19.8%	26.9%	26.6%
THG holding company cash and investment:	\$448	\$239	\$207

Capital Management Activity

- Stock repurchases of \$1.7 million in the fourth quarter of 2011
- Stock repurchases of \$21.7 million in 2011

Questions